

**BULGARGAZ EAD**

**INTERIM REPORT  
CONDENSED INTERIM FINANCIAL STATEMENTS**

**30 SEPTEMBER 2021**

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This Bulgargaz EAD Report as at 30 September 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 features and compares data as at 30 September 2021 and 30 September 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.

Pursuant to Article 21(1)(1) in conjunction with Article 39(1)(5) of the Energy Act and by Decision JI-548-15 of the Energy and Water Regulatory Commission (EWRC) of 16 September 2021, Bulgargaz EAD has been issued with Natural Gas Trading Licence No A0435 for a period of 10 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 EWRC, 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.

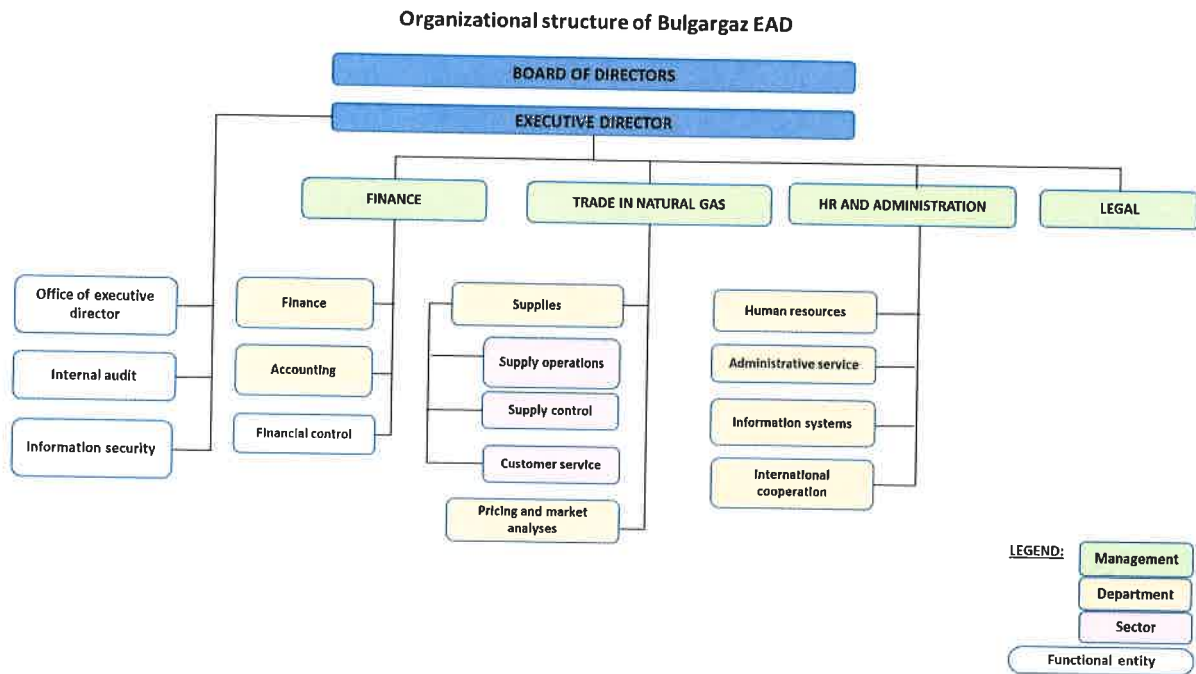
## **I. COMPANY STRUCTURE**

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 30 September 2021, the Board of Directors is composed by:

Diana Stoyanova Boneva	BoD chair and member
Nikolay Angelov Pavlov	BoD member and Executive Director
Iliyan Kirilov Dukov	BoD member
Nikolay Atanasov Donchev	BoD member
Svetoslav Tanev Delchev	BoD member



## 2. RESPONSIBILITY OF MANAGEMENT

Management confirms that adequate accounting policies were applied in preparing the financial statements as at 30 September 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:

### **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.

### **Diana Stoyanova Boneva – BoD chair member since 19 July 2021:**

- 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.

### **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 Atanasov Donchev – BoD member since 19 July 2021:**

- 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.

**Svetoslav Tanev Delchev – BoD member since 19 July 2021:**

- does not hold participating interests in any company as an unlimited liability partner;
- owns more than 25% of the equity of Travel Academy OOD;
- 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 30 September 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 AS AT 30 SEPTEMBER 2021**

As at 30 September 2021, Bulgargaz EAD operates in compliance with all regulations. The result of the Company's business is post-tax profit of BGN 31 215 thousand (as at 30 September 2020: profit of BGN 28 695 thousand).

### **1. GENERAL 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.

Following changes to the law, Bulgargaz EAD conducts its activities as follows:

- on the regulated market at prices set by the EWRC;
- on the organised exchange at freely negotiated prices;
- under the Gas Release Programme where natural gas is released on an organised exchange in accordance with the terms of the Programme Implementation Agreement approved by the EWRC;

- outside an organised exchange (on the domestic and international markets) at freely negotiated prices.

Pursuant to the Natural Gas Trading Rules, Bulgargaz EAD binds the terms of delivery in the contracts with its customers with the terms of its long-term contracts.

## 2. ACHIEVEMENT OF QUANTITATIVE INDICATORS

### 2.1. Quantities of natural gas bought and sold

The main natural gas supplies ensuring the Company's customers have sufficient quantities for their purposes are provided under a long-term contract with OOO Gazprom Export.

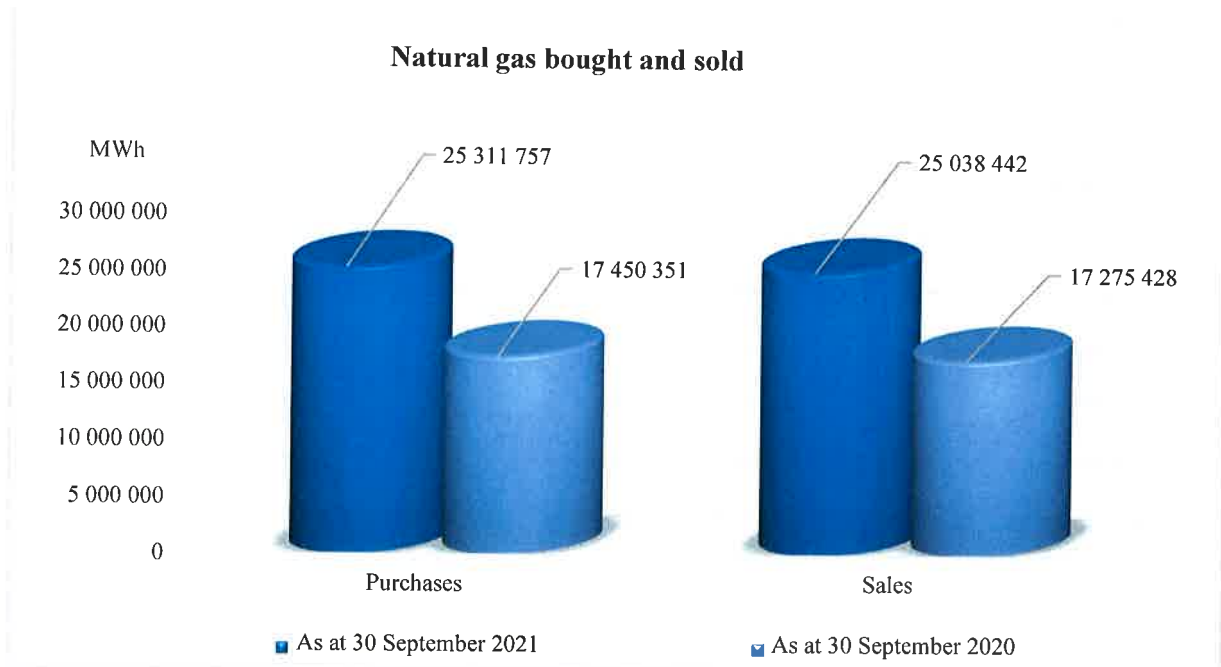
As a result of successful negotiations and agreements signed on 29 December 2020, gas supplies from Azerbaijan under a contract from 2013 began on 31 December 2020. According to the agreements, Bulgargaz EAD receives those supplies at a temporary delivery point in Greece and transports them through the Greek gas transmission network to the Bulgarian border.

The quantities of natural gas bought and sold as at 30 September 2021 compared to 30 September 2020 are shown in Table 1 below:

Table 1

*MWh*

Type of supply	Unit	As at 30 September 2021	As at 30 September 2020	Change in quantities	Change in %
Purchase	MWh	25 311 757	17 450 351	7 861 406	45,05%
Sale	MWh	25 038 442	17 275 428	7 763 014	45,57%



A total of 25 311 757 MWh (as at 30 September 2020: 17 450 351 MWh) were bought in the reporting period, which is an increase of 7 861 406 MWh or 45,05%.

The quantity of gas sold were 25 038 442 MWh, compared to 17 275 428 MWh as at 30 September 2020, which is an increase of 7 763 014 MWh or 44,94%. The increase in sales can be mainly attributed to higher consumption by customers in the energy sector, distribution companies, the Gas Release Programme and the organised exchange.

## 2.2 Quantities of natural gas purchased

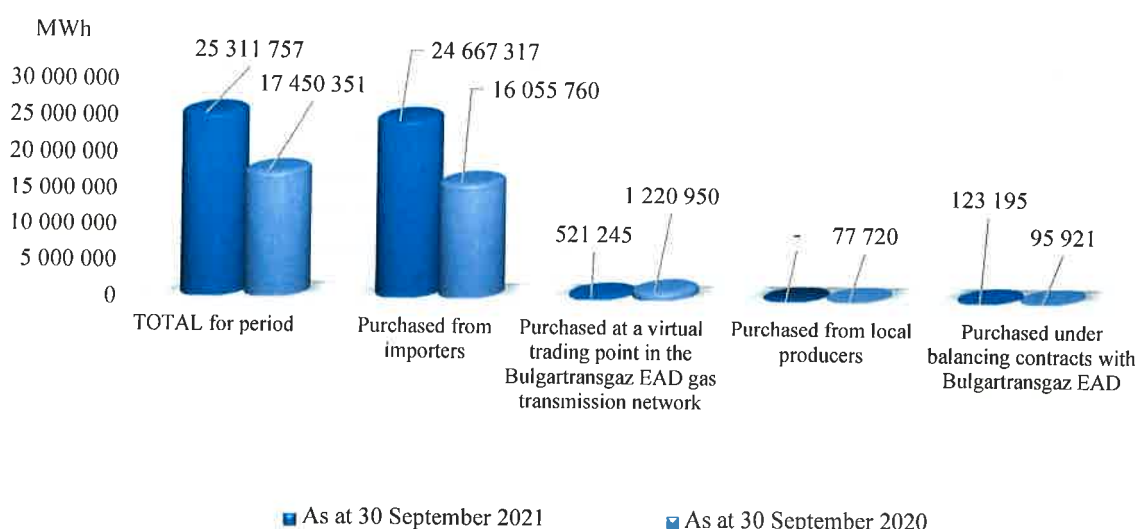
The quantities of natural gas purchased as at 30 September 2021 and 30 September 2020 are show in Table 2.

Table 2

MWh

Natural gas purchased	As at 30 September 2021	As at 30 September 2020	Change in quantities	Change in %
<b>TOTAL for period</b>	<b>25 311 757</b>	<b>17 450 351</b>	<b>7 861 406</b>	<b>45,05%</b>
Purchased from importers	24 667 317	17 276 710	8 611 557	53,64%
Purchased at a virtual trading point in the Bulgartransgaz EAD gas transmission network	521 245	1 220 950	(699 705)	(57,31%)
Purchased from local producers	-	77 720	(77 720)	(100%)
Purchased under balancing contracts with Bulgartransgaz EAD	123 195	95 921	27 274	28,43%

### Quantities of natural gas purchased



To meet its customers' needs for natural gas, as at 30 September 2021 Bulgargaz EAD has purchased 25 311 757 MWh natural gas (30 September 2020: 17 450 351 MWh). As at 30 September 2021, the quantities of natural gas bought from importers are 24 667 317 MWh (30 September 2020: 17 276 710 MWh) and the quantities bought at a virtual trading point are 521 245 MWh. The natural gas bought from Bulgartransgaz EAD under balancing contracts is 123 195 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 capacity from the Chiren Underground Gas Storage Facility (Chiren UGSF), owned by Bulgartransgaz EAD.

The quantities of natural gas produced and pumped into the Chiren UGSF as at 30 September 2021, compared with the same date in 2020, are shown in Table 3.

Table 3

MWh

Amount produced and amount pumped in	As at 30 September 2021	As at 30 September 2020	Change in MWh	Change in %
Quantities available at beginning of period	2 322 800	2 329 714	(6 914)	(0,30%)
Amount produced	2 465 567	2 331 780	133 787	5,74%

Amount produced and amount pumped in	As at 30 September 2021	As at 30 September 2020	Change in MWh	Change in %
Amount pumped in	2 744 301	2 501 067	243 234	9,73%
Difference in the recalculation of stocks, amount produced and amount pumped into the Chiren UGSF	480	(2 066)	(1 586)	76,76%
<b>Quantities available at end of period</b>	<b>2 601 054</b>	<b>2 501 067</b>	<b>99 987</b>	<b>4,00%</b>

The quantities of natural gas produced are 2 465 567 MWh, which is an increase of 133 787 MWh or 5,21% compared to 30 September 2020, namely 2 331 780 MWh. As at 30 September 2021, the quantities of natural gas pumped into storage are greater by 243 234 MWh than on 30 September 2020, when they were 2 501 067 MWh.

### III. NATURAL GAS SALES

#### 1. Sales

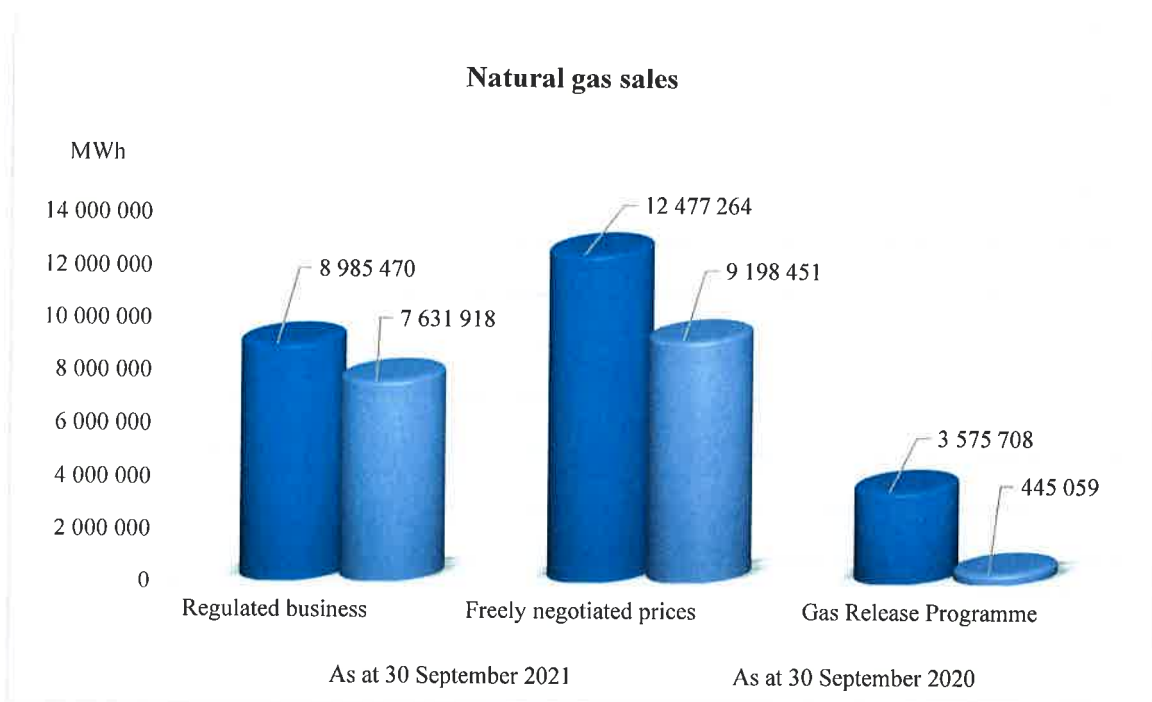
Bulgargaz EAD provides a reliable supply of natural gas to its Bulgarian customers in accordance with contractual requirements. As at 30 September 2021, 25 038 442 MWh of natural gas have been sold, which is an increase of 7 763 014 MWh or 44,94% on the quantities sold by the same date in the previous year (17 275 428 MWh).

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

Table 4

MWh

Sales	As at 30 September 2021	As at 30 September 2020	Change in quantities	Change in %
Regulated business	8 985 470	7 631 918	1 353 552	17,74%
Freely negotiated prices	12 477 264	9 198 451	3 278 813	35,65%
Organised exchange	3 575 708	445 059	3 130 649	703,42%
<b>Total</b>	<b>25 038 442</b>	<b>17 275 428</b>	<b>7 763 014</b>	<b>44,94%</b>





## 2. Structure of sales

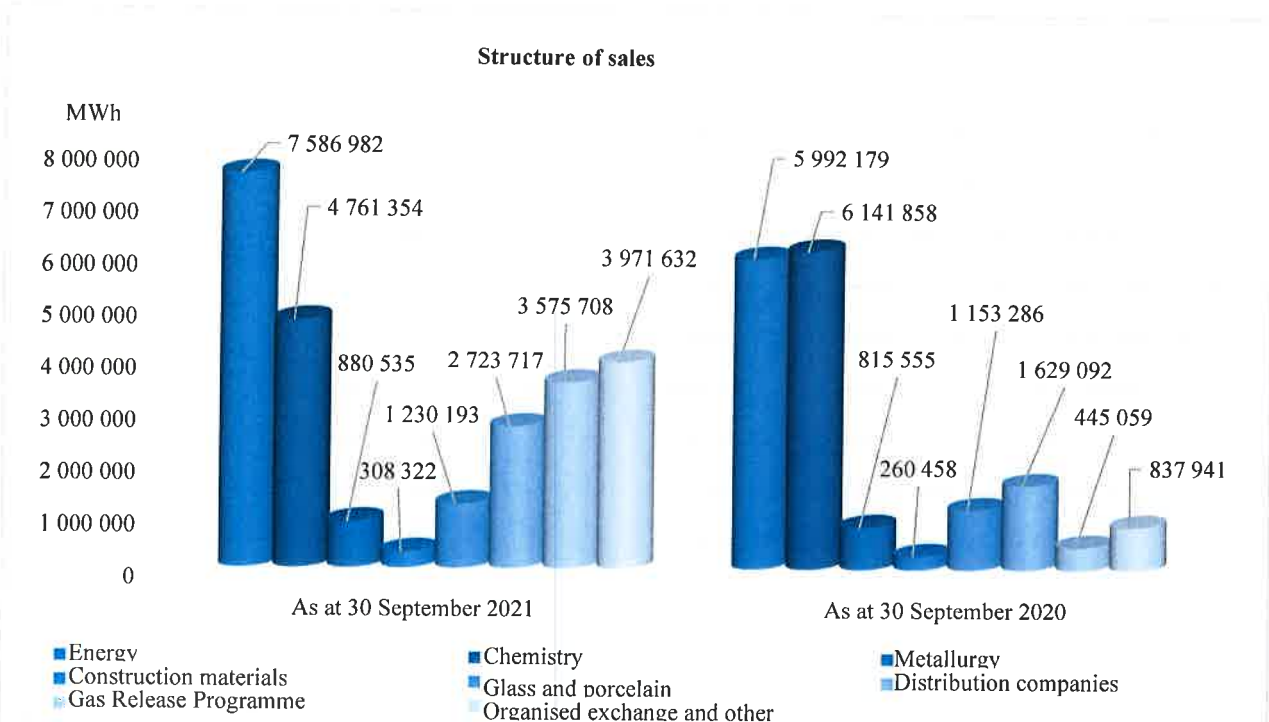
The quantities of natural gas sold to the Company's customers (by main economic sector) as at 30 September 2021 and as at 30 September 2020 are shown in Table 5.

Table 5

MWh

Sector	As at 30 September 2021	As at 30 September 2020	Change in quantities	Change in %
Energy	7 586 982	5 992 179	1 594 803	26,61%
Chemistry	4 761 354	6 141 858	(1 380 505)	(22,48%)
Metallurgy	880 535	815 555	64 980	7,97%
Construction materials	308 322	260 458	47 864	18,38%
Glass and porcelain	1 230 193	1 153 286	76 907	6,67%
Distribution companies	2 723 717	1 629 092	1 094 625	67,19%
Gas Release Programme	3 575 708	445 059	3 130 649	703,42%
Organised exchange and other	3 971 632	837 941	3 133 691	373,98%
<b>Total</b>	<b>25 038 442</b>	<b>17 275 428</b>	<b>7 763 014</b>	<b>44,94%</b>

As at 30 September 2021, sales have increased by 7 763 014 MWh or 44,94% compared with those as at 30 September 2020. This is due to higher consumption by customers, mainly from the following sectors: energy, distribution companies, Gas Release Programme, organised exchange and other, whereas at the same time, consumption in the chemistry sector has fallen.



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

- ✓ energy and distribution companies remain the major consumers of natural gas;
- ✓ total natural gas sales have increased as at 30 September 2021 compared with the same period ending on 30 September 2020 due to higher consumption by customers. Substantial increase in sales by 703,42% and 383,98% respectively under the Release Programme and on the Organised Exchange

## 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 necessity 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 in other gas markets.

Bulgargaz EAD's financial goals are to ensure the Company's financial stability. With regard to the regulated market, the legal framework governs how Bulgargaz EAD prices sales on the regulated market. Generating "excess profit" would breach the Ordinance on regulating natural gas prices, which caps the "public supply" component at 2.5% per year. With regard to the free market, in order to ensure a level playing field between the Company's customers, Bulgargaz EAD has proposed to use, after 1 January 2020, a single approach to setting the prices at which it supplies natural gas to 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 Act Amending and Supplementing the Energy Act. 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 the Ordinance on regulating natural gas prices. The approach used by Bulgargaz EAD ensures gas prices are set objectively and transparently. After this transitional period, Bulgargaz EAD should use a free market pricing mechanism that takes into account market requirements and complies with its long-term contracts.

The natural gas market in Bulgaria is relatively small, and the trade in natural gas has so far grown mainly in terms of imports into Bulgaria. Imports are fully liberalised, while exports are technically limited and effectively symbolic. It is also essential to improve how the regulated market and the gas exchange (Balkan Gas Hub EAD trading platform) operate in order to ensure supply predictability and protect and guarantee the execution of natural gas transactions. The potential solutions require a combination of actions by Bulgargaz EAD, the independent regulator and the state.

## 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 30 September 2021 compared with the same period in 2020, as well as statement of financial position as at 30 September 2021 compared with the same period in 2020.

The provision set aside as at 30 September 2021 for Case COMP/B1/AT.39849-BEH Gas amounts to BGN 51 966 thousand, constituting 1/3 of the total fine imposed on BEH EAD, Bulgartransgaz EAD and Bulgargaz EAD. The appeal is expected to have a positive outcome and the provisional expense is therefore expected to be reversed in 2023.

## VII. MAIN FINANCIAL INDICATORS

Main financial and economic results of the Company's business activities as at 30 September 2021 and 30 September 2020:

*In thousands of BGN*

Indicators	As at 30 September 2021	As at 30 September 2020	Change	Change (%)
Total operating income	1 123 574	451 069	672 505	149,09%
Total operating expenses	(1 090 363)	(421 261)	(669 102)	158,83%
<b>EBITDA</b>	<b>33 211</b>	<b>29 808</b>	<b>3 403</b>	<b>11,42%</b>
<b>EBIT</b>	<b>32 826</b>	<b>29 447</b>	<b>3 379</b>	<b>11,47%</b>
<b>EBT</b>	<b>33 772</b>	<b>31 139</b>	<b>2 633</b>	<b>8,46%</b>

Indicators	As at 30 September 2021	As at 31 December 2020	Change	Change (%)
Non-current fixed assets	383	130	253	194,62%
Total assets	514 296	363 198	151 098	41,60%
Current assets	501 095	349 372	151 723	43,43%
Current liabilities	165 873	32 214	133 659	414,91%
<b>Cash</b>	<b>69 213</b>	<b>171 857</b>	<b>(102 644)</b>	<b>(59,73%)</b>
<b>Floating capital</b>	<b>335 222</b>	<b>317 158</b>	<b>18 064</b>	<b>5,70%</b>
<b>Equity</b>	<b>296 235</b>	<b>261 249</b>	<b>16 940</b>	<b>6,07%</b>
Share capital	231 698	231 698	0	0,00%
Reserves	14 769	7 360	7 409	100,67%
Retained earnings / (accumulated loss)	18 553	580	17 973	3098,79%
Profit/loss for period	31 215	39 657	(8 442)	(21,29%)
<b>Number of staff</b>	<b>49</b>	<b>52</b>	<b>(3)</b>	<b>(5,77%)</b>

## VIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

STATEMENT OF COMPREHENSIVE INCOME	In thousands of BGN					
	As at 30 September 2021		As at 30 September 2020		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
<b>Income</b>	<b>1 123 574</b>	<b>100,00%</b>	<b>451 069</b>	<b>100,00%</b>	<b>672 505</b>	<b>149,09%</b>
<b>Revenue from natural gas sales</b>	<b>1 115 691</b>	<b>98,77%</b>	<b>443 094</b>	<b>97,52%</b>	<b>669 909</b>	<b>151,19%</b>
<b>Adjustment due to selling price change</b>	-	-	<b>(164 462)</b>	<b>(36,46%)</b>	<b>164 462</b>	<b>(100,00%)</b>
Regulated business	368 281	32,78%	285 857	63,37%	82 424	28,83%
Unregulated business at freely negotiated prices	568 790	50,62%	301 027	66,74%	267 763	88,95%
Organised exchange – Release Programme	163 421	14,54%	13 899	3,08%	149 522	1075,78%
Related parties (Bulgartransgaz) – sale of natural gas for balancing purposes	9 291	0,83%	3 553	0,79%	5 738	161,50%
Other penalties for quantities	5 908	0,53%	3 220	0,71%	2 688	83,48%
<b>Other income</b>	<b>7 883</b>	<b>0,70%</b>	<b>7 975</b>	<b>1,77%</b>	<b>(92)</b>	<b>(1,15%)</b>
- penalties for overdue receivables/payables	7 429	0,66%	7 968	1,77%	(539)	(6,76%)
- other income	454	0,04%	7	-	447	6385,71%
<b>Expenses by economic type</b>	<b>(1 090 363)</b>	<b>100,00%</b>	<b>(421 261)</b>	<b>100,00%</b>	<b>(669 102)</b>	<b>158,83%</b>
<b>Cost price of natural gas sold</b>	<b>(1 090 502)</b>	<b>100,01%</b>	<b>(414 661)</b>	<b>98,43%</b>	<b>(675 841)</b>	<b>162,99%</b>
<b>Adjustment due to supply price change</b>	-	-	<b>137 243</b>	<b>(32,58%)</b>	<b>(137 243)</b>	<b>(100,00%)</b>
Regulated business	(372 718)	34,18%	(258 264)	61,31%	(114 454)	44,32%
Unregulated business at freely negotiated prices	(544 215)	49,91%	(276 580)	65,66%	(267 635)	96,77%
Organised exchange – Release Programme	(165 577)	15,19%	(13 498)	3,20%	(152 079)	1126,68%
Related parties (Bulgartransgaz) – cost price of natural gas for balancing purposes	(7 992)	0,73%	(3 562)	0,85%	(4 430)	124,37%
<b>Impairment reversed/(accrued)</b>	<b>10 258</b>	<b>(0,94%)</b>	<b>319</b>	<b>(0,08%)</b>	<b>9 939</b>	<b>3115,67%</b>
Reversed/(accrued) impairment of receivables, net	10 178	(0,93%)	3 595	(0,85%)	(3 969)	(110,40%)
Reversed/(accrued) impairment of cash at hand	80	(0,01%)	(168)	0,04%	75	(44,64%)
Reversed/(accrued) impairment of natural gas	-	-	(3 108)	0,74%	3 063	(98,55%)
<b>Provision expenses recognised (accrued)</b>	<b>(374)</b>	<b>0,03%</b>	<b>(376)</b>	<b>0,09%</b>	<b>2</b>	<b>(0,53%)</b>
<b>Cost of materials</b>	<b>(93)</b>	<b>0,01%</b>	<b>(43)</b>	<b>0,01%</b>	<b>28</b>	<b>(65,12%)</b>
- main materials	(45)	-	(7)	-	1	(14,29%)
- fuels and lubricants	(13)	-	(15)	-	12	(80,00%)
- stationary and consumables	(15)	-	(13)	-	2	(15,38%)
- sanitary materials	(6)	-	(5)	-	(1)	20,00%
- advertising materials	(3)	-	(1)	-	(2)	200,00%
- other materials	(11)	-	(2)	-	(9)	450,00%
<b>Cost of hired services</b>	<b>(7 280)</b>	<b>0,67%</b>	<b>(4 345)</b>	<b>1,03%</b>	<b>(2 935)</b>	<b>67,55%</b>
- natural gas storage costs	(5 967)	0,55%	(2 262)	0,54%	(3 705)	163,79%
- expenses under management contracts	(45)	-	(65)	0,02%	20	(30,77%)
- licence fees	(123)	0,01%	(915)	0,22%	792	(86,56%)
- Balkan Gas Hub fees	(262)	0,02%	(24)	0,01%	(238)	991,67%
- insurance	(81)	0,01%	(82)	0,02%	1	(1,22%)
- rent	(1)	-	(1)	-	-	-
- court costs and fees	(39)	-	(344)	0,08%	305	(88,66%)
- consulting services	(224)	0,02%	(310)	0,07%	86	(27,74%)
- communications	(76)	0,01%	(97)	0,02%	21	(21,65%)
- audit committee fees	(76)	0,01%	(66)	0,02%	(10)	15,15%
- building maintenance	(1)	-	(1)	-	-	-

STATEMENT OF COMPREHENSIVE INCOME	As at 30 September 2021		As at 30 September 2020		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
- public utilities	(18)	-	(19)	-	1	(5,26%)
- subscription service	(11)	-	(11)	-	-	-
- repairs and maintenance	(11)	-	(16)	-	5	(31,25%)
- parking spaces and other motor vehicle costs	(15)	-	(12)	-	(3)	25,00%
- visa services	-	-	(1)	-	1	(100,00%)
- translation services	(18)	-	(13)	-	(5)	38,46%
- security	(61)	0,01%	(52)	0,01%	(9)	17,31%
- occupational medicine	-	-	-	-	-	-
- EWRC price approval fees	(4)	-	(1)	-	(3)	300,00%
- other services	(13)	-	(17)	-	4	(23,53%)
<b>Employment cost</b>	<b>(2 304)</b>	<b>0,21%</b>	<b>(2 117)</b>	<b>0,50%</b>	<b>(187)</b>	<b>8,83%</b>
- salary and wage costs	(2 028)	0,19%	(1 859)	0,44%	(169)	9,09%
- social insurance costs	(276)	0,03%	(258)	0,06%	(18)	6,98%
<b>Other expenses</b>	<b>(68)</b>	<b>0,01%</b>	<b>(38)</b>	<b>0,01%</b>	<b>(30)</b>	<b>78,95%</b>
- penalties for arrears	-	-	29	(0,01%)	(29)	100,00%
- business trips and entertainment expenses	(9)	-	(33)	0,01%	24	(72,73%)
- training	(1)	-	(1)	-	-	-
- one-off taxes	(10)	-	(7)	-	(3)	42,86%
- membership dues	(3)	-	(1)	-	(2)	200,00%
- donations	(18)	-	(24)	0,01%	6	(25,00%)
- other	(27)	-	(1)	-	(26)	2600,00%
<b>Profit before interest, tax and depreciation</b>	<b>33 211</b>	<b>-</b>	<b>29 808</b>	<b>-</b>	<b>3 403</b>	<b>11,42%</b>
<b>Depreciation expenses</b>	<b>(385)</b>	<b>0,04%</b>	<b>(361)</b>	<b>0,09%</b>	<b>(24)</b>	<b>6,65%</b>
<b>Operating profit/(loss)</b>	<b>32 826</b>	<b>-</b>	<b>29 447</b>	<b>-</b>	<b>3 379</b>	<b>11,47%</b>
<b>Financial income/(expenses), net</b>	<b>946</b>	<b>-</b>	<b>1 692</b>	<b>-</b>	<b>(746)</b>	<b>(44,09%)</b>
<b>Financial income</b>	<b>411</b>	<b>100,00%</b>	<b>947</b>	<b>100,00%</b>	<b>(536)</b>	<b>(56,60%)</b>
- income from interest on long-term receivables	411	100,00%	947	100,00%	(536)	(56,60%)
<b>Financial expenses</b>	<b>(1 387)</b>	<b>100,00%</b>	<b>(756)</b>	<b>100,00%</b>	<b>(631)</b>	<b>83,47%</b>
Cost of interest on bank loans	(3)	0,22%	(20)	2,65%	17	(85,00%)
Cost of interest on tax liabilities	(2)	0,14%	(20)	2,65%	18	(90,00%)
- cost of interest on overdue taxes	-	-	(20)	5,17%	20	(100,00%)
- cost of interest on rental contracts	(9)	0,65%	(8)	1,06%	(1)	12,50%
- cost of bank guarantees	(388)	27,97%	(383)	50,66%	(5)	1,31%
- bank charges	(985)	71,02%	(325)	42,99%	(660)	203,08%
<b>Other financial income/expenses – exchange differences</b>	<b>1 922</b>	<b>100,00%</b>	<b>1 501</b>	<b>100,00%</b>	<b>421</b>	<b>28,05%</b>
Gains/losses from exchange differences	1 922	100,00%	1 501	100,00%	421	28,05%
<b>Pre-tax profit/(loss)</b>	<b>33 772</b>	<b>-</b>	<b>31 139</b>	<b>-</b>	<b>2 633</b>	<b>8,46%</b>
<b>Revenue/(expenses) on income taxes</b>	<b>(2 557)</b>	<b>-</b>	<b>(2 444)</b>	<b>-</b>	<b>(113)</b>	<b>4,62%</b>
<b>Net profit/(loss) for period</b>	<b>31 215</b>	<b>-</b>	<b>28 695</b>	<b>-</b>	<b>2 520</b>	<b>8,78%</b>

The Company generated income of BGN 1 123 574 thousand as at 30 September 2021 (30 September 2020: BGN 451 069 thousand). This is an increase of BGN 672 505 thousand or 149,09%. The net operating profit is BGN 33 211 thousand (30 September 2020: BGN 29 808 thousand), which is an increase of 11,42%.

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 30 September 2021, they are BGN 1 090 363 thousand (30 September 2020: BGN 421 261 thousand), which is an increase by BGN 669 102 thousand or 158,83%.

The largest relative share of total expenses is the cost of natural gas sold. As at 30 September 2021, it is BGN 1 090 502 thousand (30 September 2020: BGN 414 661 thousand).

The cost of hired services as at 30 September 2021 is BGN 7 280 thousand (30 September 2020: BGN 4 345 thousand), which is an increase by BGN 2 935 or 67,55%. This can be attributed to the increase in the natural gas storage costs.

Other expenses are BGN 68 thousand as at 30 September 2021 (as at 30 September 2020: BGN 38 thousand), which is an increase by BGN 30 thousand or 78,95% on the previous reporting period. The increase can be attributed to regular screening of Bulgargaz EAD employees with COVID-19 antigen tests.

The operating result is a profit of BGN 32 826 thousand as at 30 September 2021 (30 September 2020: profit of BGN 29 447 thousand), which is an increase by BGN 3 379 thousand or 11,47%.

After recognising the financial income and expense as at 30 September 2021, the pre-tax financial result is a profit of BGN 33 772 thousand (as at 30 September 2020: profit of BGN 31 139 thousand), which is an increase by BGN 2 633 thousand or 8,46%.

## IX. STATEMENT OF FINANCIAL POSITION

As at 30 September 2021, the Company's assets are worth BGN 514 296 thousand (as at 31 December 2020: BGN 363 198 thousand). Asset structure changes in both periods are shown in the following table:

*In thousands of BGN*

Assets	As at 30 September 2021		As at 31 December 2020		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
<b>Non-current assets</b>						
Plant and equipment	383	2,90%	130	0,94%	253	194,62%
Intangible assets	339	2,57%	190	1,37%	149	78,42%
Deferred tax assets	12 479	94,53%	13 506	97,69%	(1 027)	(7,60%)
<b>Total non-current assets</b>	<b>13 201</b>	<b>100,00%</b>	<b>13 826</b>	<b>100,00%</b>	<b>(625)</b>	<b>(4,52%)</b>
<b>Current assets</b>						
<b>Inventories</b>	<b>146 494</b>	<b>29,23%</b>	<b>49 178</b>	<b>14,08%</b>	<b>97 316</b>	<b>197,89%</b>
- natural gas	146 479	29,23%	49 158	14,07%	97 321	197,98%
- materials	15	-	20	0,01%	(5)	(25,00%)
<b>Trade and other receivables</b>	<b>285 388</b>	<b>56,95%</b>	<b>128 337</b>	<b>36,73%</b>	<b>157 051</b>	<b>122,37%</b>
- trade receivables from natural gas sales	155 948	31,12%	62 397	17,86%	93 551	149,93%
- court and awarded receivables	9 315	1,86%	9 987	2,86%	(672)	(6,73%)
- prepayments for natural gas supplies	88 261	17,61%	35 638	10,20%	52 623	147,66%
- prepayments for delivery of fixed assets	1	-	1	-	-	-
- VAT and other tax receivables	-	-	1 136	0,33%	(1 136)	(100,00%)
- receivables from related parties (natural gas. deposits and guarantees)	22 213	4,43%	14 128	4,04%	8 085	57,23%
- other receivables	9 650	1,93%	5 050	1,45%	4 600	91,09%
<b>Cash and cash equivalents</b>	<b>69 213</b>	<b>13,81%</b>	<b>171 857</b>	<b>49,19%</b>	<b>(102 644)</b>	<b>(59,73%)</b>
<b>Total current assets</b>	<b>501 095</b>	<b>100,00%</b>	<b>349 372</b>	<b>100,00%</b>	<b>151 723</b>	<b>43,43%</b>
<b>Total assets</b>	<b>514 296</b>		<b>363 198</b>		<b>151 098</b>	<b>41,60%</b>

### 1. Non-current assets

As at 30 September 2021, non-current assets are worth BGN 13 201 thousand (as at 31 December 2020: BGN 13 826 thousand), which is a fall by BGN 625 thousand or 4,52%. In the reporting period, non-current assets comprise non-current tangible and intangible assets worth BGN 722 thousand and deferred tax assets worth BGN 12 479 thousand.

### 2. Current assets

As at 30 September 2021, the Company's current assets are worth BGN 501 095 thousand (31 December 2020: BGN 349 372 thousand), which is an increase by BGN 151 723 thousand or 43,43%, resulting from an increase in natural gas receivables, prepayments for natural gas supplies and receivables from related parties (guarantees and deposits).

As at 30 September 2021, inventories are worth BGN 146 494 thousand (31 December 2020: BGN 49 178 thousand), which is an increase by BGN 97 316 thousand or 197,89%.

As at 30 September 2021, trade and other receivables amount to BGN 285 388 thousand (31 December 2020: BGN 128 337 thousand), which is an increase by BGN 157 051 thousand or 122,37%.

As at 30 September 2021, prepayments for natural gas supplies amount to BGN 88 261 thousand (31 December 2020: BGN 35 638 thousand), which is an increase by BGN 52 623 thousand or 147,66%.

Customer receivables are deferred under overdue payment deferral agreements against collateral provided for the benefit of Bulgargaz EAD

At the end of the reporting period, the Company has BGN 69 213 thousand in current bank accounts and on hand (as at 31 December 2020: BGN 171 857 thousand), which is a decrease by BGN 102 644 thousand.

### 3. Changes in the structure of equity and liabilities

*In thousands of BGN*

Equity and liabilities	As at 30 September 2021		As at 31 December 2020		Change	
	thousand BGN	% of total	thousand BGN	% of total	thousand BGN	%
<b>Equity</b>						
Share capital	231 698	78,21%	231 698	82,96%	-	-
<b>Reserves</b>	<b>14 769</b>	<b>4,99%</b>	<b>7 360</b>	<b>2,64%</b>	<b>7 409</b>	<b>100,67%</b>
incl. legal reserve	14 776	4,99%	7 366	2,64%	7 410	100,60%
Other reserves	(7)	-	(6)	-	(1)	(16,67%)
Retained earnings/(accumulated loss)	18 553	6,26%	580	-	17 973	3098,79%
Profit/loss for current period	31 215	10,54%	39 657	14,20%	(8 442)	(21,29%)
<b>Total equity</b>	<b>296 235</b>	<b>100%</b>	<b>279 295</b>	<b>100%</b>	<b>16 940</b>	<b>6,07%</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Lease payables	127	0,24%	2	-	125	6250,00%
Provisions	51 966	99,57%	51 592	99,81%	374	0,72%
Trade and other payables	-	-	-	-	-	-
Pension liabilities	95	0,18%	95	0,18%	-	-
<b>Total non-current liabilities</b>	<b>52 188</b>	<b>100%</b>	<b>51 689</b>	<b>100%</b>	<b>499</b>	<b>0,97%</b>
<b>Current liabilities</b>						
<b>Loans</b>	<b>8 345</b>	<b>5,03%</b>	<b>-</b>	<b>-</b>	<b>8 345</b>	<b>-</b>
- bank overdraft liabilities	8 345	5,03%	-	-	8 345	-
<b>Trade and other payables</b>	<b>155 755</b>	<b>93,90%</b>	<b>31 331</b>	<b>97,26%</b>	<b>124 424</b>	<b>397,13%</b>
- trade payables	109 997	66,31%	8 101	25,15%	101 896	1257,82%
- payables to related parties	3 229	1,95%	2 952	9,16%	277	9,38%
- prepayments from customers for natural gas sales	13 125	7,91%	136	0,42%	12 989	9550,74%
- VAT payable	28 593	17,24%	18 644	57,88%	9 949	53,36%
- excise duty	346	0,21%	1 131	3,51%	(785)	(69,41%)
- staff payables	53	0,03%	133	0,41%	(80)	(60,15%)
- payables to social insurance institutions	67	0,04%	81	0,25%	(14)	(17,28%)
- other liabilities	345	0,21%	153	0,47%	192	125,49%
Lease payable – rental contract	189	0,11%	69	0,21%	120	173,91%
Corporation tax	1 530	0,92%	723	2,24%	807	111,62%
Pension liabilities	54	0,03%	91	0,28%	(37)	(40,66%)
<b>Total current assets</b>	<b>165 873</b>	<b>100,00%</b>	<b>32 214</b>	<b>100,00%</b>	<b>133 659</b>	<b>414,91%</b>
<b>Total liabilities</b>	<b>218 061</b>		<b>83 903</b>		<b>134 158</b>	<b>159,90%</b>
<b>Total equity and liabilities</b>	<b>514 296</b>		<b>363 198</b>		<b>151 098</b>	<b>41,60%</b>

#### 3.1. Capital structure

As at 30 September 2021, the authorised share capital is BGN 231 698 thousand, which is the same as in the previous reporting period.

As at 30 September 2021, retained earnings amount to BGN 18 553 thousand (31 December 2020: retained earnings of BGN 580 thousand). As at 30 September 2021, they have changed by BGN 17 973 thousand.

#### 3.2. Non-current liabilities

As at 30 September 2021, the Company's non-current liabilities amount to BGN 52 188 thousand (31 December 2020: BGN 51 689 thousand), which is an increase by BGN 499 thousand or 0,97% on the previous period. 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 30 September 2021, the Company's current liabilities amount to BGN 165 873 thousand (31 December 2020: BGN 32 214 thousand), which is an increase by BGN 133 659 thousand or 414,91%.

As at 30 September 2021, the Company has drawn down overdrafts in the amount of BGN 8 345 thousand.

As at 30 September 2021, trade and other payables have increase by BGN 124 424 thousand or 397,13% compared with 31 December 2020.

As at 31 December 2021, trade payables have increased by BGN 101 896 thousand or 1 257% compared to the same period in 2020.

As at 30 September 2021, payables to related parties amount to BGN 277 thousand, which is a decrease by 9,38% on the result as at 31 December 2020.

The current VAT liability to the National Revenue Agency is BGN 28 593 thousand (31 December 2020: BGN 18 644 thousand), which is an increase by BGN 9 949 thousand or 53,36%.

Trade payables relating to customer prepayments have increased by BGN 12 989.

## X. STATEMENT OF CASH FLOWS

The table below shows data concerning changes to cash flows as at 30 September 2021 compared with the same date in 2020:

CASH FLOW	As at 30 September 2021	As at 30 September 2020	In thousands of BGN	
			Change	
Net cash flows from operating activity	(97 503)	168 144	(265 647)	(157,99%)
Net cash flows from investing activity	88	739	(651)	(88,09%)
Net cash flows from financing activity	(6 836)	(52 905)	45 732	86,44%
<b>Net change in cash and cash equivalents in period</b>	<b>(104 251)</b>	<b>115 978</b>	<b>(220 566)</b>	<b>(190,18%)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>172 012</b>	<b>80</b>	<b>171 932</b>	<b>214915,06%</b>
Gains/losses from currency revaluation of cash and cash equivalents	1 527	(826)	2 353	284,87%
<b>Impairment of cash in accordance with IFRS</b>	<b>(75)</b>	<b>(168)</b>	<b>93</b>	<b>55,46%</b>
<b>Cash and cash equivalents at end of period</b>	<b>69 213</b>	<b>115 064</b>	<b>(45 851)</b>	<b>(39,85%)</b>

As at 30 September 2021, the Company's net cash flows from operating activity are negative and amount to BGN 97 503 thousand (as at 30 September 2020: positive and amount to BGN 168 144 thousand), which is a decrease by BGN 265 647 thousand or 157,99%. They comprise the difference between cash receipts from customers for natural gas paid and sold, non-income tax paid and other expenses.

The net cash flows from investing activity are positive and amount to BGN 88 thousand, which is a fall by BGN 651 thousand on 30 September 2020.

As at 30 September 2021, the net cash flows from financial activity are negative and amount to BGN 6 836 thousand (as at 30 September 2020: negative and amount to BGN 52 535 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 30 September 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 30 September 2021	As at 30 December 2020
Current liquidity ratio	3,02	10,85
Quick liquidity ratio	2,14	9,32
Absolute liquidity ratio	0,42	5,33

As at 30 September 2021, the current liquidity ratio is 3,02, which shows the available current assets can cover the Company's current liabilities more than 3 times (as at 31 December 2020: 10,85).

The quick liquidity ratio is 2,14, which shows the available current assets less the inventories can cover the Company's current liabilities more than 2 times (as at 31 December 2020: 9,32).

The absolute liquidity ratio is 0,42, which shows the available cash can cover the Company's current liabilities less than 1 time (as at 31 December 2020: 5,33). The liquidity has worsened due to increased receivables/poor collectability from district heating companies (mainly Toplofikacia Sofia EAD).

## 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 30 September 2021	As at 30 December 2020
Financial autonomy ratio	1,36	3,11
Indebtedness ratio	0,74	0,32

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 30 September 2021, the financial autonomy ratio is 1,36 (as at 31 December 2020: 3,11).

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 30 September 2021, this indicator is 0,74 (as at 31 December 2020: 0,32).

The information presented and analysed in the Report of Bulgargaz EAD as at 30 September 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.

25 October

5, §1,  
2016/679

Kiril Dimitrov

Director of Finance and Accounting

5, §1,  
2016/679

Nikolay Pavlov

Executive Director



**BULGARGAZ EAD**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 SEPTEMBER 2021**

*(All amounts are in thousands of BGN)*

	NOTE	AS AT 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		383	130
Intangible assets		339	190
Deferred tax assets	10	12 479	13 506
		<b>13 201</b>	<b>13 826</b>
<b>Current assets</b>			
Inventories	7	146 495	49 178
Trade and other receivables	8	285 387	128 337
Cash and cash equivalents	9	69 213	171 857
		<b>501 095</b>	<b>349 372</b>
<b>TOTAL ASSETS</b>		<b>514 296</b>	<b>363 198</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	231 698	231 698
Reserves	12	14 769	7 360
Retained earnings		49 768	40 237
		<b>296 235</b>	<b>279 295</b>
<b>Non-current liabilities</b>			
Lease liabilities		127	2
Pension liabilities		95	95
Provisions	17	51 966	51 592
		<b>52 188</b>	<b>51 689</b>
<b>Current liabilities</b>			
Trade and other payables	13	155 755	31 331
Loans		8 345	-
Lease liabilities		189	69
Income tax liabilities		1 530	723
Pension liabilities		54	91
		<b>165 873</b>	<b>32 214</b>
<b>TOTAL LIABILITIES</b>		<b>218 061</b>	<b>83 903</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>514 296</b>	<b>363 198</b>

These condensed interim financial statements were approved by the Board of Directors on 25 October 2021.

Date of preparation: 25 October 2021

Lilia  
Head of

5, \$1,  
2016/679

5, \$1,  
2016/679

Nikolay Pavlov  
Executive Director



**BULGARGAZ EAD**  
**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**30 SEPTEMBER 2021**

*(All amounts are in thousands of BGN)*


	NOTE	9-MONTH PERIOD ENDING ON 30 SEPTEMBER	
		2021	2020
Revenue from natural gas sales	16	1 115 691	443 094
Other revenue		7 883	7 975
Cost of natural gas sold		(1 090 502)	(414 661)
Cost of hired services		(7 280)	(4 345)
Employment cost		(2 304)	(2 117)
Cost of materials		(93)	(44)
Depreciation cost of non-financial assets		(385)	(361)
Provision costs		(374)	(376)
Other expenses		(68)	(38)
Reversed credit loss on financial assets, net	14	10 258	3 428
Accrued/(reversed) impairment loss on non-financial assets	7	-	(3 108)
<b>Operating profit</b>		<b>32 826</b>	<b>29 447</b>
Financial income		411	947
Financial expenses		(1 387)	(756)
Other financial income/expenses -- net		1 922	1 501
<b>Financial income/(expenses) -- net</b>		<b>946</b>	<b>1 692</b>
<b>Pre-tax profit/(loss)</b>		<b>33 772</b>	<b>31 139</b>
Income tax expenses	15	(2 557)	(2 444)
<b>Net profit/(loss) for period</b>		<b>31 215</b>	<b>28 695</b>
<b>Total comprehensive income for period</b>		<b>31 215</b>	<b>28 695</b>

These condensed interim financial statements were approved by the Board of Directors on 25 October 2021.

Date of preparation: 25 October 2021

\_\_\_\_\_  
 Lilia [Redacted]  
 Head of Accounting

\_\_\_\_\_  
 [Redacted]  
 Nikolay Pavlov  
 Executive Director



# BULGARGAZ EAD

## CONDENSED STATEMENT OF CHANGES IN EQUITY 30 SEPTEMBER 2021

(All amounts are in thousands of BGN)

	NOTE	Share capital	Reserves	Retained earnings	Total
<b>AS AT 1 JANUARY 2021</b>	11,12	231 698	7 360	40 237	279 295
<b>Comprehensive income</b>					
Profit for period		-	-	31 215	31 215
<b>Total comprehensive income</b>		-	-	<b>31 215</b>	<b>31 215</b>
<b>Transactions with sole owner</b>					
Dividend allocation		-	-	(14 275)	(14 275)
<b>Total transactions with sole owner</b>		-	-	<b>(14 275)</b>	<b>(14 275)</b>
Transfer of retained earnings to reserves		-	7 409	(7 409)	-
<b>AS AT 30 SEPTEMBER 2021</b>		<b>231 698</b>	<b>14 769</b>	<b>49 768</b>	<b>296 235</b>
<b>AS AT 1 JANUARY 2020</b>					
		231 698	7 404	562	239 664
<b>Comprehensive income</b>					
Profit for period		-	-	28 695	28 695
<b>Total comprehensive income</b>		-	-	<b>28 695</b>	<b>28 695</b>
Transfer of revaluation reserve to retained earnings		-	(8)	8	-
<b>AS AT 30 SEPTEMBER 2020</b>		<b>231 698</b>	<b>7 396</b>	<b>29 265</b>	<b>268 359</b>

These condensed interim financial statements were approved by the Board of Directors on 25 October 2021.

Date of preparation: 25 October 2021

Lilia  
Head of

5, §1,  
2016/679

5, §1,

2016/679

Nikolay Pavlov  
Executive Director



**BULGARGAZ EAD**

**CONDENSED STATEMENT OF CASH FLOWS  
30 SEPTEMBER 2021**

*(All amounts are in thousands of BGN)*

	NOTE	9-MONTH PERIOD ENDING ON 30 SEPTEMBER	
		2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		1 250 368	616 883
Cash paid to suppliers		(1 169 072)	(340 423)
Cash paid to employees and social insurance institutions		(2 530)	(2 435)
Income tax paid		(723)	(875)
Non-income tax paid		(176 067)	(104 880)
Other cash receipts/(payments), net		521	(126)
<b>Net cash flow from operating activities</b>		<b>(97 503)</b>	<b>168 144</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(42)	(21)
Purchase of intangible assets		(280)	(187)
Interest earned on deferred trade receivables		410	947
<b>Net cash flow from investing activities</b>		<b>88</b>	<b>739</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Lease principal payments		(228)	(185)
Lease interest payments		(9)	(8)
Overdraft proceeds and instalment payments, net		8 345	(52 372)
Dividend payments		(14 275)	-
Payments of bank guarantee fees and overdraft interest		(669)	(340)
<b>Net cash flow from financing activities</b>		<b>(6 836)</b>	<b>(52 905)</b>
<b>Net increase/(decrease) in cash and cash equivalents for period</b>		<b>(104 251)</b>	<b>115 978</b>
Cash and cash equivalents at beginning of period (gross)		172 012	80
Exchange gains/(losses) on cash and cash equivalents		1 527	(826)
Expected credit loss on cash and cash equivalents pursuant to IFRS 9 for period		(75)	(168)
<b>Cash and cash equivalents at end of period, net</b>	<b>9</b>	<b>69 213</b>	<b>115 064</b>

These condensed interim financial statements were approved by the Board of Directors on 25 October 2021.

Date of preparation: 25 October 2021

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Liliana  
Head of Finance  
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2016/679

5, \$1,  
2016/679

Nikolay Pavlov  
Executive Director



# BULGARGAZ EAD

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 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’s main business is the public supply of natural gas, as well as purchases and sales related thereto.

As a public supplier, Bulgargaz EAD provides a service in the public interest, i.e. supplies natural gas to persons defined in the Energy Act at prices approved by the Energy and Water Regulatory Commission.

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, and Natural Gas Trading Licence No JI-548-15 issued on 16 September 2021 for a period of 10 years.

The authorised capital is allocated in 231 698 584 registered shares. The Company’s capital is subscribed and fully paid up by the Bulgarian Energy Holding EAD. All shares have a par value of BGN 1. The Company’s shares are ordinary, registered, non-preferred shares with voting rights. Through the Bulgarian Energy Holding EAD, sole shareholder of Bulgargaz EAD, the Bulgarian State owns 100% of the authorised capital.

Bulgargaz EAD has a one-tier management system. The Company management bodies are the General Meeting and the Board of Directors. As at 30 September 2021 and the date of preparation of the interim financial statements, the Company is managed and represented by Nikolay Pavlov, Executive Director

As at the date of the statements, i.e. 30 September 2021, the Company’s Board of Directors is composed by the following members:

- Nikolay Pavlov – executive member of the Board of Directors;
- Diana Boneva – chair of the Board of Directors;
- Iliyan Dukov – member of the Board of Directors;
- Nikolay Donchev – member of the Board of Directors;
- Svetoslav Delchev – member of the Board of Directors.

The organisational structure of Bulgargaz EAD consists solely of central management.

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 25 October 2021.

### 2. BASIS OF PREPARATION

These condensed interim financial statements for the nine-month period ending on 30 September 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”).

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS  
30 SEPTEMBER 2021**

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.

In order to achieve a presentation that provides more relevant information about the effect of operations and other events or conditions on the Company's financial position, some elements in the condensed interim financial statements are presented differently compared to the condensed interim financial statements for 2020. The change relates to the following items in the condensed interim statement of financial position and condensed interim statement of profit or loss and other comprehensive income:

- Assets with the right of use worth BGN 61 thousand as at 31 December 2020 have been reclassified from the Intangible Assets line to the Plant and Equipment line.
- Revenues of BGN 3 220 thousand from penalties on unaccepted and exceeded quantities of gas, reported in the first three quarters of 2020, have been reclassified from Other Revenue to Natural Gas Sales Revenue.

The change only concerns how elements are presented in the condensed interim statement of financial position as at 31 December 2020 and the condensed interim statement of profit or loss and other comprehensive income for the period ending on 30 September 2020, and does not concern how they are measured.

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

For the period ending on 30 September 2021, the Company reported a post-tax profit of BGN 31 215 thousand, a negative cash flow from operating activities of (BGN 97 503 thousand) and a net decrease in cash and cash equivalents for the period of BGN 104 251 thousand.

As at 30 September 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, and a 10-year natural gas trading licence. The future operations of the Company as a public supplier of and trader in 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 2021.**

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 2021:

The following standards and interpretations apply for the first time to financial reporting periods beginning on or after 1 January 2021, but their application has no material effect on the Company's financial result and financial position:

- Amendments to IFRS 4 Insurance Contracts – Deferral of IFRS 9: effective from

1 January 2021, adopted by the EU;

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2): effective from 1 January 2021, adopted by the EU.

### **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 2021 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:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current, effective from 1 January 2023, not yet adopted by the EU
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, effective from 1 January 2022, not yet adopted by the EU
- Annual Improvements 2018-2020, effective from 1 January 2022, not yet adopted by the EU
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies, effective from 1 January 2023, not yet adopted by the EU
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates, effective from 1 January 2023, not yet adopted by the EU
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 September 2021, effective from 1 April 2021, not yet adopted by the EU
- IFRS 14 Regulatory Deferral Accounts, effective from 1 January 2016, not yet adopted by the EU
- IFRS 17 Insurance Contracts, effective from 1 January 2021, not yet adopted by the EU

## **4. ESTIMATES**

When preparing 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



**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS  
30 SEPTEMBER 2021**

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
- Cash and cash equivalents
- Trade and other payables

**6. SEASONALITY OF OPERATIONS. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE PERIOD**

In early 2020, the worldwide spread of a new coronavirus (Covid-19) caused difficulties to the business and economic activities of a number of enterprises and entire economic sectors. On 11 March 2020, the World Health Organization declared a coronavirus pandemic (Covid-19). On 13 March, the National Assembly of the Republic of Bulgaria declared a one-month state of emergency until 13 April 2020. After that period until 31 November 2021, there has been an emergency epidemiological situation.

The Company has not identified a significant negative effect on its operations, financial position and performance for the reporting periods.

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. This is why seasons have a significant effect on the Company's business.

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

The natural gas sold in the first nine months of 2021 generated 25 038 442 MWh (first nine months of 2020: 17 275 428 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.

**7. INVENTORIES**

	<b>AS AT 30 SEPTEMBER 2021</b>	<b>AS AT 31 DECEMBER 2020</b>
Natural gas at cost	146 479	49 468
Impairment to net realisable value	-	(310)
<b>Natural gas, net realisable value</b>	<b>146 479</b>	<b>49 158</b>
Total inventories	15	20
<b>Total inventories</b>	<b>146 494</b>	<b>49 178</b>

# BULGARGAZ EAD

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2021

No inventory has been pledged as security for the Company's liabilities. In the period ending on 30 September 2021, a total of BGN 1 090 502 thousand in inventories were reported as an expense in profit or loss (30 September 2020: BGN 414 661 thousand).

The movement in the accumulated impairment of natural gas is as follows:

	9-MONTH PERIOD UNTIL 30 SEPTEMBER	
	2021	2020
<b>At beginning of period</b>	<b>310</b>	-
Accumulated impairment losses	-	3 108
Written-off impairment of natural gas sold	(310)	-
<b>At end of period</b>	<b>-</b>	<b>3 108</b>

### 8. TRADE AND OTHER RECEIVABLES

	AS AT 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
Trade receivables	156 350	63 439
Accumulated impairment of trade receivables	(402)	(1 019)
<b>Trade receivables, net</b>	<b>155 948</b>	<b>62 420</b>
Court and awarded receivables	203 027	213 001
Accumulated impairment of court and awarded receivables	(193 712)	(203 014)
<b>Court and awarded receivables, net</b>	<b>9 315</b>	<b>9 987</b>
Receivable from Corporate Commercial Bank AD (insolvent)	3 804	4 064
Accumulated impairment of receivable from Corporate Commercial Bank AD (insolvent)	(3 804)	(4 064)
<b>Receivable from Corporate Commercial Bank AD (insolvent), net</b>	<b>-</b>	<b>-</b>
Prepayments for natural gas supplies	88 261	35 639
Receivables from related parties (Note 18)	22 213	14 128
Other receivables – prepaid expenses, guarantees and deposits	9 650	6 163
<b>Total trade and other receivables</b>	<b>285 387</b>	<b>128 337</b>
<b>Current trade and other receivables</b>	<b>285 387</b>	<b>128 337</b>

The movement in the credit loss allowance is as follows:

	AS AT 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
<b>At beginning of period</b>	<b>208 097</b>	<b>213 477</b>
Accrued losses from impairment of receivables (expected credit losses)	1 825	10 993
Written-off uncollectible receivables	-	(923)
Reversals of impairment losses	(11 744)	(15 011)

## BULGARGAZ EAD

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2021

Reversals of impairment losses from Corporate Commercial Bank (insolvent)	(259)	(439)
<b>At end of period</b>	<b>197 919</b>	<b>208 097</b>

All receivables are short-term. The Company's trade receivables are related to the sale of natural gas and are due by the 12th of the month of delivery, with the invoice issued by the 5th of the month of delivery. The net carrying amount of trade and other receivables is considered a reasonable estimate of their fair value.

All financial receivables of the Company have been reviewed with respect to the occurrence of default events. For all trade receivables, a simplified approach has been used to determine the expected credit losses at the end of the period.

Impairment losses and reversals thereof are recognised on a separate line as a net figure 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.

Prepayments for the supply of natural gas in 2017 and 2020 constitute amounts paid in advance by Bulgargaz EAD to the major natural gas suppliers.

A statement of a partial account was published in the Commercial Register, which the administrators of CCB AD (insolvent) used to allocate the available amounts among the bank's creditors. As a result, Bulgargaz EAD was reimbursed for BGN 1 273 thousand in 2019 and 2021.

On 17 February 2021, the administrators of CCB AD (insolvent) published in the Commercial Register and the Register of Non-profit Legal Entities a fourth partial account of the funds available to allocate among the bank's creditors. In accordance with the fourth partial account used to allocate the insolvent estate of CCB AD (insolvent), Bulgargaz was allocated BGN 259 thousand, with the Company receiving that amount in April 2021.

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

#### 9. CASH AND CASH EQUIVALENTS

	AS AT 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
Cash in hand	-	9
Cash in current bank accounts	69 288	172 003
Expected credit loss on cash	(75)	(155)
<b>Total cash and cash equivalents in the statement of financial position</b>	<b>69 213</b>	<b>171 857</b>

As at 30 September 2021, the Company has USD 38 376 thousand blocked as security against a bank guarantee issued to a third-party counterparty of the Company.

## BULGARGAZ EAD

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2021

The changes in the expected credit loss allowance are as follows:

	AS AT 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
<b>At beginning of period</b>	<b>155</b>	<b>-</b>
Accumulated expected credit losses on cash and cash equivalents	-	155
Reversed expected credit losses on cash and cash equivalents	(80)	-
<b>At end of period</b>	<b>75</b>	<b>155</b>

#### 10. 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.

**BULGARGAZ EAD**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS  
30 SEPTEMBER 2021**

The movement of deferred tax assets and liabilities as at 30 September 2021, presented by item in the period, is as follows:

<b>DEFERRED TAX ASSETS</b>	<b>Impairment of inventories</b>	<b>Impairment of trade and other receivables</b>	<b>Pension provisions</b>	<b>Unused paid leave</b>	<b>Leases IFRS 16</b>	<b>Plant and equipment</b>	<b>Total</b>
AS AT 1 JANUARY 2021	(31)	(13 441)	(19)	(16)	(1)	-	(13 508)
Expense (income) in profit or loss	-	1 026	-	-	1	-	1 027
<b>AS AT 30 SEPTEMBER 2021</b>	<b>(31)</b>	<b>(12 415)</b>	<b>(19)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>(12 481)</b>
<b>DEFERRED TAX LIABILITIES</b>							
AS AT 1 JANUARY 2021	-	-	-	-	-	2	2
<b>AS AT 30 SEPTEMBER 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>2</b>
<b>DEFERRED TAX ASSETS, NET</b>							
	<b>(31)</b>	<b>(12 415)</b>	<b>(19)</b>	<b>(16)</b>	<b>-</b>	<b>2</b>	<b>(12 479)</b>

The movement of deferred tax assets and liabilities as at 30 September 2020, presented by item in the period, is as follows:

<b>DEFERRED TAX ASSETS</b>	<b>Impairment of inventories</b>	<b>Impairment of trade and other receivables</b>	<b>Pension provisions</b>	<b>Unused paid leave</b>	<b>Leases IFRS 16</b>	<b>Plant and equipment</b>	<b>Total</b>
AS AT 1 JANUARY 2020	-	(13 744)	(17)	(16)	(1)	-	(13 778)
Expense (income) in profit or loss	(311)	351	-	-	-	-	40
<b>AS AT 30 SEPTEMBER 2020</b>	<b>(311)</b>	<b>(13 393)</b>	<b>(17)</b>	<b>(16)</b>	<b>(1)</b>	<b>-</b>	<b>(13 738)</b>
<b>DEFERRED TAX LIABILITIES</b>							
AS AT 1 JANUARY 2020	-	-	-	-	-	4	4
<b>AS AT 30 SEPTEMBER 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>4</b>
<b>DEFERRED TAX ASSETS, NET</b>							
	<b>(311)</b>	<b>(13 393)</b>	<b>(17)</b>	<b>(16)</b>	<b>(1)</b>	<b>4</b>	<b>(13 734)</b>

**BULGARGAZ EAD**

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS  
30 SEPTEMBER 2021**

**11. SHARE CAPITAL**

	AS AT 30 SEPTEMBER 2021	
	Number of shares	Amount
At beginning of period	231 698 584	231 698
<b>At end of period</b>	<b>231 698 584</b>	<b>231 698</b>

**12. RESERVES**

9-MONTH PERIOD ENDING ON 30 SEPTEMBER 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	7 409	-	-	7 409
<b>At end of the period</b>	<b>14 776</b>	<b>35</b>	<b>(42)</b>	<b>14 769</b>

9-MONTH PERIOD ENDING ON 30 SEPTEMBER 2020				
	Legal reserve	Non-financial asset revaluation reserve	Defined benefit plan revaluation reserve	Total
At beginning of period	7 367	53	(16)	7 404
Reserves from revaluation of fixed assets	-	(7)	-	(7)
<b>At end of the period</b>	<b>7 367</b>	<b>46</b>	<b>(16)</b>	<b>7 397</b>

**13. TRADE AND OTHER PAYABLES**

	AS AT 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
Trade payables	109 997	8 104
Payables to related parties (Note 18 (D))	3 229	2 952
Prepayments from customers for natural gas sales	13 125	53
VAT payable	28 593	18 644
Excise duty	346	1 131
Payables to employees	53	133
Liabilities to social insurance institutions	67	81
Other liabilities	345	233
<b>Total trade and other payables</b>	<b>155 755</b>	<b>31 331</b>
<b>Current trade and other payables</b>	<b>155 755</b>	<b>31 331</b>

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2021**

The Company's trade liabilities mainly include liabilities to the major natural gas suppliers.

If in the year of delivery, customers accept quantities lower than the minimum annual quantities requested by them for the relevant year of delivery, they pay Bulgargaz EAD for the unaccepted quantity of natural gas at a price that is 50% of the invoiced value of the supplied quantity of natural gas divided by the quantity of natural gas supplied for the same year of delivery. Under the natural gas supply contracts, after those quantities are paid on time, customers have, in the next year of delivery, the right to request and accept those partially paid quantities in the next 24 months. As at 30 September 2021, the Company has liabilities in respect of prepayments received from customers in connection with unaccepted minimum annual quantities for 2020 that have been prepaid and should be taken in 2021 and 2022. In the month in which those quantities are requested and accepted, customers must pay for them a price that is 50% of the current price of natural gas for the relevant month of delivery.

**14. REVERSED EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS, NET**

	9-MONTH PERIOD UNTIL 30 SEPTEMBER	
	2021	2020
Reversed losses from impairment of trade and other receivables (Note 8)	9 919	3 156
Reversed losses from impairment of receivables from CCB (insolvent) (Note 8)	259	440
(Accumulated) and reversed losses from impairment of cash held in banks (Note 9)	80	(168)
<b>Total reversed expected credit losses on financial assets for period, net</b>	<b>10 258</b>	<b>3 428</b>

**15. INCOME TAX EXPENSES**

	9-MONTH PERIOD UNTIL 30 SEPTEMBER	
	2021	2020
Current corporate tax expenses	(1 530)	(2 404)
Effect of change in deferred tax (Note 10)	(1 027)	(40)
<b>Profit tax expenses</b>	<b>(2 557)</b>	<b>(2 444)</b>

Current tax expense is recognised based on the Company management's assessment of the weighted average annual income tax rate expected for the full financial year, which is 10% (2020: 10%).

**16. NATURAL GAS SALES REVENUE**

	9-MONTH PERIOD UNTIL 30 SEPTEMBER	
	2021	2020
Natural gas sales revenue	1 100 492	436 321
Revenue from natural gas sold for balancing purposes	9 291	3 553
Revenue from penalties on customers defaulting on contracts by not accepting or exceeding agreed quantities	5 908	3 220
<b>Total natural gas sales revenue</b>	<b>1 115 691</b>	<b>443 094</b>

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS  
30 SEPTEMBER 2021**

Revenue from contracts with customers is generated in Bulgaria and recognised over time.

The following table provides information on the accounting policy used by the Company to recognise revenue and the timing of fulfilment of performance obligations under contracts with customers pursuant to IFRS 15.

Product/service type	Nature and timing of fulfilment of performance obligations, including material payment terms	Recognition of revenue pursuant to IFRS 15
<p>Natural gas sales revenue (including revenue from penalties for not accepting or exceeding agreed quantities)</p>	<p>As a public natural gas supplier, Bulgargaz EAD continuously supplies natural gas throughout the year. The customer:</p> <ul style="list-style-type: none"> <li>• simultaneously receives and consumes the benefits;</li> <li>• obtains control of the commodity (natural gas) by transferring the legal title to the asset;</li> <li>• bears the significant risks and rewards of ownership of the asset</li> <li>• accepts the asset.</li> </ul> <p>The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date.</p>	<p>Sales revenue is recognised on any transfer of control of the assets sold when they are delivered to the buyer and there are no outstanding liabilities that could affect the buyer's acceptance of natural gas. Delivery takes place each set of assets has been taken to the specific place (acceptance/transfer point, virtual trading point), the risks of potential losses have been transferred to the buyer, and they have accepted the assets in accordance with the contract of sale.</p> <p>The quantity of natural gas delivered to the customer in each day of the relevant month is reflected in a Monthly Statement, containing information about Bulgargaz EAD's obligations to deliver and the customer's obligations to accept such delivery.</p> <p>The transaction price is the fee the Company expects to be entitled to in exchange for the transfer to the customer of the promised goods or services, except for the amounts collected on behalf of third parties (VAT, excise duty).</p> <p>The customer's fee for the sale of natural gas includes fixed and variable amounts. The fixed amount is the selling price of natural gas. The variable fee depends on:</p> <ul style="list-style-type: none"> <li>- deviations from the daily agreed quantities of gas;</li> <li>- differences between requested and actually supplied minimum annual amount of gas;</li> <li>- supplying natural gas of deteriorated quality.</li> </ul> <p>Payment for sales is due by the 12th of the month of delivery, which is consistent with market practice.</p>
<p>Revenue from natural gas sold for balancing purposes</p>	<p>For the supply of natural gas to its customers, Bulgargaz EAD has a contract with the combined operator Bulgartransgaz EAD for access to and transmission of natural gas across Bulgaria. A contract for purchase and</p>	<p>The fee from the customer for the sale of natural gas for balancing purposes includes fixed amounts and is based on the selling price of natural gas for the current month + the balancing cost component determined and fixed by the EWRC for the gas year.</p> <p>There is no financing component in sales of natural</p>



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Product/service type	Nature and timing of fulfilment of performance obligations, including material payment terms	Recognition of revenue pursuant to IFRS 15
	sale of natural gas for balancing purposes has also been concluded and incorporated into the access and transmission contract. Balancing is also continuous, and the customer simultaneously receives and consumes the benefits. Revenue is recognised over time, as in the sale of natural gas described above.	gas for balancing purposes, as the payment for the sales is due within 20-25 days of the issue of an invoice, which is consistent with market practice.

**BALANCES ON CONTRACTS WITH CUSTOMERS**

	AS AT 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
<b>Assets</b>		
Trade receivables (Note 8)	145 765	56 691
Receivables from related parties (Note 8)	3 603	312
Unbilled receivables (Note 8)	10 799	6 724
<b>Liabilities</b>		
Liabilities on contracts with customers (Note 13)	13 125	53

**17. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

**Provisions**

**European Commission Procedures**

**Case COMP/B1/AT.39849 – BEH gas**

Case COMP/B1/AT.39849 - BEH Gas (the “Case”) concerns a potential violation of Article 102 of the TFUE, as alleged by the European Commission (EC), resulting from actions of Bulgarian Energy Holding EAD and its subsidiaries, Bulgargaz EAD and Bulgartransgaz EAD, aimed at:

- preventing their competitors from accessing key gas infrastructure (gas transmission network and gas storage facility) in Bulgaria by explicitly or tacitly refusing third party access or delaying such access;
- preventing competitors from accessing a major gas import pipeline by hoarding capacity. The proceedings were initiated in 2013 with a view to adopting a decision pursuant to Chapter 3 (Article 7 to 10) of Regulation 1/2003. On 23 March 2015, the European Commission issued a Statement of Objections (SO). Bulgarian Energy Holding EAD and its gas subsidiaries submitted their respective replies to the European Commission on 9 July 2015 (Bulgargaz EAD), 10 July 2015 (Bulgarian Energy Holding EAD) and 17 July 2015 (Bulgartransgaz EAD).

On 24 November 2017, the 44th National Assembly (NA) of the Republic of Bulgaria adopted a decision to take the necessary actions to close Case COMP/B1/AT.39849 – BEH Gas, whereby the NA supported closing the case pursuant to Article 7 of Regulation (EC) No 1/2003 without admitting the alleged violations or assuming liability for them and by fulfilling the obligations arising from any prohibition decision, including any financial penalty.

## **BULGARGAZ EAD**

### **NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2021**

On 26 July 2018, the 44th National Assembly (NA) of the Republic of Bulgaria adopted a decision to take the necessary actions to close Case of COMP/B 1/AT.39849 – BEH Gas pursuant to Article 9 of Regulation (EC) No 1/2003 by entering into commitments on behalf of the Bulgarian State and settling with the European Commission. The second NA decision was motivated by developments in Case COMP/B1/AT.39816 between the EC and PJSC Gazprom and Gazprom Export LLC, in respect of which the Commission announced on 24 May 2018 that an agreement had been reached and the same had been closed pursuant to Article 9 of Regulation (EC) No 1/2003 without a financial penalty for PJSC Gazprom and Gazprom Export LLC.

On 17 December 2018, the European Commission published Decision C (2018) 8806 in Case AT.39849 BEH – Gas, whereby the European Commission imposed a fine of EUR 77 068 000 on Bulgarian Energy Holding EAD (BEH), its gas supply subsidiary Bulgargaz EAD and its gas infrastructure subsidiary Bulgartransgaz EAD (the “BEH Group”) for allegedly blocking competitors’ access to key gas infrastructure in Bulgaria in violation of EU antitrust rules. The decision was received in the offices of the three companies on 19 December 2018, which commenced the period for appealing the EC Decision (two months and ten days after the decision is notified to the parties) and paying the fine (three months after the decision is notified to the parties).

The appeal against the decision does not defer the payment of the fine. On 18 March 2019, a guarantee was issued by a credit institution selected in a competitive procedure conducted by BEH EAD. The bank guarantee covers 2/3 of the EUR 77 068 000 fine, securing the obligations of BEH EAD and Bulgargaz EAD arising from fine.

On 4 July 2019, the Bulgarian State, through the Ministry of Foreign Affairs, filed an application to intervene in support of Bulgarian Energy Holding EAD and its subsidiaries.

On 29 November 2019, the Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD filed a response to the European Commission’s defence.

On 20 February 2020, within the deadline set by the General Court of the European Union, the Republic of Bulgaria, through the Ministry of Foreign Affairs (MFA), lodged the official position of the Republic of Bulgaria in Case T-136/19 submitted by the Ministry of Energy and the Ministry of Foreign Affairs, whereby the State intervened in support of Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD against the European Commission before the General Court of the European Union. It should be noted that, if the General Court decides to initiate the oral stage of the proceedings, the President will set a date for oral hearings, as those held from January to March 2021.

As at 30 June 2020, the Company has set aside a provision of BGN 51 966 thousand (as at 31 December 2020: BGN 51 592 thousand), constituting 1/3 of the total fine and the interest thereon of BGN 1 722 thousand, with settlement expected after more than 12 months.

#### **Contingent assets**

Bulgargaz EAD has initiated International Arbitration Case No 78/2019 at the Court of International Commercial Arbitration attached to the Chamber of Commerce and Industry of Romania, against Romania’s national gas transmission company Transgaz SA in respect of a commercial dispute between the parties. The expected outcome of the case is for the Company to be awarded damages amounting to USD 923 thousand. The case will be heard in September 2021. The Company has filed the claim in accordance with court procedure. The plaintiff’s and the defendant’s final written opinions have been filed and the court is expected to make a judgement by 19 December 2021.

#### **Contingent liabilities**

Legal actions have been brought against the Company, but the amounts of compensation sought are insignificant.

**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS  
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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.

Based on a preliminary agreement for capacity reservation, an agreement for transportation of natural gas was concluded with ICGB AD in 2019. In connection with this agreement, a corporate guarantee of EUR 12 million was issued by Bulgarian Energy Holding EAD to ICGB AD. In 2021, the term of the guarantee was extended to 1 July 2022.

**Commitments**

The Company has contracts with banks for the provision of working capital financing in the form of overdrafts and credit line limits up to BGN 70 000 thousand. As at the date of preparation of the interim statements, the Company has drawn down overdrafts in the amount of BGN 8 345 thousand.

Pursuant to a contract concluded with a bank in 2020, the Company has been provided with a bank guarantee payable to a natural gas supplier if the Company defaults on its contractual obligations. The Company has, in turn, secured the bank guarantee by placing funds in escrow.

**18. RELATED PARTY TRANSACTIONS**

The Company discloses the following related parties:

<b>Entity</b>	<b>Country of incorporation</b>	<b>Main business</b>
<b><i>Sole controlling shareholder (parent company)</i></b>		
Bulgarian Energy Holding EAD (BEH)		
<b><i>Sole parent company shareholder</i></b>		
The Bulgarian State through the Minister of Energy		
<b><i>Entities under common control (group companies)</i></b>		
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
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

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### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2021

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
Transbalkan Electric Power Trading S.A. – NECO S.A.	Greece	sale of electricity
<i>Associates</i>		
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

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 and transmission of natural gas.

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

#### **(A) SALE OF GOODS AND SERVICES**

	9-MONTH PERIOD ENDING ON 30 SEPTEMBER	
	2021	2020
<b>Companies under common control</b>		
Bulgartransgaz EAD	10 383	2 807
<b>Total</b>	<b>10 383</b>	<b>2 807</b>

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

#### **(B) PURCHASE OF GOODS AND SERVICES**

	9-MONTH PERIOD ENDING ON 30 SEPTEMBER	
	2021	2021
<b>Parent company</b>		
Bulgarian Energy Holding EAD	434	447
<b>Companies under common control</b>		
Bulgartransgaz EAD	75 459	39 988

## BULGARGAZ EAD

### NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS 30 SEPTEMBER 2021

Bulgartel EAD	5	5
Balkan Gas Hub EAD	262	24
<b>Total</b>	<b>76 160</b>	<b>40 464</b>

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 natural gas transmission, access (capacity) and storage services, as well as purchases of natural gas for balancing purposes.

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 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
<b>Companies under common control</b>		
Bulgartransgaz EAD	22 213	14 128
<b>Total</b>	<b>22 213</b>	<b>14 128</b>

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 30 SEPTEMBER 2021	AS AT 31 DECEMBER 2020
<b>Parent company</b>		
Bulgarian Energy Holding EAD	16	30
<b>Companies under common control</b>		
Bulgartransgaz EAD	3 192	2 921
Bulgartel EAD	1	1
Balkan Gas Hub EAD	20	-
<b>Total current</b>	<b>3 229</b>	<b>2 952</b>

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

#### (E) KEY MANAGEMENT INCOME

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Key management includes members of the Board of Directors.

The income of key management is as follows:

	9-MONTH PERIOD ENDING ON 30	
	2021	SEPTEMBER 2020
Short-term income of key management		
- Cost of salaries	(248)	(192)
- Cost of social insurance	(17)	(17)
<b>Total</b>	<b>(265)</b>	<b>(209)</b>

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

#### 19. EVENTS AFTER THE REPORTING PERIOD

An EWRC decision approved the price at which the public supplier sells natural gas to end suppliers of natural gas and persons issued with a licence to produce and transmit thermal energy, namely BGN 94,54 per MWh for October 2021.

No adjusting or other non-adjusting events have occurred after the reporting period date that require further disclosures in or adjustments to the financial statements of Bulgargaz EAD as at 30 September 2021.

#### 20. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

The condensed interim financial statements as at 30 September 2021 (including comparative information) were approved for issue by the Board of Directors on 25 October 2021.