

BULGARGAZ EAD

**INTERIM REPORT
CONDENSED INTERIM FINANCIAL STATEMENTS**

31 MARCH 2021

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This Bulgargaz EAD Report for the first quarter of 2021 presents comments on and analysis of its financial statements, as well as other material information about the Company's financial position and business performance, and compares it with data for the first quarter of 2020.

This report has been prepared pursuant to Article 39 of the Accountancy Act, Article 187d, Article 247(1), (2) and (3) of the Commerce Act and Article 100n(7)(2) of the Public Offering of Securities Act.

I. GENERAL COMPANY INFORMATION

Bulgargaz EAD is a sole shareholder limited company registered pursuant to the Commerce Act, having its registered office and principal place of business at 47 Petar Parchevich St, Serdika, 1000 Sofia, Bulgaria.

The authorised capital is divided into 231 698 584 registered shares. The capital of the Company is subscribed and paid up by Bulgarian Energy Holding EAD. All shares have a par value of BGN 1. The shares of the Company are ordinary, registered, non-preferred shares with voting rights. The State owns 100% of the authorised capital of Bulgarian Energy Holding EAD.

Bulgargaz EAD's main business is the public supply of natural gas, as well as purchases and sales related thereto.

Bulgargaz EAD holds an individual licence to supply natural gas to the public in Bulgaria, issued by the State Energy and Water Regulatory Commission on 29 November 2006 for a period of 35 years.

The special laws and regulations concerning the Company's business are: Energy Act; Ordinance No 3 of 2013 on licencing of energy activities; Ordinance No 2 of 2013 on regulating natural gas prices; Rules for Trade in Natural Gas; Regulation No 994/2010 of the European Parliament and of the Council concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC.

Based on the methodology for setting prices for access to and transmission of natural gas through the gas transmission networks owned by Bulgartransgaz EAD, adopted by the Energy and Water Regulatory Commission, and in connection with the introduction of an in-out tariff model to implement the same methodology, since 1 October 2017 the prices for access to and transmission through the gas transmission networks are set in BGN/MWh. Bulgargaz EAD and Bulgartransgaz EAD have concluded a contract for access to and transmission of natural gas through the gas transmission networks of Bulgartransgaz EAD and an agreement for the purchase and sale of natural gas for balancing purposes.

1. COMPANY STRUCTURE

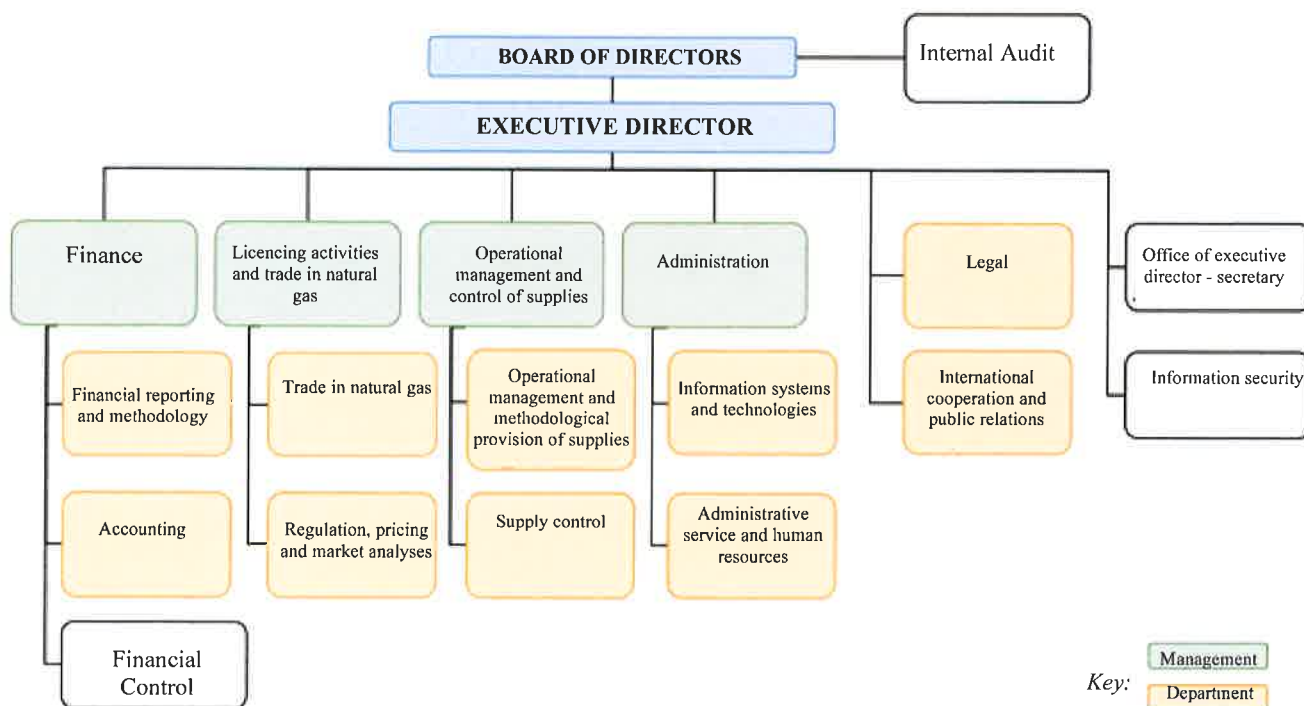
Bulgargaz EAD has a one-tier management system. The Company management bodies are:

- Sole Shareholder authorised to make decisions within the competence of the General Meeting
- Board of Directors (BoD)

As at 31 March 2021, the Board of Directors is composed by:

Iliyan Kirilov Dukov	BoD member
Nikolay Angelov Pavlov	BoD member and Executive Director

ORGANIZATIONAL STRUCTURE OF BULGARGAZ EAD



2. RESPONSIBILITY OF MANAGEMENT

Management confirms that adequate accounting policies were applied in preparing the financial statements as at 31 March 2021 and that the financial statements have been prepared on a going concern basis.

Management is responsible for keeping proper accounting records, for expedient asset management and for taking the necessary actions to prevent and detect potential fraud and other irregularities.

3. INFORMATION ON THE ACQUISITION AND OWNERSHIP OF COMPANY SHARES BY MEMBERS OF THE BOARD OF DIRECTORS

BoD members do not own Company shares. No privileges and exclusive rights to acquire Company shares and bonds acquisition have been provided to BoD members. All shares are owned by Bulgarian Energy Holding EAD.

Information on the participating interests of BoD members in companies as unlimited liability partners holding more than 25% of other companies' equity, as well as their participation in the management of other companies or co-operations as procurement officers, managers or board members (pursuant to Article 247(2)(4) of the Commerce Act) is shown below:

Iliyan Kirilov Dukov – BoD member since 6 January 2015:

- does not hold participating interests in any company as an unlimited liability partner;
- owns more than 25% of the equity of Yapi Investments OOD, Lift Corp OOD, Nilis OOD, Imocorp EOOD and Inmax EOOD;
- participates in the management of Nilis OOD, Imocorp EOOD and Inmax EOOD as a manager.

Nikolay Angelov Pavlov – Executive Director, BoD member since 22 May 2017:

- does not hold participating interests in any company as an unlimited liability partner;
- does not own more than 25% of the equity of any company;

- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

4. INFORMATION ABOUT CONTRACTS UNDER ARTICLE 240B OF THE COMMERCE ACT CONCLUDED IN THE YEAR

As at 31 March 2021, the Board of Directors or any other related persons have not entered into any contracts pursuant to Article 240B of the Commerce Act on behalf of the Company that go beyond its normal business or substantially deviate from market conditions.

II. BUSINESS PERFORMANCE FOR THE FIRST QUARTER OF 2021

As at 31 March 2021, Bulgargaz EAD operates in compliance with all regulations. The result of the Company's business is post-tax profit of BGN 19 785 thousand (as at 31 March 2020: profit of BGN 49 929 thousand).

1. FACTORS AFFECTING COMPANY BUSINESS

Bulgargaz EAD's business, public supply of natural gas, is governed by the Energy Act and related regulations.

The Act Amending and Supplementing the Energy Act (AASEA), adopted on 25 September 2019 by the National Assembly and published in the State Gazette, issue 79 of 2019, created an organised natural gas exchange and governs its functioning and the role of market participants.

From 1 December 2019, Bulgargaz EAD became obligated to annually offer certain quantities of natural gas for sale on the organised exchange in accordance with the release programme set out in Article 176a of the EA.

The amendment to Article 30(1)(7) of the EA, published in the State Gazette, issue 79 of 2019, substantially narrowed the circle of entities to which Bulgargaz EAD sells gas at regulated prices. This change entered into force on 1 January 2020, meaning that Bulgargaz EAD, as a public supplier, now only sells natural gas at regulated prices to:

- (i) end natural gas suppliers;
- (ii) entities holding a licence to produce and transmit heat used for district heating.

All other customers directly connected to the gas transmission network no longer participate in the regulated market.

In 2021, Bulgargaz EAD, as a public supplier, has contracts for the supply of natural gas at regulated prices to customers connected to the gas transmission network, who are not end suppliers or licensed to produce and transmit heat used for district heating ("Contracts"). The contracts were concluded prior to the entry into force of the AASEA.

Under Bulgarian law, laws, including their amendments, are not retroactive. The transitional and final provisions of the AASEA do not contain express wordings concerning the contracts already concluded with customers who no longer fall into the circle of entities referred to in Article 30(1)(7) of the EA after the entry into force of the AASEA, which means those contracts continue to be valid.

This price may be set, including by referring the price for public supply offered by Bulgargaz EAD for approval by the EWRC.

In order to ensure a level playing field between the Company's customers, Bulgargaz EAD uses a single approach to setting the prices at which it supplies natural gas on the regulated market and, accordingly, the prices under the Contracts that were initially concluded at regulated prices and should be performed at freely negotiated prices after the entry into force of the AASEA.

In order to ensure a smooth transition and protect the interests of both parties as best as possible, Bulgargaz EAD offered to its customers to set sale prices under the Contracts in accordance with Regulation No 2 of 19 March 2013 on regulating natural gas prices.

2. ACHIEVEMENT OF QUANTITATIVE INDICATORS

2.1. Quantities of natural gas bought and sold

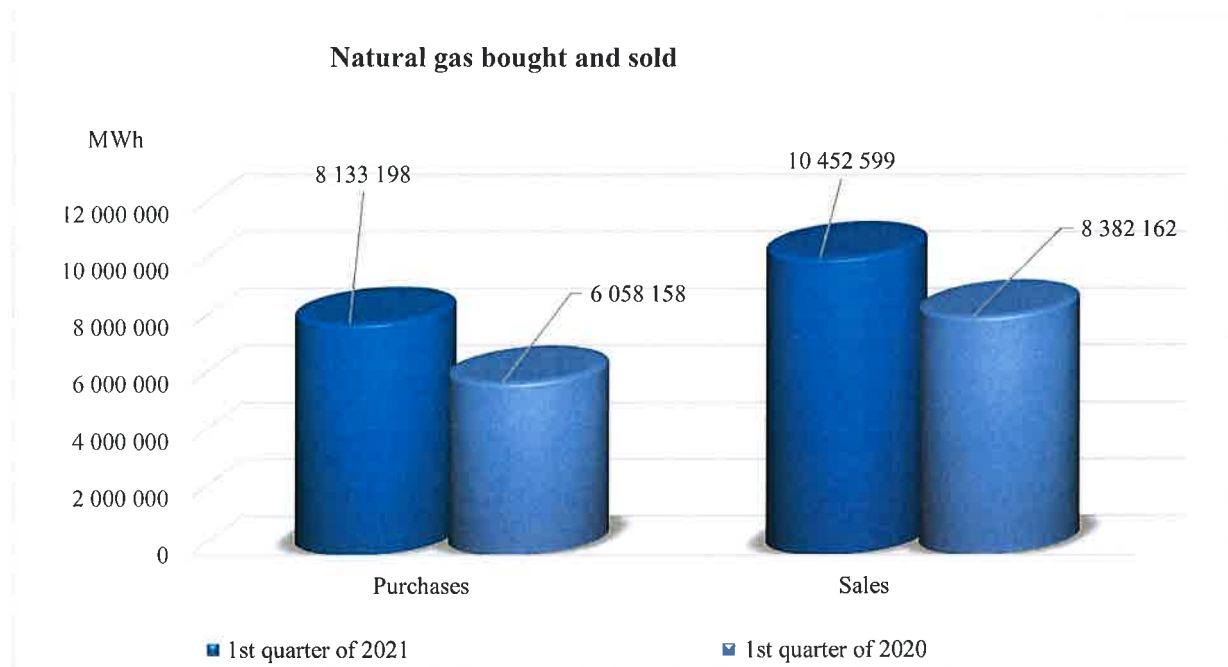
Natural gas supplies ensuring the Company's customers have sufficient quantities for their purposes are provided under long-term contracts with suppliers from the Russian Federation and Azerbaijan.

The quantities of natural gas bought and sold in the first quarter of 2021 compared to the first quarter of 2020 are shown in Table 1 below:

Table 1

MWh

Type of supply	Unit	As at 31 March 2021	As at 31 March 2020	Change in quantities	Change in %
Purchase	MWh	8 133 198	6 058 158	2 075 040	34,25%
Sale	MWh	10 452 599	8 382 162	2 070 437	24,70%



A total of 8 133 198 MWh (as at 31 March 2020: 6 058 158 MWh) were bought in the reporting period, which is an increase of 2 075 040 MWh or 34,25%.

The quantity of gas sold were 10 452 599 MWh, compared to 8 382 162 MWh as at 31 March 2020, which is an increase of 2 070 437 MWh or 24,70%. The increase in sales can be mainly attributed to higher consumption by customers in the energy sector and distribution companies.

2.2 Quantities of natural gas purchased

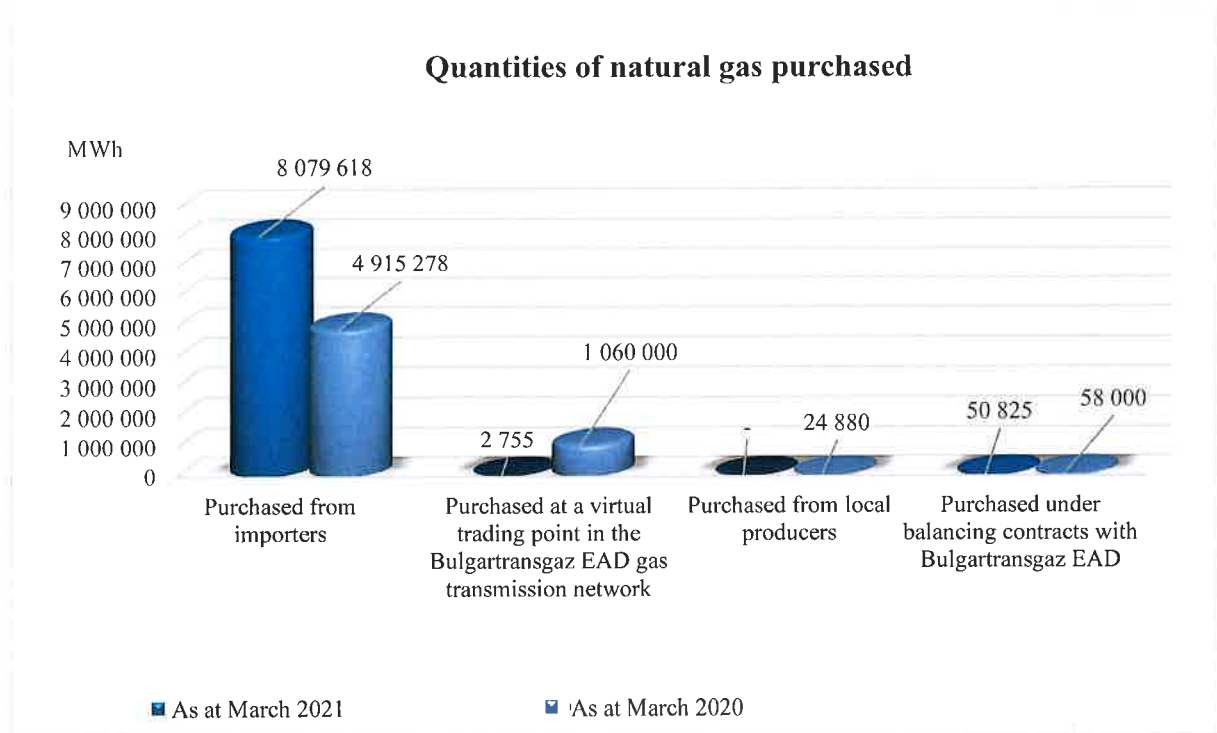
The quantities of natural gas purchased as at 31 March 2021 and 31 March 2020 are show in Table 2.

Table 2

MWh

Natural gas purchased	As at 31 March 2021	As at 31 March 2020	Change in quantities	Change in %
TOTAL for period	8 133 198	6 058 158	2 072 285	34,21%
Purchased from importers	8 079 618	4 915 278	3 164 340	64,38%
Purchased at a virtual trading point in the Bulgartransgaz EAD gas transmission network	2 755	1 060 000	(1 060 000)	(100,00%)
Purchased from local producers	-	24 880	(24 880)	(100,00%)

Natural gas purchased	As at 31 March 2021	As at 31 March 2020	Change in quantities	Change in %
Purchased under balancing contracts with Bulgartransgaz EAD	50 825	58 000	(7 175)	(12,37%)



To meet its customers' needs for natural gas, as at 31 March 2021 Bulgargaz EAD has purchased 8 133 198 MWh natural gas (31 March 2020: 6 058 158 MWh). As at 31 March 2021, the quantities of natural gas bought from importers are 8 079 618 MWh (31 March 2020: 4 915 278 MWh). The quantities bought at a virtual trading point are 2 755 MWh and the natural gas bought from Bulgartransgaz EAD under balancing contracts is 50 825 MWh.

2.3 Natural gas production and storage

To ensure the security and continuity of the supply of natural gas to its customers, Bulgargaz EAD uses the capacity of the underground gas storage facility in the village of Chiren (Chiren UGSF), owned by Bulgartransgaz EAD.

The quantities of natural gas produced and pumped into the Chiren UGSF as at 31 March 2021, compared with the same date in 2020, are shown in Table 3.

Table 3

MWh

Amount produced and amount pumped in	As at 31 March 2021	As at 31 March 2020	Change in MWh	Change in %
Quantities available at beginning of period	2 322 800	2 329 714	(6 914)	(0,30%)
Amount produced	2 322 320	2 331 780	(9 460)	(0,41%)
Amount pumped in	-	-	-	-
Difference in the recalculation of stocks, amount produced and amount pumped into the Chiren UGSF	480	(2 066)	2 546	(123,22%)
Quantities available at end of period	-	-	-	-

The quantities of natural gas produced as at 31 March 2021 are 2 322 800 MWh, compared to 31 March 2020: 2 329 714 MWh.

III. NATURAL GAS SALES

1. Sales

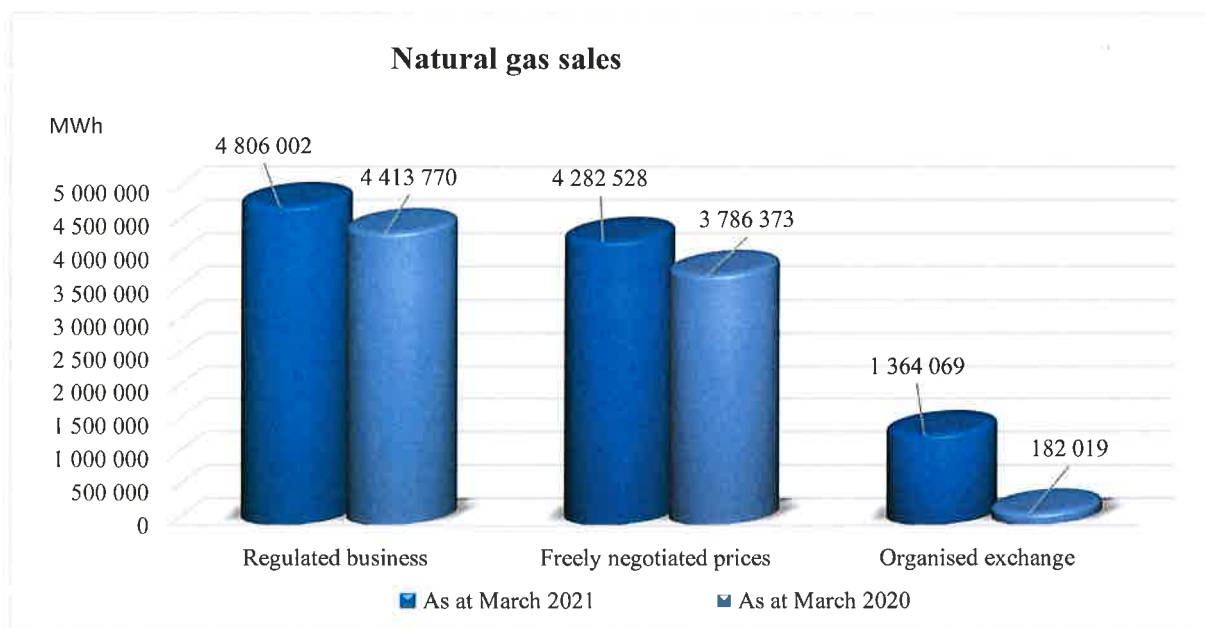
Bulgargaz EAD provides a continuous supply of natural gas to its Bulgarian customers in accordance with contractual requirements. As at 31 March 2021, 10 452 599 MWh of natural gas have been sold, which is an increase of 2 070 437 MWh or 24,70 % on the quantities sold by the same date in the previous year (8 382 162 MWh).

Natural gas sales in the reporting period are shown in Table 4:

Table 4

MWh

Sales	As at 31 March 2021	As at 31 March 2020	Change in quantities	Change in %
Regulated business	4 806 002	4 413 770	392 232	8,89%
Freely negotiated prices	4 282 528	3 786 373	496 155	13,10%
Organised exchange	1 364 069	182 019	1 182 050	649,41%
Total	10 452 599	8 382 162	2 070 437	24,70%



2. Structure of sales

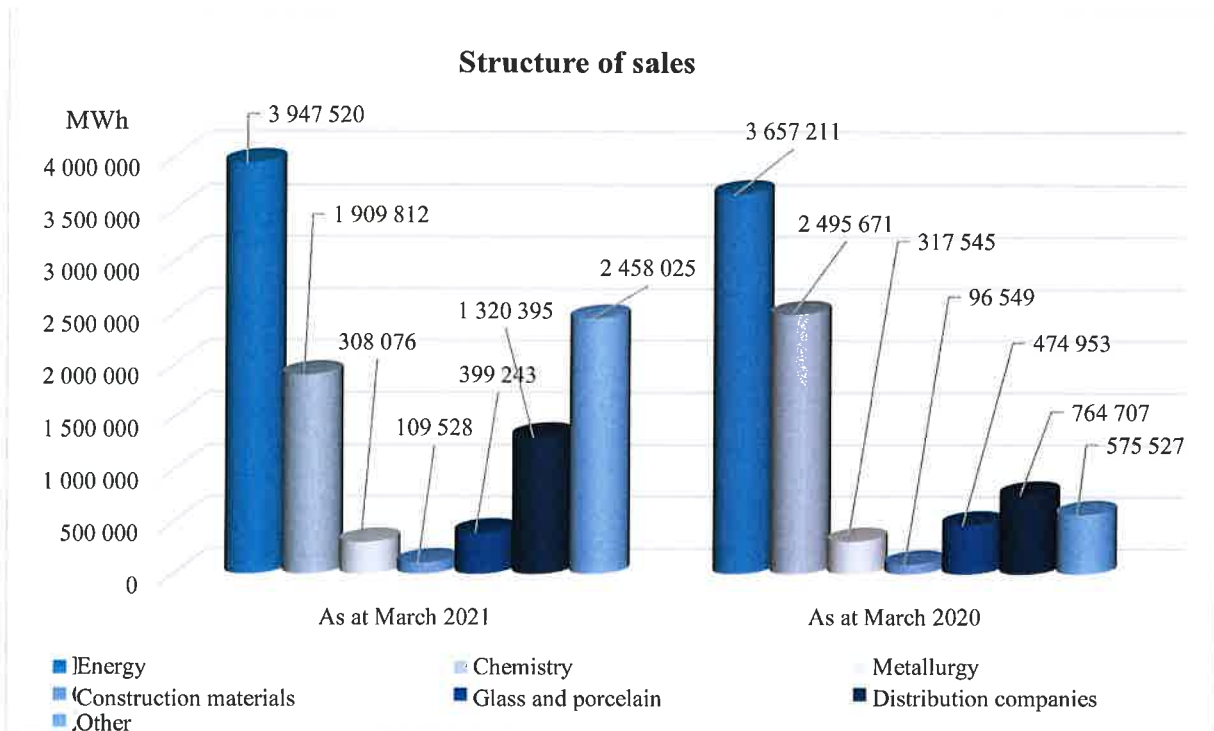
The quantities of natural gas sold to the Company's customers (by main economic sector) as at 31 March 2021 and as at 31 March 2020 are shown in Table 5.

Table 5

MWh

Sector	As at 31 March 2021	As at 31 March 2020	Change in quantities	Change in %
Energy	3 947 520	3 657 211	290 310	7,94%
Chemistry	1 909 812	2 495 671	(585 860)	(23,48%)
Metallurgy	308 076	317 545	(9 468)	(2,98%)
Construction materials	109 528	96 549	12 979	13,44%
Glass and porcelain	399 243	474 953	(75 710)	(15,94%)
Distribution companies	1 320 395	764 707	555 688	72,67%
Other	2 458 025	575 527	1 882 498	327,09%
Total	10 452 599	8 382 162	2 070 437	24,70%

As at 31 March 2021, sales have increased by 2 070 437 MWh or 2470% compared with those as at 31 March 2020. This is due to higher consumption by customers, mainly from the following sectors: energy, construction materials, distribution companies and other.



The data in *Table 5* and the chart above show the following trend in natural gas consumption:

- ✓ energy and chemical companies remain the major consumers of natural gas;
- ✓ natural gas sales increased in the first quarter of 2021 compared with the first quarter of 2020 due to higher consumption by customers.

IV. RISK FACTORS

The main risk factors to the Company's business are: the sale of natural gas at a regulated price lower than the purchase price; trade and other receivables and payables; currency risk.

In the course of its business, the Company faces the following types of risk:

1. Regulatory/price risk

Bulgargaz EAD's business has certain specifics because the Company is a public supplier of natural gas. The Company buys natural gas at market prices and resells part of those quantities at regulated prices. The difference between purchase and selling prices poses risks to the Company in fulfilling its functional duties. Where the prices approved by regulator are lower than the supply prices, sales revenue would not be sufficient to cover the actual cost of buying natural gas, so the Company would find it difficult to pay its liabilities to suppliers.

2. Currency risk

Currency risk is associated with changes in foreign currency exchange rates resulting in gains/losses from the revaluation of assets in foreign currency.

The main risk to Bulgargaz EAD arises from the need to buy natural gas in USD and sell it in BGN. This exposes the Company to the risk of changes in the exchange rate. The price limit approved by the EWRC for every regulatory period is set at a fixed USD-BGN rate averaged over the 45-day period preceding the month of submission of the application for approval of the EWRC sale price for the next price period. The Company is also at risk of revaluation loss on its currency exposures due to changes in USD exchange rate.

3. Credit risk

The credit risk to the Company results from customer receivables and the risk of financial loss if a customer fails to meet its contractual obligations to pay for gas. The Company's main customers are district heating companies that have problems collecting their receivables from customers and experience difficulties in discharging their liabilities on due dates. The Company monitors and analyses its receivables, tracks its customers' conduct and reviews in detail its main debtors' activities. The Company enters into deferred payment agreements with some customers facing difficulties in discharging their current liabilities. Bulgargaz EAD's final measure is to suspend the supply of natural gas and attempt to collect its receivables in court.

4. Liquidity risk

Liquidity risk arises when the Company is unable to meet its current financial obligations and commitments. Those are short-term liabilities of the Company, namely payments for transmission and storage, taxes and excise duties due to the State, liabilities in respect of commercial loans and regular payments related to operations. Short-term liabilities require careful planning of all cash flows on the basis of monthly forecasts.

V. STRATEGIC AND MARKET GOALS

The Company's development depends on achieving its strategic and market goals.

Bulgargaz EAD's main strategic goals are to fulfil its duties and responsibilities to provide continuous and secure supplies. Guaranteeing natural gas supplies is key to Bulgaria's energy security. To achieve those goals, Bulgargaz EAD makes all efforts to provide alternative natural gas supply routes and sources. This involves maintaining the Company's financial stability and increasing its economic performance in conditions of market uncertainty and high inter-company indebtedness.

Bulgargaz EAD's market goals are to gain a foothold on other gas markets.

Bulgargaz EAD's financial goals are to ensure the Company's financial stability.

VI. FINANCIAL AND ECONOMIC POSITION

Bulgargaz EAD's financial and economic position has been examined and analysed on the basis its financial statements: statement of profit or loss and other comprehensive income and statement of cash flows as at 31 March 2021 compared with the same period in 2020, as well as statement of financial position as at 31 March 2021 compared with the same period in 2020.

After successful negotiations, Bulgargaz EAD and Gazprom Export LLC signed an annex to their natural gas supply contract on 2 March 2020.

The annex governs the new pricing method and the refund of amounts overpaid by Bulgargaz EAD for gas supplied in the period of negotiations.

The same rule that the EC applies to Gazprom also applies to Bulgargaz EAD – a company with a dominant position may not retain revenue from sales at non-market prices, and any difference up to market levels must be refunded to consumers. As the only public supplier and as a company with a dominant position on the Bulgarian market, Bulgargaz EAD may not benefit financially its customers as a result of the higher-than-market prices of Russian gas.

After receiving compensation for overpayments in the period of negotiations with Gazprom Export LLC, Bulgargaz EAD must in turn compensate its customers who carried the burden of those high prices in the same period. Failing to compensate Bulgargaz EAD's would result in non-fulfilment of Gazprom's commitments and a breach of the law – Gazprom's abuse of its dominant position would in practice become abuse on a national level by Bulgargaz EAD.

The Act Supplementing the Energy Act was adopted on 14 April 2020, creating a mechanism of refunding amounts to those Bulgargaz EAD customers who bought natural gas at regulated prices between 5 August 2019 and 31 March 2020.

A decision of the Council of Ministers of June 2020 set out how amounts should be refunded to those Bulgargaz EAD customers who bought natural gas at regulated prices between 5 August 2019 and 31 March 2020.

The retroactive application of the new price mechanisms resulted in differences in Bulgargaz EAD's monthly selling prices between 5 August 2019 and 31 March 2020, as well as the accumulation of approximately BGN 201.7 million, incl. VAT, which amount was refunded to the Company's customers.

VII. MAIN FINANCIAL INDICATORS

Main financial and economic results of the Company's business activities:

In thousands of BGN

Indicators	As at 31 March 2021	As at 31 March 2020	Change	Change (%)
Total operating income	345 570	397 969	(52 399)	(13,17%)
Total operating expenses	(328 588)	(349 683)	21 095	(6,03%)
EBITDA	16 982	48 286	(31 304)	(64,83%)
EBIT	16 845	48 176	(31 331)	(65,03%)
EBT	19 785	49 929	(30 144)	(60,37%)

Indicators	As at 31 March 2021	As at 31.12.2020 r.	Change	Change (%)
Non-current fixed assets	73	69	4	5,80%
Total assets	443 501	363 198	80 303	22,11%
Current assets	429 798	349 372	80 426	23,02%
Current liabilities	92 732	32 214	60 518	187,86%
Cash	245 780	171 857	73 923	43,01%
Floating capital	337 066	317 158	19 908	6,28%
Equity	299 080	279 295	19 785	7,08%
Share capital	231 698	231 698	-	0,00%
Reserves	10 803	7 360	3 443	46,78%
Retained earnings / (accumulated loss)	36 794	580	36 214	6 243,79%
Profit/loss for period	19 785	49 929	(30 144)	(60,37%)
Number of staff	50	52	(2)	(3,85%)

VIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands of BGN

Statement of comprehensive income	As at 31 March 2021		As at 31 March 2020		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
Income	345 570	100,00%	397 969	100,00%	(52 399)	(13,17%)
Revenue from natural gas sales	342 322	99,06%	391 180	98,29%	(48 858)	(12,49%)
Regulated business	159 836	46,25%	207 852	52,23%	(48 016)	(23,10%)
Unregulated business at freely negotiated prices	138 871	40,19%	172 934	43,45%	(34 063)	(19,70%)
Organised exchange – Release Programme Segment	42 137	12,19%	8 107	2,04%	34 030	419,76%
Related parties (Bulgartransgaz) – cost price of natural gas for balancing purposes	1 478	0,43%	2 287	0,57%	(809)	(35,37%)
Other income	3 248	0,94%	6 789	1,71%	(3 541)	(52,16%)
- penalties for overdue receivables/payables	2 582	0,75%	4 586	1,15%	(2 004)	(43,70%)

Statement of comprehensive income	As at 31 March 2021		As at 31 March 2020		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
- other penalties	610	0,18%	2 203	0,55%	(1 593)	(72,31%)
- other income	56	0,02%	-	0,00%	56	-
Expenses by economic type	(328 588)	100,00%	(349 683)	100,00%	21 095	(6,03%)
Cost price of natural gas sold	(336 060)	102,27%	(347 120)	99,27%	11 060	(3,19%)
Regulated business	(158 241)	48,16%	(183 543)	52,49%	25 302	(13,79%)
Unregulated business at freely negotiated prices	(134 284)	40,87%	(153 919)	44,02%	19 635	(12,76%)
Organised exchange – Release Programme Segment	(42 015)	12,79%	(7 405)	2,12%	(34 610)	467,39%
Related parties (Bulgartransgaz) – cost price of natural gas for balancing purposes	(1 520)	0,46%	(2 253)	0,64%	733	(32,53%)
Impairment reversed/(accrued)	9 302	(2,83%)	-	0,00%	9 302	-
Reversed/(accrued) impairment of receivables, net	9 302	(2,83%)	-	0,00%	-	-
Cost of materials	(34)	(0,00%)	(20)	0,01%	16	(80,00%)
- main materials	(17)	(0,00%)	(5)	0,00%	3	(60,00%)
- fuels and lubricants	(4)	(0,00%)	(6)	0,00%	4	(66,67%)
- stationary and consumables	(4)	(0,00%)	(4)	0,00%	(1)	25,00%
- sanitary materials	(2)	(0,00%)	(3)	0,00%	1	(33,33%)
- advertising materials	(2)	(0,00%)	(1)	0,00%	(1)	100,00%
- other materials	(5)	(0,00%)	(1)	0,00%	(4)	400,00%
Cost of hired services	(1 083)	0,33%	(1 814)	0,52%	731	(40,30%)
- natural gas storage costs	(713)	(0,21%)	(713)	0,20%	-	0,00%
- expenses under management contracts	(11)	(0,00%)	(25)	0,01%	14	(56,00%)
- licence fees	(41)	(0,01%)	(549)	0,16%	508	(92,53%)
- Balkan Gas Hub fees	(102)	(0,03%)	(9)	0,00%	(93)	1033,33%
- insurance	(27)	(0,01%)	(28)	0,01%	1	(3,57%)
- court costs and fees	(20)	(0,01%)	(370)	0,11%	350	(94,59%)
- consulting and auditing services	(33)	(0,01%)	(16)	0,00%	(17)	106,25%
- communications	(25)	(0,01%)	(28)	0,01%	3	(10,71%)
- audit committee fees	(24)	(0,01%)	(21)	0,01%	(3)	14,29%
- public utilities	(7)	(0,00%)	(7)	0,00%	-	0,00%
- subscription service	(4)	(0,00%)	(3)	0,00%	(1)	33,33%
- repairs and maintenance	(2)	(0,00%)	(6)	0,00%	4	(66,67%)
- parking spaces and other motor vehicle costs	(5)	(0,00%)	(5)	0,00%	-	0,00%
- visa services	-	0,00%	(1)	0,00%	1	(100,00%)
- translation services	(8)	(0,00%)	(6)	0,00%	(2)	33,33%
- security	(16)	(0,00%)	(12)	0,00%	(4)	33,33%
- occupational medicine	(2)	(0,00%)	-	0,00%	(2)	-
- EWRC price approval fees	(4)	(0,00%)	(9)	0,00%	5	(55,56%)
- other services	(39)	(0,01%)	(6)	0,00%	(33)	550,00%
Employment cost	(703)	0,21%	(675)	0,19%	(28)	4,15%
- salary and wage costs	(610)	(0,18%)	(589)	0,17%	(21)	3,57%
- social insurance costs	(93)	(0,03%)	(86)	0,02%	(7)	8,14%
Other expenses	(10)	0,00%	(54)	0,02%	44	(81,48%)
- business trips and entertainment expenses	(4)	(0,00%)	(28)	0,01%	24	(85,71%)
- one-off taxes	(2)	(0,00%)	(2)	0,00%	-	0,00%
- membership dues	(1)	(0,00%)	(1)	0,00%	-	0,00%
- donations	-	0,00%	(22)	0,01%	22	(100,00%)
- other	(3)	(0,00%)	(1)	0,00%	(2)	200,00%
Profit before interest, tax and depreciation	16 982		48 286		(31 304)	(64,83%)
Depreciation expenses	(137)	0,04%	(110)	0,03%	(27)	24,55%
Operating profit/(loss)	16 845		48 176		(31 331)	(65,03%)
Financial income/(expenses), net	2 940		1 753		1 187	67,71%
Financial income	224	100,00%	1 946	100,00%	(1 722)	(88,49%)

Statement of comprehensive income	As at 31 March 2021		As at 31 March 2020		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
- income from interest on long-term receivables	224	100,00%	388	19,94%	(164)	(42,27%)
- gains from exchange differences	-	0,00%	1 558	80,06%	(1 558)	(100,00%)
Financial expenses	(583)	100,00%	(193)	100,00%	(390)	202,07%
Cost of interest on bank loans	(3)	0,51%	(18)	9,33%	15	(83,33%)
- cost of interest on rental contracts	-	0,00%	(3)	1,55%	3	(100,00%)
- cost of bank guarantees	(129)	22,13%	-	0,00%	(129)	-
- bank charges	(451)	77,36%	(172)	89,12%	(279)	162,21%
Other financial income/expenses – exchange differences	3 299	100,00%	-	-	3 299	-
Gains/losses from exchange differences	3 299	100,00%	-	-	3 299	-
Pre-tax profit/(loss)	19 785		49 929		(30 144)	(60,37%)
Net profit/(loss) for period	19 785		49 929		(30 144)	(60,37%)

1. Income

The Company generated income of BGN 345 570 thousand as at 31 March 2021 (31 March 2020: BGN 397 969 thousand). This is a decrease of BGN 52 399 thousand or 13,17%. The net result of natural gas sales as at 31 March 2021 is BGN 6 262 thousand (31 March 2020: BGN 44 060 thousand), which is a decrease by BGN 37 798 thousand and can be attributed to the reduced purchase price and, accordingly, the reduced selling price, despite the increase in the quantities of natural gas sold.

2. Expenses

Expenses by economic type include: cost of natural gas sold, impairment costs, cost of materials, cost of hired services, depreciation expenses, cost of salaries and wages, cost of social insurance and benefits, cost of provisions, etc. As at 31 March 2021, they are BGN 328 588 thousand (31 March 2020: BGN 349 683 thousand), which is a fall by BGN 21 095 thousand or 6,03%.

The largest relative share of total expenses is the cost of natural gas sold. As at 31 March 2021, it is BGN 336 060 thousand (31 March 2020: BGN 347 120 thousand).

The cost of hired services as at 31 March 2021 is BGN 1 083 thousand (31 March 2020: BGN 1 814 thousand), which is a fall by BGN 731 or 40,30%. This can be attributed to a decrease in the cost of court fees and expenses and in the cost of licence fees.

The operating result is a profit of BGN 16 845 thousand as at 31 March 2021 (31 March 2020: profit of BGN 48 176 thousand), which is a fall by BGN 31 331 thousand or 65,03%.

As at 31 March 2021, the pre-tax financial result is a profit of BGN 16 982 thousand (as at 31 March 2020: profit of BGN 48 286 thousand), which is a fall by BGN 31 304 thousand or 64,83%. This difference can be attributed to the fact that the financial statements as at 31 March 2020 recognise the amounts Bulgargaz EAD received from Gazprom Export LLC as compensation for the period of negotiations (5 August 2019 – 31 March 2020). Bulgargaz EAD has compensated those of its customers who carried the burden of higher prices in the same period and refunded the amounts overpaid in August 2020.

IX. STATEMENT OF FINANCIAL POSITION

As at 31 March 2021, the Company's assets are worth BGN 443 501 thousand (as at 31 March 2020: BGN 363 198 thousand). Asset structure changes in both periods are shown in the following table:

In thousands of BGN

ASSETS	As at 31 March 2021		As at 31 December 2020		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
Non-current assets						
Plant and equipment	73	0,53%	69	0,50%	4	5,80%
Intangible assets	124	0,90%	251	1,82%	(127)	(50,60%)
Deferred tax assets	13 506	98,56%	13 506	97,69%	-	0,00%
Total non-current assets	13 703	100,00%	13 826	100,00%	(123)	(0,89%)
Current assets						
Inventories	2 160	0,50%	49 178	14,08%	(47 018)	(95,61%)
- natural gas	2 138	0,50%	49 158	14,07%	(47 020)	(95,65%)
- materials	22	0,01%	20	0,01%	2	10,00%
Trade and other receivables	181 858	42,31%	128 337	36,73%	53 521	41,70%
- trade receivables from natural gas sales	109 386	25,45%	62 397	17,86%	46 989	75,31%
- court and awarded receivables	8 952	2,08%	9 987	2,86%	(1 035)	(10,36%)
- prepayments for natural gas supplies	37 435	8,71%	35 638	10,20%	1 797	5,04%
- prepayments for delivery of fixed assets	93	0,02%	1	0,00%	92	9200,00%
- receivables from related parties (natural gas deposits and guarantees)	19 122	4,45%	14 128	4,04%	4 994	35,35%
- other receivables	6 870	1,60%	5 050	1,45%	1 820	36,04%
Cash and cash equivalents	245 780	57,19%	171 857	49,19%	73 923	43,01%
Total current assets	429 798	100,00%	349 372	100,00%	80 426	23,02%
Total assets	443 501		363 198		80 303	22,11%

1. Non-current assets

As at 31 March 2021, non-current assets are worth BGN 13 703 thousand (as at 31 December 2020: BGN 13 826 thousand), which is a fall by BGN 123 thousand or 0,89%. In the reporting period, non-current assets comprise non-current tangible and intangible assets worth BGN 197 thousand and deferred tax assets worth BGN 13 506 thousand.

2. Current assets

As at 31 March 2021, the Company's current assets are worth BGN 429 798 thousand (31 December 2020: BGN 349 372 thousand), which is an increase by BGN 80 426 thousand or 23,02%, resulting from an increase in natural gas receivables, prepayments for natural gas supplies and receivables from related parties (guarantees and deposits).

As at 31 March 2021, inventories are worth BGN 2 160 thousand (31 December 2020: BGN 49 178 thousand), which is a fall by BGN 47 018 thousand or 95,61%.

As at 31 March 2021, trade and other receivables amount to BGN 181 858 thousand (31 December 2020: BGN 128 337 thousand), which is an increase by BGN 53 521 thousand or 41,70%.

As at 31 March 2021, prepayments for natural gas supplies amount to BGN 37 435 thousand (31 December 2020: BGN 35 638 thousand), which is an increase by BGN 1 797 thousand or 5,04%.

Receivables from customers in respect of which agreements to reschedule overdue payments have been concluded are secured by financial collateral pledged to Bulgargaz EAD.

At the end of the reporting period, the Company has BGN 245 870 thousand in current bank accounts and on hand (as at 31 December 2020: BGN 171 857 thousand), which is an increase by BGN 73 923 thousand.

3. Changes in the structure of equity and liabilities

In thousands of BGN

Equity and liabilities	As at 31 March 2021		As at 31 December 2020		Change	
	thousand BGN	% of total	thousand BGN	% of total	thousand BGN	%
Equity						
Share capital	231 698	77,47%	231 698	82,96%	-	0,00%
Reserves	10 803	3,61%	7 360	2,64%	3 443	46,78%
incl. legal reserve	10 810	3,61%	7 366	2,64%	3 444	46,76%
Other reserves	(7)	(0,00%)	(7)	0,00%	(1)	(16,67%)
Retained earnings/(accumulated loss)	36 794	12,30%	580	0,00%	36 214	6243,79%
Profit/loss for current period Δ	19 785	6,62%	39 657	14,20%	(19 872)	(50,11%)
Total equity	299 080	100%	279 295	100%	19 785	7,08%
Liabilities						
Non-current liabilities						
Lease payables	2	0,00%	2	0,00%	-	0,00%
Provisions	51 592	99,81%	51 592	99,81%	-	0,00%
Pension liabilities	95	0,18%	95	0,18%	-	0,00%
Total non-current liabilities	51 689	100%	51 689	100%	-	0,00%
Current liabilities						
Trade and other payables	91 951	99,16%	31 331	97,26%	60 620	193,48%
- trade payables	51 139	55,15%	8 104	25,16%	43 035	531,03%
- payables to related parties	4 912	5,30%	2 952	9,16%	1 960	66,40%
- prepayments from customers for natural gas sales	16 755	18,07%	53	0,16%	16 702	31513,21%
- VAT payable	17 682	19,07%	18 644	57,88%	(962)	(5,16%)
- excise duty	1 100	1,19%	1 131	3,51%	(31)	(2,74%)
- staff payables	94	0,10%	133	0,41%	(39)	(29,32%)
- payables to social insurance institutions	77	0,08%	81	0,25%	(4)	(4,94%)
- other liabilities	192	0,21%	233	0,72%	(41)	(17,60%)
Lease payable – rental contract	4	0,00%	69	0,21%	(65)	(94,20%)
Corporation tax	723	0,78%	723	2,24%	-	0,00%
Pension liabilities	54	0,06%	91	0,28%	(37)	(40,66%)
Total current assets	92 732	100,00%	32 214	100,00%	60 518	187,86%
Total liabilities	144 421		83 903		60 518	72,13%
Total equity and liabilities	443 501		363 198		80 303	22,11%

3.1. Capital structure

As at 31 March 2021, the authorised share capital is BGN 231 698 thousand, which is the same as in the previous reporting period.

As at 31 March 2021, retained earnings amount to BGN 36 794 thousand (31 December 2020: retained earnings of BGN 580 thousand). As at 31 March 2021, they have changed by BGN 36 214 thousand.

3.2. Non-current liabilities

As at 31 March 2021, the Company's non-current liabilities amount to BGN 51 689 thousand (31 December 2020: BGN 51 689 thousand). The non-current liabilities comprise a provision set aside to discharge a litigation liability in relation to *Case COMP/B1/AT.39849 – BEH gas*, pension liabilities and the non-current part of lease payables.

3.3. Current liabilities

As at 31 March 2021, the Company's current liabilities amount to BGN 92 732 thousand (31 December 2020: BGN 32 214 thousand), which is an increase by BGN 60 518 thousand or 187,86 %.

As at 31 March 2021, the Company has not drawn down any loans.

As at 31 March 2021, trade and other payables have fallen by BGN 60 620 thousand or 193,48 % compared with 31 December 2020.

As at 31 December 2021, trade payables have increased by BGN 43 035 thousand or 531,03 % compared to the same period in 2020.

As at 31 March 2021, payables to related parties amount to BGN 1 960 thousand, which is an increase by 66,40% on the result as at 31 December 2020. This can be attributed to outstanding payments to Bulgartransgaz EAD, BEH EAD and the Balkan Gas Hub EAD.

The current VAT liability to the National Revenue Agency is BGN 17 682 thousand (31 December 2020: BGN 18 644 thousand), which is a decrease by BGN 962 thousand or 5,16%.

There is an increase in trade payables in respect of prepayments from customers by BGN 16 702 thousand and in trade payables by BGN 43 035 thousand.

X. STATEMENT OF CASH FLOWS

The table below shows data concerning changes to cash flows in the first quarter of 2021 compared with the first quarter of 2020:

In thousands of BGN

CASH FLOW	As at 31 March 2021	As at 31 March 2020	Change	
Net cash flows from operating activity	74 178	188 114	(113 936)	(60,57%)
Net cash flows from investing activity	94	338	(244)	(72,19%)
Net cash flows from financing activity	(349)	(52 468)	52 119	99,33%
Net change in cash and cash equivalents in period	73 923	135 984	(62 061)	(45,64%)
Cash and cash equivalents at beginning of period	172 012	80	171 932	214 915,00%
Impairment of cash in accordance with IFRS	(155)	-	(155)	
Cash and cash equivalents at end of period	245 780	136 064	109 716	80,64%

As at 31 March 2021, the Company's net cash flows from operating activity are positive and amount to BGN 74 178 thousand (as at 31 March 2020: positive and amount to BGN 188 114 thousand), which is a decrease by BGN 113 936 thousand or 60,57 %. They comprise the difference between cash receipts from customers for natural gas sold, natural gas paid, non-income tax paid and other expenses.

The net cash flows from investing activity are positive and amount to BGN 94 thousand, which is a fall by BGN 244 thousand on 31 March 2020.

As at 31 March 2021, the net cash flows from financial activity are negative and amount to BGN 349 thousand (as at 31 March 2020: negative and amount to BGN 52 468 thousand).

XI. FINANCIAL RATIOS

These are financial-statement-based indicators aiming to present the overall assessment of the Company's financial performance, profitability and effectiveness in utilising its assets to achieve its operational goals.

As at 31 March 2021, the financial ratios show the Company's financial stability, and they are optimal compared to market levels.

1. Liquidity

Liquidity indicators show the Company's ability to use its short-term assets to pay its current liabilities.

Indicators	As at 31 March 2021	As at 31 March 2020
Current liquidity ratio	4,63	10,85
Quick liquidity ratio	4,61	9,32
Absolute liquidity ratio	2,65	5,33

As at 31 March 2021, the current liquidity ratio is 4,63, which shows the available current assets can cover the Company's current liabilities more than 4 times (as at 31 March 2020: 10,85).

The quick liquidity ratio is 4,61, which shows the available current assets less the inventories can cover the Company's current liabilities more than 4 times.

The absolute liquidity ratio is 2,65, which shows the available cash can cover the Company's current liabilities more than 2 times.

2. Financial independence

Financial autonomy indicators show the extent to which the Company is financially independent from creditors and its ability to make payments on all liabilities in the long run.

Indicators	As at 31 March 2021	As at 31 March 2020
Financial autonomy ratio	2,07	3,33
Indebtedness ratio	0,48	0,30

When the financial autonomy ratio is less than 1 (one), the liabilities exceed the equity. In such a case, the existing liabilities are not sufficiently secured by the Company's property.

When the ratio is above 1 (one), it shows the extent of financial independence from the use of outside funds. As at 31 March 2021, the financial autonomy ratio is 2,07 (as at 31 March 2020: 3,33).

The indebtedness ratio expresses the Company's degree of dependence on creditors. When the ratio is greater than 1 (one), the Company's dependence on external sources of funds is greater. As at 31 March 2021, this indicator is 0,48 (as at 31 March 2020: 0,30).

The information presented and analysed in the Report of Bulgargaz EAD as at 31 March 2021 shows the Company fulfils its licencing obligations as a public supplier of natural gas in Bulgaria and is in full compliance with the law. Its activities are directly dependent on the business environment, regulatory requirements and its financial security. Despite the volatile market conditions in the period under review, Bulgargaz EAD responded adequately to market challenges, while maintaining financial stability and increasing the economic efficiency of its business.

29 April 2021

5,§1,

2016/679

Kiril Dimitrov

Head of Finance



5,§1,

2016/679

Nikolay Pavlov

Executive Director

BULGARGAZ EAD

CONDENSED STATEMENT OF FINANCIAL POSITION 31 MARCH 2021

(All amounts are in thousands of BGN)

	NOTE	AS AT 31 MARCH 2021	AS AT 31 DECEMBER 2020
ASSETS			
Non-current assets			
Plant and equipment	7	73	69
Intangible assets	8	124	251
Deferred tax assets	14	13 506	13 506
		13 703	13 826
Current assets			
Inventories	10	2 160	49 178
Trade and other receivables	11	181 858	128 337
Cash and cash equivalents	12	245 780	171 857
		429 798	349 372
TOTAL ASSETS		443 501	363 198
EQUITY AND LIABILITIES			
Equity			
Share capital	15	231 698	231 698
Reserves	16	10 803	7 360
Retained earnings		56 579	40 237
		299 080	279 295
Non-current liabilities			
Lease liabilities	9	2	2
Pension liabilities		95	95
Provisions	20	51 592	51 592
		51 689	51 689
Current liabilities			
Trade and other payables	17	91 951	31 331
Lease liabilities	9	4	69
Income tax liabilities		723	723
Pension liabilities		54	91
		92 732	32 214
TOTAL LIABILITIES		144 421	83 903
TOTAL EQUITY AND LIABILITIES		443 501	363 198

These financial statements were approved by the Board of Directors on 31 March 2021.

Liliya Ivanova
Head of Accounting



Nikolay Pavlov
Executive Director

BULGARGAZ EAD
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
31 MARCH 2021

(All amounts are in thousands of BGN)

	NOTE	3-MONTH PERIOD ENDING ON 31	
		2021	MARCH 2020
Revenue from natural gas sales		342 322	391 180
Cost of natural gas sold		(336 060)	(347 120)
Accrued/(reversed) impairment loss on financial assets	17	9 302	-
Cost of hired services		(1 083)	(1 814)
Employment cost		(703)	(675)
Cost of materials		(34)	(20)
Depreciation cost	7, 8	(137)	(110)
Other revenue		3 248	6 789
Other expenses		(10)	(54)
Operating profit/(loss)		16 845	48 176
Financial income		224	388
Financial expenses		(583)	(193)
Other financial income/(expenses) – net		3 299	1 558
Financial income/(expenses) – net		2 940	1 753
Pre-tax profit/(loss)		19 785	49 929
Net profit/(loss) for period		19 785	49 929
Total comprehensive income/(loss) for period		19 785	49 929

These condensed interim financial statements were approved by the Board of Directors on 29 April 2021.

5,§1, 2016/679
 Liliya Ivanova
 Head of Accounting



5,§1, 2016/679
 Nikolay Pavlov
 Executive Director

BULGARGAZ EAD

**CONDENSED STATEMENT OF CHANGES IN EQUITY
31 MARCH 2021**

(All amounts are in thousands of BGN)

	NOTE	Share capital	Reserves	Retained earnings / Accumulated loss	Total
AS AT 1 JANUARY 2021	15, 16	231 698	7 360	40 237	279 295
Comprehensive income					
Profit for period		-	-	19 785	19 785
Total comprehensive income		-	-	19 785	19 785
Transactions with sole owner					
Transfer of retained earnings to reserves		-	3 443	(3 443)	-
Loss set-off		-	-	(30 986)	(30 986)
Earnings carried forward to offset loss		-	-	30 986	30 986
Total transactions with sole owner		-	3 443	(3 443)	-
AS AT 31 MARCH 2021		231 698	10 803	56 579	299 080
AS AT 1 JANUARY 2020					
		231 698	7 404	562	239 664
Comprehensive income					
Profit for period		-	-	49 929	49 929
Total comprehensive income		-	-	49 929	49 929
AS AT 31 MARCH 2020		231 698	7 404	50 491	289 593

These condensed interim financial statements were approved by the Board of Directors on 29 April 2021.

5,§1, 2016/679
Liliya Ivanova
Head of Accounting



5,§1, 2016/679
Nikolay Pavlov
Executive Director

BULGARGAZ EAD

CONDENSED STATEMENT OF CASH FLOWS 31 MARCH 2021

(All amounts are in thousands of BGN)

	NOTE	3-MONTH PERIOD ENDING ON 31 MARCH	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		389 934	448 639
Cash paid to suppliers		(258 132)	(181 310)
Cash paid to employees and social insurance institutions		(821)	(866)
Non-income tax paid		(60 358)	(78 742)
Exchange gains/(losses) on cash and cash equivalents		3 605	214
Other cash receipts/(payments), net		(50)	(21)
Net cash flow from operating activities		74 178	188 114
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(16)	(14)
Purchase of intangible assets		(114)	(36)
Interest earned on deferred trade receivables		224	388
Net cash flow from investing activities		94	338
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease principal payments		(78)	(62)
Lease interest payments		(1)	(2)
Cash receipts and payments on overdraft, net		-	(52 372)
Payments of interest and commission on borrowings		(270)	(32)
Net cash flow from financing activities		(349)	(52 468)
Net increase/(decrease) in cash and cash equivalents for period		73 923	135 984
Cash and cash equivalents at beginning of period		172 012	80
Impairment pursuant to IFRS 9		(155)	-
Cash and cash equivalents at end of period	12	245 780	136 064

These condensed interim financial statements were approved by the Board of Directors on 29 April 2021.

Lilija Ivanova
Head of Accounting



Nikolay Pavlov
Executive Director

BULGARGAZ EAD

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

31 MARCH 2021

1. GENERAL INFORMATION

Bulgargaz EAD (the “Company”), EIK (entity ID) 175203485, is a sole shareholder limited company registered pursuant to the Commerce Act, having its registered office and principal place of business at 47 Petar Parchevich St, Serdika, 1000 Sofia, Bulgaria. The Company is registered in the Business Register under No 113068, Volume 1534, Page 35, Company File No 16440/2006, and was incorporated pursuant to Decision No 1 of 15 January 2007.

The Company’s main business is the public supply of natural gas, as well as purchases and sales related thereto.

The major strategic goals of Bulgargaz EAD are to ensure supply security and continuity. Guaranteeing natural gas supplies is key to Bulgaria’s energy security. In order to achieve those goals, the Company makes all efforts to provide alternative natural gas supply sources and routes.

The Company operates under an individual licence to supply natural gas to the public in Bulgaria, Licence No JI-214-14 of 29 November 2006, issued by the State Energy and Water Regulatory Commission for a period of 35 years.

Bulgargaz EAD is a sole shareholder limited company owned by Bulgarian Energy Holding EAD. The Company’s ultimate owner is the Bulgarian State, through the Minister of Energy.

The Company does not present segment information by activity because natural gas supply is the only activity for the period.

These condensed interim financial statements were approved for publication by the Board of Directors on 29 April 2021.

2. BASIS OF PREPARATION

These condensed interim financial statements for the three-month period ending on 31 March 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not contain all the information required for the preparation of full annual financial statements under International Financial Reporting Standards (IFRSs) and should be read in conjunction with the annual financial statements of the Company for the year ending on 31 December 2020, prepared in accordance with IFRSs, developed and published by the International Accounting Standards Board (“IASB”) and adopted for application in the European Union (“EU”).

The condensed interim financial statements are presented in the Bulgarian lev (BGN), which is also the Company’s functional currency. Unless otherwise stated, all amounts are presented in thousands of BGN, including the comparative information for 2020.

The condensed interim financial statements have been prepared on a going concern basis.

For the period ending on 31 March 2021, the Company reported a post-tax profit of BGN 19 785 thousand, a positive cash flow from operating activities of BGN 74 178 thousand and a net increase in cash and cash equivalents for the period of BGN 73 923 thousand.

As at 31 March 2021, the financial statements are prepared on a going concern basis, meaning that the Company will continue its operations for the foreseeable future.

As disclosed in Note 1 “General Information”, the Company holds an individual licence to supply natural gas to the public in Bulgaria, issued by the State Energy and Water Regulatory Commission for a period of 35 years. The future operations of the Company as a public supplier of natural gas depend on the business environment, regulatory requirements, natural gas supply contracts, natural gas sale contracts between the Company and its customers, and maintaining the funds necessary to conduct its

activities.

Given the assessment of expected future cash flows and the group strategy for developing the business in Bulgaria, the Company's management believes it is appropriate for the financial statements to be prepared on a going concern basis.

3. ACCOUNTING POLICIES

3.1. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS THAT ENTERED INTO FORCE ON 1 JANUARY 2020.

The Company applies the following new standards and IFRS amendments and interpretations, developed and published by the International Accounting Standards Board, which have an effect on the Company's financial statements and must be applied from 1 January 2020:

The following standards and interpretations apply for the first time to financial reporting periods beginning on or after 1 January 2020:

- **Definition of material – Amendments to IAS 1 and IAS 8: effective from 1 January 2020**

The IASB has amended IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting and clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and states that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of “primary users of general purpose financial statements” to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.

- **Definition of a business – Amendments to IFRS 3: effective from 1 January 2020**

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term “outputs” is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes return in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

- **Interest Rate Benchmark Reform Amendments to IFRS 7, IFRS 9 and IAS 39: effective from 1 January 2020**

The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain exceptions in relation to the benchmark interest rate reforms. Exceptions are related to hedge accounting and have the effect that the amendments should not generally cause the termination of hedge accounting. However, any ineffectiveness of the hedge will continue to be recorded in the consolidated income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs could affect companies in all industries.

- **Modifications to the Conceptual Framework of Financial Reporting: effective from 1 January 2020**

The IASB has issued a revised Conceptual Framework to be used for standard setting decisions with immediate effect. The key changes include:

- increasing the importance of administration in the objective of financial information
- restore prudence as a component of neutrality
- define a reporting entity, which can be a legal entity, or a part of an entity
- review the definitions of an asset and a liability
- eliminate the probability threshold for recognition and add guidelines on de-recognition
- add guides on different measurement bases; and
- establish that profit or loss is the main performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled when this improves the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework to determine their accounting policies for transactions, events, or conditions that are not otherwise addressed under accounting standards must apply the revised Framework as of January 1, 2020. These entities must consider whether its accounting policies are still appropriate under the revised Framework.

• **Covid-19-Related Rent Concessions – Amendment to IFRS 16): effective from 1 June 2020**

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB published an amendment to IFRS 16 Leases that provides lessees with the option of accounting for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

The following standards and interpretations have been issued but are not mandatory for annual reporting periods ending on 31 December 2020:

- IFRS 17 Insurance Contracts – effective Date: initially 1 January 2021, but extended until 1 January 2023 by the IASB in March 2020

IFRS 17 was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice will likely to reflect how insurers account for their financial assets under IFRS 9.

An optional simplified, premium allocation approach is permitted for the liability for the remaining coverage under short duration contracts, which are often written by non-life insurers.

There is a modification of the general measurement model called the “variable fee approach” for certain contracts written by life insurers where policyholders share in the return from underlying items. When applying the variable fee approach, the entity’s share of fair value changes of the underlying items is

included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

3.2. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET IN FORCE AND NOT ADOPTED IN ADVANCE BY THE COMPANY

As at the date of approval of these financial statements, new standards, amendments to and interpretations of existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial year beginning on 1 January 2020 and have not been applied in advance by the Company. They are not expected to have a material effect on the Company's financial statements. Management expects all standards and amendments to be adopted in the Company's accounting policy in the first period beginning after the date of their entry into force.

The changes are related to the following standards:

- **Classification of Liabilities as Current or Non-current – Amendments to IAS 1: effective from 1 January 2022 [possibly deferred to 1 January 2023]**

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting date (e.g. receipt of a waiver or breach of covenant). The amendments also clarify what IAS 1 means when it refers to the "settlement" of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions in determining classification and for some liabilities that may be converted to equity.

The amendments should be applied retrospectively in accordance with the normal requirements of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB published an exposure draft proposing to defer the effective date of the amendments to 1 January 2023.

- **Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16: effective from 1 January 2022**

This amendment to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment (PPE) any proceeds from selling items produced while the entity prepares that asset for its intended use. It also clarifies that when evaluating the asset's physical and technical characteristics, an entity is "testing whether the asset is operating properly", the financial performance of the asset being not relevant.

Entities should disclose separately any income and costs associated with the items produced that do not result from the entity's ordinary activities.

- **Reference to the Conceptual Framework – Amendments to IFRS 3: effective from 1 January 2022**

Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and IFRIC Interpretation 21 Liens. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

- **Onerous Contracts – Cost of fulfilling a contract – Amendments to IAS 37: effective from 1**

January 2022

The amendment to IAS 37 clarifies that direct contract performance costs include both incremental contract performance costs and an allocation of other costs directly related to the performance of contracts. Before recognising a separate provision for an onerous contract, an entity recognises any impairment loss that has occurred on assets used to fulfil the contract.

- **Annual Improvements to IFRSs 2018-2020 Cycle: effective from 1 January 2022**

The following improvements were finalised in May 2020:

- **IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for de-recognition of financial liabilities.**

- **IFRS 16 Leases – amended Illustrative Example 13 to remove the illustration of lessor payments related to leasehold improvements, to eliminate any misinterpretation on the treatment of lease incentives.**

- **IFRS 1 First-time Adoption of International Financial Reporting Standards – permits entities that have measured their assets and liabilities at the carrying amounts recorded in the books of their parent to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exception.**

- **IAS 41 Agriculture – removed the requirement for entities to exclude cash flows for tax purposes when measuring fair value under IAS 41. This amendment seeks to align it with the requirement of the standard for discounting cash flows on a post-tax basis.**

- **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28**

The IASB has amended the scope of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment of asset sales or asset contributions between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a “business” (as defined in IFRS 3 Business Combinations). When non-monetary assets are a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor’s interests in the associate or joint venture. The amendments are applied prospectively.

In December 2015, the IASB decided to defer the date of application of this amendment until the IASB completes its equity research project.

As of the date of adoption and approval of the annual financial statements as at 31 December 2020, the IASB has published several new, but not yet in force standards and amendments to existing standards and interpretations. None of these standards or amendments to existing standards have been adopted in advance by the Company.

Management expects all relevant notices to be accepted for the first period beginning on or after the effective date of the notice. New standards, amendments and interpretations not adopted this year have not been disclosed as they are not expected to have a material impact on the Company’s financial statements.

4. ESTIMATES

When preparing interim financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from management’s estimates, judgements and assumptions, and in rare cases

fully correspond to the results estimated in advance.

When preparing these condensed interim financial statements, the significant management judgments in the application of the Company's accounting policies and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statements of the Company as at 31 December 2020, with the exception of the changes in the estimate of income tax expense.

5. FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL RISK FACTORS

In the course of its business, the Company is exposed to a number of financial risks. The most significant financial risks to which the Company is exposed are market risk, credit risk and liquidity risk.

The condensed interim financial statements do not include all the information on risk management and disclosures required for the preparation of annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2020. No changes were made to the risk management policy in the period.

5.2. FAIR VALUE MEASUREMENT

The Company has no financial instruments measured at fair value in the condensed statement of financial position. For the purposes of disclosure of the following financial instruments, the fair value is assumed to be a reasonable approximation of their carrying value:

- Trade and other receivables
- Long-term trade receivables
- Cash and cash equivalents
- Trade and other payables

6. SEASONALITY OF OPERATIONS

The Company's business is characterised by seasonal fluctuations because part of the Company's customers (district heating and gas distribution companies) use natural gas to produce heat and electricity or directly deliver it for heating purposes.

Gas consumption is highest in the winter, particularly in the first quarter, falling in the summer.

The natural gas sold in the first quarter of 2021 generated 10 452 599,008 MWh (first quarter of 2020: 8 382 162,021 MWh).

The Company uses the capacity of the underground gas storage facility in the village of Chiren owned by Bulgartransgaz EAD to compensate for this seasonal imbalance on the Bulgarian natural gas market. In the summer, the Company buys natural gas, which is pumped into the underground gas storage facility, and in the winter, when gas consumption is very high, it pumps it out.

BULGARGAZ EAD

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2021**

7. PLANT AND EQUIPMENT

	Plant and equipment	Vehicles	Office equipment	Total
AS AT 1 JANUARY 2021				
Gross carrying amount	56	467	306	829
Depreciation	(27)	(454)	(278)	(759)
Carrying amount	29	13	28	70
3-MONTH PERIOD ENDING ON 31 MARCH 2021				
Additions	-	-	13	13
Disposals	-	-	(1)	(1)
Depreciation written off	-	-	1	1
Depreciation	(2)	(2)	(6)	(10)
Ending carrying amount	27	11	35	73
AS AT 31 MARCH 2021				
Gross carrying amount	56	467	318	841
Depreciation	(29)	(456)	(283)	(768)
Carrying amount	27	11	35	73
	Plant and equipment	Vehicles	Office equipment	Total
AS AT 1 JANUARY 2020				
Gross carrying amount	91	468	334	893
Depreciation	(57)	(444)	(304)	(805)
Carrying amount	34	24	30	88
3-MONTH PERIOD ENDING ON 31 MARCH 2020				
Additions	10	-	14	24
Disposals	(12)	-	(17)	(29)
Depreciation	(2)	(7)	(12)	(21)
Depreciation written off	12	-	17	29
Ending carrying amount	42	17	32	91
AS AT 31 MARCH 2020				
Gross carrying amount	89	468	331	888
Depreciation	(47)	(451)	(299)	(797)
Carrying amount	42	17	32	91

No plant and equipment has been pledged as security for the Company's liabilities.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 31 MARCH 2021

8. INTANGIBLE ASSETS

	Software	Licences	Right-to-use assets	Total
AS AT 1 JANUARY 2021				
Gross carrying amount	1 318	41	546	1 905
Depreciation	(1 156)	(13)	(485)	(1 654)
Carrying amount	162	28	61	251
3-MONTH PERIOD ENDING ON 31 MARCH 2021				
Depreciation	(65)	(1)	(61)	(127)
Ending carrying amount	97	27	-	124
AS AT 31 MARCH 2021				
Gross carrying amount	1 318	41	546	1 905
Depreciation	(1 221)	(14)	(546)	(1 781)
Carrying amount	97	27	-	124
	Software	Licences	Right-to-use assets	Total
AS AT 1 JANUARY 2020				
Gross carrying amount	1 159	41	546	1 746
Depreciation	(945)	(10)	(243)	(1 198)
Carrying amount	214	31	303	548
3-MONTH PERIOD ENDING ON 31 MARCH 2020				
Additions	26	1	0	27
Depreciation	(38)	(1)	(61)	(100)
Ending carrying amount	202	31	242	475
AS AT 31 MARCH 2020				
Gross carrying amount	1 185	42	546	1 773
Depreciation	(983)	(11)	(304)	(1 298)
Carrying amount	202	31	242	475

9. LEASES

This note provides information on leases where the Company is a lessee.

9.1. AMOUNTS RECOGNISED IN THE STATEMENT OF FINANCIAL POSITION

The statement of financial position shows the following lease-related amounts:

	Note	AS AT 31 DECEMBER	
		2021	2020
Right-to-use assets			
Intangible assets	8	-	61
		-	61
Lease liabilities			
Current		2	69
Non-current		4	2
		6	71

BULGARGAZ EAD**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2021****9.2. AMOUNTS RECOGNISED IN THE STATEMENT OF PROFIT LOSS AND OTHER
COMPREHENSIVE INCOME**

The statement of profit or loss and other comprehensive income shows the following lease-related amounts:

	Note	AS AT 31 MARCH	
		2021	2020
Depreciation of right-to-use assets			
Intangible assets	8	(546)	(304)
		<u>(546)</u>	<u>(304)</u>
Interest expense (included in financial costs)		-	(2)

The total cash flow for leases as at 31 March 2021 is BGN 79 thousand.

10. INVENTORIES

	AS AT 31 MARCH 2021	AS AT 31 DECEMBER 2020
Natural gas at cost	2 448	49 468
Impairment to net realisable value	(310)	(310)
Natural gas, net realisable value	<u>2 138</u>	<u>49 158</u>
Total inventories	22	20
Total inventories	<u>2 160</u>	<u>49 178</u>

No inventory has been pledged as security for the Company's liabilities.

11. TRADE AND OTHER RECEIVABLES

	AS AT 31 MARCH 2021	AS AT 31 DECEMBER 2020
Trade receivables	110 405	63 415
Accumulated impairment of trade receivables	(1 018)	(1 019)
Trade receivables, net	<u>109 387</u>	<u>62 396</u>
Court and awarded receivables	202 664	213 001
Accumulated impairment of court and awarded receivables	(193 712)	(203 014)
Court and awarded receivables, net	<u>8 952</u>	<u>9 987</u>
Receivable from Corporate Commercial Bank AD (insolvent)	4 064	4 064

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 31 MARCH 2021

Accumulated impairment of receivable from Corporate Commercial Bank AD (insolvent)	(4 064)	(4 064)
Receivable from Corporate Commercial Bank AD (insolvent), net	-	-
Prepayments for natural gas supplies	37 528	35 639
Receivables from related parties (Note 20)	693	14 128
Other receivables – prepaid expenses, guarantees and deposits	25 298	6 187
Total trade and other receivables	181 858	128 338
Current trade and other receivables	181 858	128 338

The movement in the credit loss allowance in respect of receivables is as follows:

	3-MONTH PERIOD ENDING ON	
	31 MARCH	
	2021	2020
At beginning of period	208 251	213 477
Accrued losses from impairment of receivables	-	-
Written-off uncollectible receivables	-	(39)
Reversals of impairment losses	(9 302)	-
At end of period	198 949	213 438

Impairment losses and reversals thereof are recognised in the condensed statement of profit or loss and other comprehensive income. The effects of time elapsed/discount rate changes are reported in financial income/expense, net.

Amounts recognised in the credit loss allowance account in respect of receivables are written off when there is no expectation that the Company will be able to obtain further payments.

The Company has receivables from Corporate Commercial Bank AD (insolvent) (CCB) of BGN 17 463 thousand, claimed in the on-going proceedings against the bank. According to Decision No 3BH66-8 and 3BH66-39 of 28 December 2015 of the administrators of CCB AD (insolvent) registered in the Commercial Register, the Company has BGN 5 077 thousand in recognised receivables. An appeal against the administrators' decision has been filed with the competent court, asking it to recognise that the Company has an outstanding receivable of BGN 12 394 thousand and a claim for contractual interest on the entire amount of the receivables claimed in the insolvency proceedings. The Company's objection has been rejected by two courts. A cassation appeal against the decision of the court of second instance has been filed with the Supreme Court of Cassation. By decision of the Supreme Court of Cassation of 13 March 2018, the appeal of Bulgargaz EAD against the decision of the Sofia Court of Appeal in the case with CCB AD (insolvent) was not admitted to cassation, so the decision has entered into legal force. The decision of the Sofia Court of Appeal confirmed the decision of the Sofia City Court, which rejected the objection of Bulgargaz EAD against the decision of the administrators of CCB AD (insolvent) to acknowledge that the Company was the creditor of a receivable of BGN 12 394 thousand, as well as a claim for contractual interest on insolvency claims of BGN 17 472 thousand. The Sofia Court of Appeal's decision entered into force on the date of the Supreme Court of Cassation's ruling. On the basis of this decision of the Sofia Court of Appeal, the unrecognised amount of the assigned receivable, amounting to BGN 12 386 thousand according to records, was written off in 2018.

A statement of a partial account was published in the Commercial Register in 2017 and 2020, which the administrators of CCB AD (insolvent) used to allocate the available amounts among the bank's creditors.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 31 MARCH 2021

As a result, Bulgargaz EAD was reimbursed for BGN 1 014 thousand in 2019 and 2020.

No trade and other receivables have been pledged as security for the Company's liabilities.

12. CASH AND CASH EQUIVALENTS

	AS AT 31 MARCH 2021	AS AT 31 DECEMBER 2020
Cash in hand	14	9
Cash in current bank accounts	245 921	172 003
Accumulated impairment of cash	(155)	(155)
Total cash and cash equivalents in the statement of financial position	245 780	171 857

13. RECONCILIATION OF INITIAL AND FINAL BALANCES IN THE CONDENSED STATEMENT OF FINANCIAL POSITION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES.

The reconciliation of initial and final balances in the condensed statement of financial position as at 31 March 2021 of liabilities arising from financial activities can be presented as follows:

Liabilities arising from financial activities	On 1 January	Cash flows from financial activities, net	Changes of a non-monetary nature – dematerialised		On 31 March
			Acquired (increases)	Other changes	
Lease payables	71	(79)		14	6
Interest and commission on borrowings		(270)	-	270	-
Total liabilities from financial activities:	71	(349)	-	284	6

The reconciliation of initial and final balances in the condensed statement of financial position as at 31 March 2020 of liabilities arising from financial activities can be presented as follows:

Liabilities arising from financial activities	On 1 January	Cash flows from financial activities, net	Changes of a non-monetary nature – dematerialised		On 31 March
			Acquired (increases)	Other changes	
Short-term bank loans	52 372	(52 372)	-	-	-
Lease payables	313	(64)		3	252
Interest and commission on borrowings	14	(32)		18	-

BULGARGAZ EAD

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 31 MARCH 2021

			-		
Total liabilities from financial activities:	52 699	(52 468)	-	21	252

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognised for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, at a tax rate of 10% (2020: 10%) applicable for the year in which they are expected to be reversed.

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2021**

The movement of deferred tax assets and liabilities as at 31 March 2021, presented by item in the period, is as follows:

DEFERRED TAX ASSETS	Impairment of inventories	Impairment of trade and other receivables	Pension provisions	Unused paid leave	Leases IFRS 16	Plant and equipment	Total
AS AT 1 JANUARY 2021	(31)	(13 441)	(19)	(16)	(1)	-	(13 508)
AS AT 31 MARCH 2021	(31)	(13 441)	(19)	(16)	(1)	-	(13 508)
DEFERRED TAX LIABILITIES							
AS AT 1 JANUARY 2021	-	-	-	-	-	2	2
AS AT 31 MARCH 2021	-	-	-	-	-	2	2
DEFERRED TAX ASSETS, NET							
	(31)	(13 441)	(19)	(16)	-	2	(13 506)

The movement of deferred tax assets and liabilities as at 31 March 2020, presented by item in the period, is as follows:

DEFERRED TAX ASSETS	Impairment of inventories	Impairment of trade and other receivables	Pension provisions	Unused paid leave	Leases IFRS 16	Plant and equipment	Total
AS AT 1 JANUARY 2020	-	(13 744)	(17)	(16)	(1)	-	(13 778)
AS AT 31 MARCH 2020	-	(13 744)	(17)	(16)	(1)	-	(13 778)

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**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2021**

DEFERRED TAX LIABILITIES

AS AT 1 JANUARY 2020	-	-	-	-	4	4
AS AT 31 MARCH 2020	-	-	-	-	4	4

DEFERRED TAX ASSETS, NET

-	(13 744)	(17)	(16)	(1)	4	(13 774)
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BULGARGAZ EAD

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

31 MARCH 2021

15. SHARE CAPITAL

	3-MONTH PERIOD ENDING ON 31 MARCH 2021	
	Number of shares	Amount
At beginning of period	231 698 584	231 698
At end of the period	231 698 584	231 698

16. RESERVES

	3-MONTH PERIOD ENDING ON 31 MARCH 2021			
	Legal reserve	Non- financi al asset revalua tion reserve	Defined benefit plan revaluation reserve	Total
At beginning of period	7 367	35	(42)	7 360
Transfer of retained earnings to reserves	3 443	-	-	3 443
At end of the period	10 810	35	(42)	10 803

	3-MONTH PERIOD ENDING ON 31 MARCH 2020			
	Legal reserve	Non-financial asset revaluation reserve	Defined benefit plan revaluation reserve	Total
At beginning of period	7 367	53	(16)	7 404
Transfer of retained earnings to reserves	-	-	-	-
At end of the period	7 367	53	(16)	7 404

17. TRADE AND OTHER PAYABLES

	AS AT 31 MARCH 2021	AS AT 31 DECEMBER 2020
Payables to related parties (Note 20)	4 912	2 952
VAT payable	17 682	18 644
Prepayments from customers for natural gas sales	16 677	53
Trade payables	51 139	8 104
Excise duty	1 100	1 131
Payables to employees	94	133
Liabilities to social insurance institutions	77	81
Other liabilities	270	233
Total trade and other payables	91 951	31 331
Current trade and other payables	91 951	31 331

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 31 MARCH 2021

Except for the actions in respect of which the Company has already set aside provisions, management believes the actions are without merit and unlikely to incur costs for the Company when settled. This management judgement is supported by the opinion of an independent legal adviser.

None of the aforementioned actions is described in detail here to ensure they do not have a serious impact on the Company's position in dispute resolution.

21. RELATED PARTY TRANSACTIONS

The Company discloses the following related parties:

Entity	Country of incorporation	Main business
<i>Sole controlling shareholder (parent company)</i>		
Bulgarian Energy Holding EAD (BEH)		
<i>Sole parent company shareholder</i>		
The Bulgarian State through the Minister of Energy		
<i>Entities under common control (group companies)</i>		
Kozloduy NPP EAD	Bulgaria	production of electricity and heat
HPP Kozloduy EAD	Bulgaria	generation and distribution of electricity from hydropower
Interpriborservice OOD	Bulgaria	installation and maintenance of automated systems
Kozloduy NPP - NB EAD	Bulgaria	operation of a nuclear power plant
Bulgargaz EAD	Bulgaria	public supply of natural gas
Bulgartransgaz EAD	Bulgaria	storage and transmission of natural gas
Balkan Gas Hub EAD	Bulgaria	creating and operating an electronic platform for the trading of natural gas, energy products, green and white certificates, carbon emissions
Electricity System Operator EAD	Bulgaria	transmission of electricity
Bulgartel EAD	Bulgaria	telecommunications
Bulgartel-Skopje DOOEL	Macedonia	telecommunications
Maritsa East Mines EAD	Bulgaria	coal production and sale
Natsionalna Elektricheska Kompania EAD	Bulgaria	generation of electricity and public electricity supplier
TPP Maritsa East 2 EAD	Bulgaria	production of electricity and heat
PFC Beroe - Stara Zagora EAD	Bulgaria	football club
TPP Maritsa East 2 (9 and 10) EAD	Bulgaria	power production and trade in electricity
<i>Jointly controlled entities</i>		
ICGB AD	Bulgaria	construction and operation of a gas transmission system
South Stream Bulgaria AD	Bulgaria	construction and operation of a gas transmission system

BULGARGAZ EAD

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 31 MARCH 2021

Transbalkan Electric Power Trading S.A. - NECO S.A.	Greece	sale of electricity
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Associates

ContourGlobal Maritsa Iztok 3 AD	Bulgaria	electricity production
ContourGlobal Operations Bulgaria AD	Bulgaria	operation and maintenance of a thermal power plant
Energy Insurance JSC	Bulgaria	insurance company
VPI Allianz Bulgaria AD	Bulgaria	pension company
HEC Gorna Arda AD	Bulgaria	construction of hydroelectric power plants

Other related parties under common control

Public sector enterprises under the common control of Bulgaria's Council of Ministers

Key management of parent company

Andon Petrov Andonov	Chair and member of the Board of Directors of BEH EAD
Zhivko Dimitrov Dinchev	Member of the Board of Directors of BEH EAD
Jacqueline Yosif Cohen	Member of the Board of Directors of BEH EAD and Executive Director

Key Company management

Iliyan Kirilov Dukov	Member of the Board of Directors
Nikolay Angelov Pavlov	Member of the Board of Directors and Executive Director

Sales to and purchases from related parties are carried out at agreed prices. Outstanding balances at the end of the reporting period are unsecured, interest-free (except for loans and deferred trade payables) and settled in cash. Guarantees have not been given or received for receivables from or liabilities to related parties, except for the guarantee given to Bulgartransgaz EAD under a contract for access to ad transmission of natural gas.

The operations and transactions between the Company and its related parties are as follows:

(A) SALE OF GOODS AND SERVICES

	3-MONTH PERIOD ENDING ON 31	
	2021	MARCH 2020
Companies under common control		
Bulgartransgaz EAD	2 249	2 287
Total	2 249	2 287

Sales include natural gas sold for balancing purposes and natural gas sold pursuant to the Rules of Operation of the Balkan Gas Hub EAD Organised Exchange.

(B) PURCHASE OF GOODS AND SERVICES

3-MONTH PERIOD ENDING ON 31

BULGARGAZ EAD

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 31 MARCH 2021

		MARCH
Parent company	2021	2020
Bulgarian Energy Holding EAD	140	152
Companies under common control		
Bulgartransgaz EAD	35 188	22 059
Bulgartel EAD	2	1
Balkan Gas Hub EAD	102	9
Total	35 432	22 221

Purchases of services from Bulgarian Energy Holding EAD include services under a management and control agreement and commission for the maintenance of a bank guarantee for a financial penalty in the BEH Gas Case.

Purchases of services from Bulgartransgaz EAD include transmission, access (capacity) and storage of natural gas.

Purchases of services from Bulgartel EAD include technical support.

Purchases of services from the Balkan Gas Hub EAD represent fees for access to the natural gas trading platform.

(C) RECEIVABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 MARCH 2021	AS AT 31 DECEMBER 2020
Companies under common control		
Bulgartransgaz EAD	19 122	14 128
Total	19 122	14 128

Receivables from Bulgartransgaz EAD represent financial collateral in the form of a credit limit and current receivables for the sale of natural gas for balancing purposes.

(D) PAYABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 MARCH 2021	AS AT 31 DECEMBER 2020
Parent company		
Bulgarian Energy Holding EAD	11	30
Companies under common control		
Bulgartransgaz EAD	4 859	2 921
Bulgartel EAD	1	1
Balkan Gas Hub EAD	41	-
Total current	4 912	2 952
Total	4 912	2 952

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 31 MARCH 2021

Payables to Bulgartransgaz EAD are related to current supply of transmission and storage services and current supply of natural gas for balancing purposes.

(E) KEY MANAGEMENT INCOME

Key management includes members of the Board of Directors.

The income of key management is as follows:

	3-MONTH PERIOD ENDING ON 31	
	2021	MARCH 2020
Short-term income of key management		
- Cost of salaries	60	45
- Cost of social insurance	5	6
Total	65	51

The Company has no income-related liabilities to key management at the end of each reporting period.

22. POST BALANCE SHEET EVENTS

No events, adjusting or non-adjusting, have occurred after the reporting period date that require further disclosures or corrections to the financial statements of Bulgargaz EAD as at 31 March 2021.

23. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements as at 31 March 2021 (including comparative information) were approved and adopted by the Board of Directors on 29 April 2021.