

**BULGARGAZ EAD**

**INTERIM MANAGEMENT REPORT  
INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 MARCH 2020**

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This Company Management Report for the first quarter of year 2020 presents financial statements' comments and analysis and other important information as regards to the financial position and results of the Company's activity, comprising and comparing the first quarter of 2020 and first quarter of 2019.

This report has been made pursuant to Article 39 of the Accountancy Act, Article 187д, Article 247, Paragraph 1, 2 and 3 of the Commercial Act and Article 100н, Paragraph 7, item 2 of the Public Offering of Securities Act.

## **I. COMPANY OVERVIEW**

Bulgargaz EAD is a sole shareholder joint stock trading company, registered under the requirements of the Commercial Act, with seat and registered office: the Republic of Bulgaria; Sofia Region; Stolichna Municipality; 1000 Sofia; Serdika District; 47, Petar Parchevich Str.

Bulgargaz EAD's principle subject of activity is public supply of natural gas and the related sales and purchase thereof; natural gas purchase for the purposes of its storage in a gas storage facility; marketing research and analyses of the Bulgarian natural gas market.

Bulgargaz EAD carries out its activities as regards to public supply of natural gas for the territory of the Republic of Bulgaria, in compliance with License No JI-214-14/29.11.2006, issued by the State Energy and Water Regulatory Commission (SEWRC), for a period of 35 years. With an Amendment Act to the Energy Act (amended, State Gazette No. 17 as of 06.03.2015) the Commission was reorganized into the Energy and Water Regulatory Commission (EWRC).

## **OWNERSHIP AND MANAGEMENT**

Bulgargaz EAD is a sole shareholder joint stock company within the organizational structure of Bulgarian Energy Holding EAD (BEH). The registered share capital is distributed into 231 698 584 ordinary, registered, common, voting shares with a nominal value of BGN 1. The total amount of the Company share capital is subscribed and entirely paid in by the sole shareholder Bulgarian Energy Holding EAD.

The state owns 100% of the registered capital in Bulgarian Energy Holding EAD through the Minister of Energy.

## **COMPANY STRUCTURE**

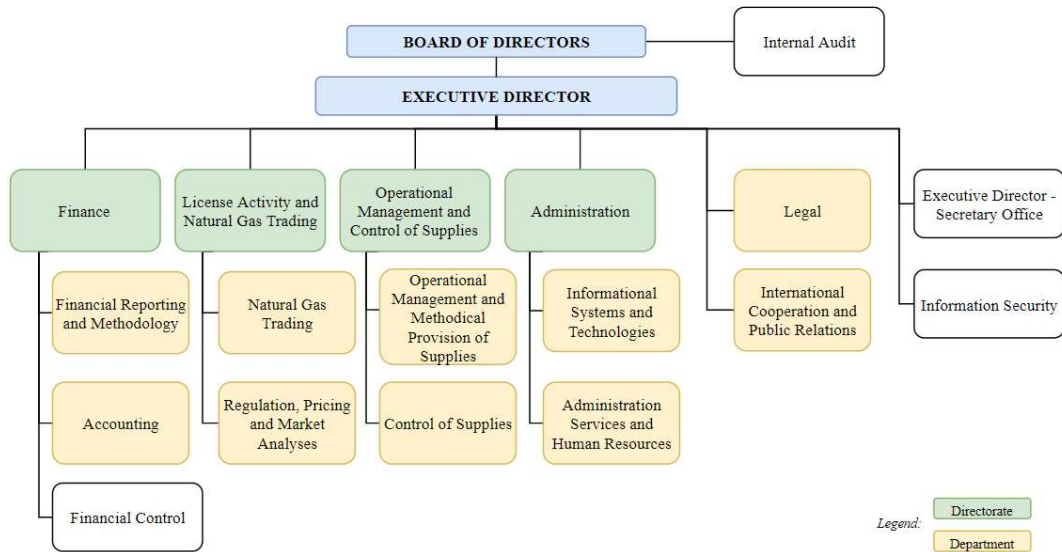
Bulgargaz EAD has one-tier system of management. The Company management bodies are:

- The Sole Owner of the capital empowered to make decisions within the competence of the General Meeting;
- Board of Directors (BoD).

As of 31.03.2020 the composition of the Board of Directors is as follows:

Petyo Angelov Ivanov	Chairman of the BoD
Iliyan Kirilov Dukov	Member of the BoD
Nikolay Angelov Pavlov	Member of the BoD and Executive Director

## ORGANIZATIONAL STRUCTURE OF BULGARGAZ EAD



### RESPONSIBILITY OF COMPANY'S MANAGEMENT

The Management confirms that adequate accounting policy is applied during preparation of the financial statements for the first quarter of year 2020, and that the latter are prepared based on a going concern principle.

The Company's management is responsible for keeping proper accounting records, for the expedient management of assets and for undertaking the necessary actions for prevention and detection of possible fraud and other irregularities.

### 1. INFORMATION REGARDING THE REMUNERATION OF THE BOARD OF DIRECTORS UNDER MANAGEMENT AND CONTROL CONTRACTS

In the first quarter of 2020 and the first quarter of 2019, the members of the Board of Directors received the following remuneration:

	First quarter of 2020	First quarter of 2019
BoD remunerations	45	44
Social security payments	6	4
<b>Total</b>	<b>51</b>	<b>48</b>

### 2. INFORMATION REGARDING COMPANY SHARES' ACQUISITION AND OWNERSHIP BY MEMBERS OF THE BOARD OF DIRECTORS

BoD members do not own Company shares. There are no privileges and exclusive rights regarding shares and bonds acquisition foreseen for BoD members. BEH owns 100% of the shares.

**The information regarding BoD members shares in trade 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 procurators, managers or Board members (pursuant to the requirements of Article 247, Paragraph 2, Item 4 of the Commercial Act) is as follows:**

**Petyo Angelov Ivanov – Chairman of the Board of Directors, member of the BoD from 01.09.2018:**

- does not participate as an unlimited liability partner in trade companies;
- does not own more than 25% of trade companies' equity;
- does not participate in the management of other companies, co-operations as procurator, manager or member of BoD.

**Iliyan Kirilov Dukov – Member of the BoD as of 06.01.2015:**

- does not participate as an unlimited liability partner in trade companies;
- owns more than 25% of the equity of Yapi Investments OOD, Lift Corp OOD, Nilis OOD, Imokorp EOOD and Inmax EOOD;
- participates in the management of Nilis OOD, Imocorp EOOD and Inmax EOOD as a Manager;

**Nikolay Angelov Pavlov – Executive Director, Member of the BoD from 22.05.2017:**

- does not participate as an unlimited liability partner in trade companies;
- does not own more than 25% of trade companies' equity;
- does not participate in the management of other companies, co-operations as procurator, manager or member of BoD.

**3. INFORMATION ABOUT CONTRACTS UNDER ARTICLE 240B OF THE COMMERCIAL ACT CONCLUDED THROUGH THE YEAR**

As of 31.03.2020, the Board of Directors or other persons related to them have not entered into any contracts pursuant to Article 240B of the Commercial Act on behalf of the Company that go beyond its normal business or substantially deviate from the market conditions.

**II. COMPANY ACTIVITY RESULTS FOR THE FIRST QUARTER OF YEAR 2020**

As of 31.03.2020, Bulgargaz EAD operates in compliance with all regulations. The result of the Company's activity is profit after taxes in the amount of BGN 49 929 thousand (as of 31.03.2019: profit in the amount of BGN 17 131 thousand).

**GENERAL FACTORS AFFECTING COMPANY'S ACTIVITIES**

Bulgargaz EAD's activity, public supply of natural gas, is regulated in accordance with the Bulgarian Energy Act and the bylaws – Licensing Ordinance, Rules for trade in natural gas and Ordinance on Natural Gas Price Regulation.

With the Act Amending and Supplementing the Energy Act (AAS of the Energy Act), adopted on 25.09.2019 by the National Assembly and promulgated in the State Gazette No. 79 of 2019, an organized natural gas exchange market is created, and its functioning and the role of market participants in it are regulated.

From 01.12.2019 a new obligation is created for Bulgargaz EAD to annually offer for sale, on the organized market exchange, certain quantities of natural gas in accordance with the release program, regulated in Art. 176a EA.

With regard to the supply of natural gas on the organized natural gas exchange market under the Natural Gas Release Program, Bulgargaz EAD applies the terms of the Agreement for implementation of the natural gas release program, approved by the EWRC on 29 November 2019.

With the amendment of Art. 30, para. 1, item 7 of the Energy Act (EA), introduced by the Act Amending and Supplementing the Energy Act (AAS of the Energy Act), promulgated in the State Gazette No. 79 of 2019, the number of persons to whom Bulgargaz EAD sells natural gas at a regulated price has been significantly narrowed. The amendment enters into force as of 01.01.2020, as Bulgargaz EAD, as a public provider, sells natural gas at regulated prices only to:

- i. end suppliers of natural gas;
- ii. a person who has been issued a license for the production and transmission of heat energy;

All other customers directly connected to the gas transmission network are eliminated from the regulated market.

For 2020, Bulgargaz EAD, as a public supplier, has concluded contracts for the supply of natural gas at regulated prices to customers connected to the gas transmission network, who are not licensees for the activities of production and transmission of heat or respectively end suppliers (“Contracts”). The contracts were concluded prior to the entry into force of the AAS of the Energy Act.

The principle under the Bulgarian law is that the laws, including their amendments, have no retroactive effect, i.e. they only act in the future. The lack of explicit text in the transitional and final provisions of the AAS of the Energy Act, concerning the contracts already concluded with customers, which after the entry into force of the APA of the Energy Act, do not fall into the circle of persons under Art. 30, para. 1, Item 7 of the EA, stipulates that these contracts continue to be valid.

It is admissible for the price to be determinable, including by reference to the price for public supply offered by Bulgargaz EAD for approval by EWRC.

In order to ensure a level playing field between the clients of the company, Bulgargaz EAD applies a uniform approach in the formation of the prices at which it supplies natural gas to the regulated market and, accordingly, the prices under the Contracts, which were initially concluded under the conditions of regulated prices, and which after entering into force of AAS of the Energy Act should be performed at freely negotiated prices.

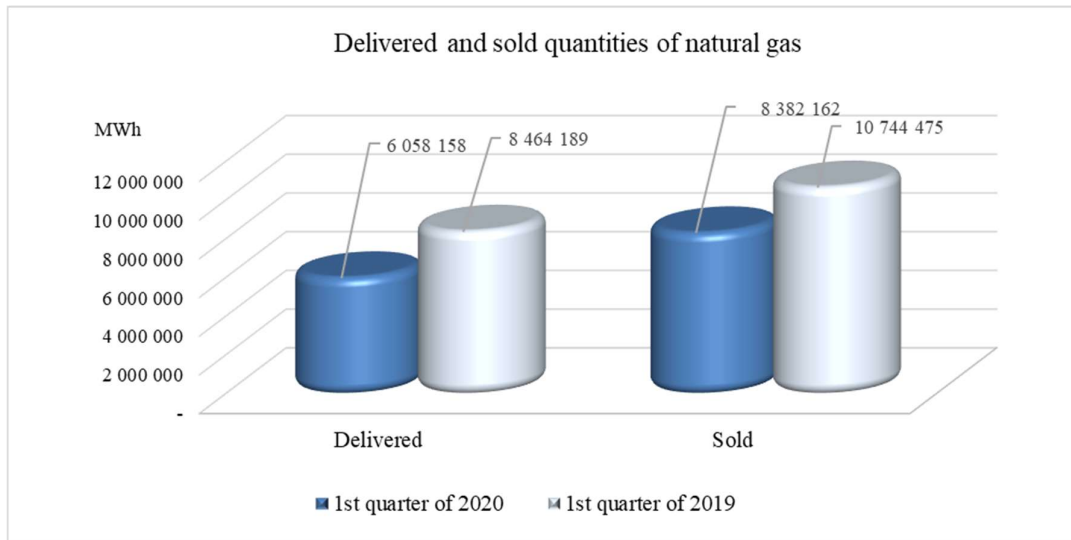
In order to ensure a smooth transition and to maximize the protection of the interests of both parties, Bulgargaz EAD offered to its clients the formation of the sale prices under the Contracts to be carried out in accordance with the provisions of Ordinance No. 2 of 19.03.2013 on the regulation of natural gas prices (the Ordinance (s)).

## 1. QUANTITATIVE INDICATORS IMPLEMENTATION

The quantities of natural gas delivered and sold in the first quarter of 2020 compared to the first quarter of 2019 are presented in Table 1 below:

*Table No.1*

Type of delivery	Unit	First quarter of 2020	First quarter of 2019	Volume change	% Change
Delivered	MWh	6 058 158	8 464 189	(2 406 031)	(28.43%)
Sold	MWh	8 382 162	10 744 475	(2 362 313)	(21.99%)



During the reporting period, a total of 6 058 158 MWh were delivered (for the first quarter of 2019: 8 464 189 MWh), which is a decrease of 2 406 031 MWh, or 28.43%.

As of 31.03.2020, 8 382 162 MWh was sold, compared to 10 744 475 MWh for the first quarter of 2019, which is a decrease of 2 362 313 MWh, or 21.99%. The decrease is mainly due to lower consumption of clients in the energy, chemistry, metallurgy, and glass and porcelain sectors and of the distribution companies.

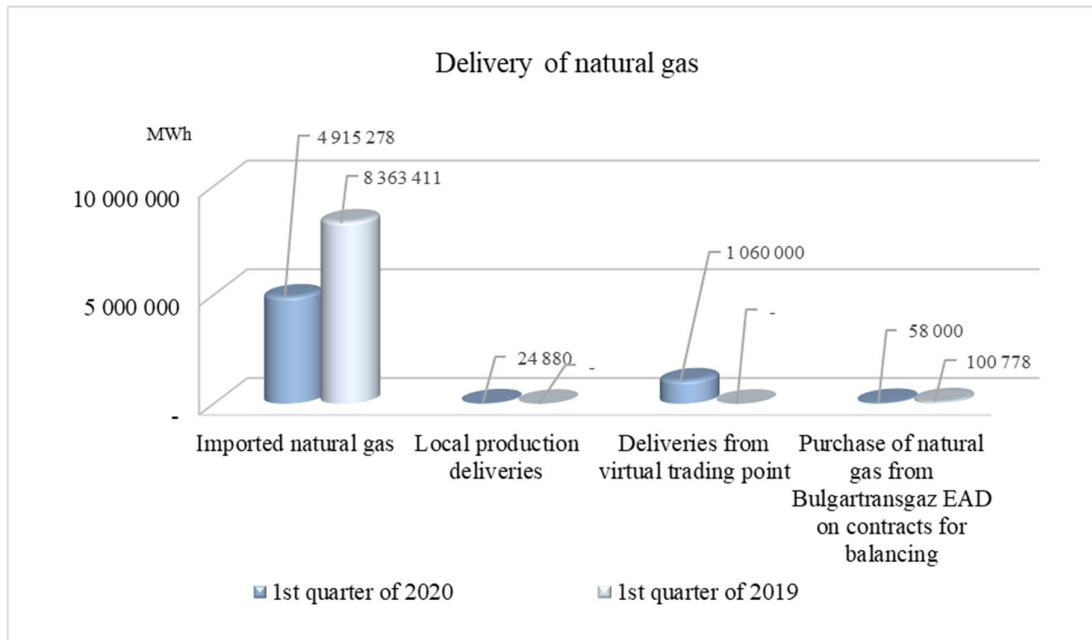
#### 1.1. DELIVERED NATURAL GAS VOLUMES

The delivered natural gas volumes for the first quarter of 2020 and the first quarter of 2019 are presented in Table No. 2 below.

Table No.2

MWh

№	Type of delivery	First quarter of 2020	First quarter of 2019	Relative share		% Change
				First quarter of 2020	First quarter of 2019	
1	Imported natural gas	4 915 278	8 363 411	81.13%	98.81%	(41.23%)
2	Local production deliveries	24 880	-	0.41%	0.00%	-
3	Deliveries from virtual trading point	1 060 000	-	17.50%	-	-
4	Purchase of natural gas from Bulgartransgaz EAD on contracts for balancing	58 000	100 778	0.96%	1.19%	(42.45%)
	<b>Total</b>	<b>6 058 158</b>	<b>8 464 189</b>	<b>100.00%</b>	<b>100.00%</b>	<b>(28.43%)</b>



To meet the natural gas needs of its customers in the first quarter of 2020, Bulgargaz EAD delivered 4 915 278 MWh of imported natural gas, which is 81.13% of the total supply, of which 1 060 000 MWh of natural gas at a virtual trading point; local supply of 24 880 MWh, as well as purchase of natural gas from Bulgartransgaz EAD under balancing contracts of 58 000 MWh.

## 1.2. NATURAL GAS PRODUCTION AND INJECTION

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

Natural gas volumes produced and injected in Chiren UGS for the first quarter of 2020 compared to the same period of year 2019 are presented in Table No. 4 below.

Table No. 3

Period	First quarter of 2020			First quarter of 2019			Change in production	
	Production	Change from recalculation in MWh	Injection	Production	Change from recalculation in MWh	Injection		
January	953 910	-	-	978 927	-	-	(25 017)	(2.56%)
February	847 920	-	-	810 785	-	-	37 135	4.58%
March	529 950	(2 066)	-	446 427	(88)	-	83 523	18.71%
<b>Total</b>	<b>2 331 780</b>	<b>(2 066)</b>	<b>-</b>	<b>2 236 139</b>	<b>(88)</b>	<b>-</b>	<b>95 641</b>	<b>4.28%</b>

The natural gas volumes produced in the first quarter of 2020 totalled 2 331 780 MWh, which is more by 95 641 MWh (4.28%), compared to 31.03.2019: 2 236 139 MWh, due to increased production in February and March 2020.



## 2. NATURAL GAS SALES

### 2.1. GENERAL CONSUMPTION

Bulgargaz EAD's ensures reliable supply of natural gas to its customers, in accordance with the quantity and quality contractual requirements. In the first quarter of 2020 the Company sold to its clients 8 382 162 MWh natural gas, which is a decrease of 2 362 313 MWh, or 21.99%, compared to the gas sold during the same period in the preceding year – 10 744 475 MWh.

Sales per months to the total sold volumes for the period are represented in Table No. 4 below.

Table No. 4

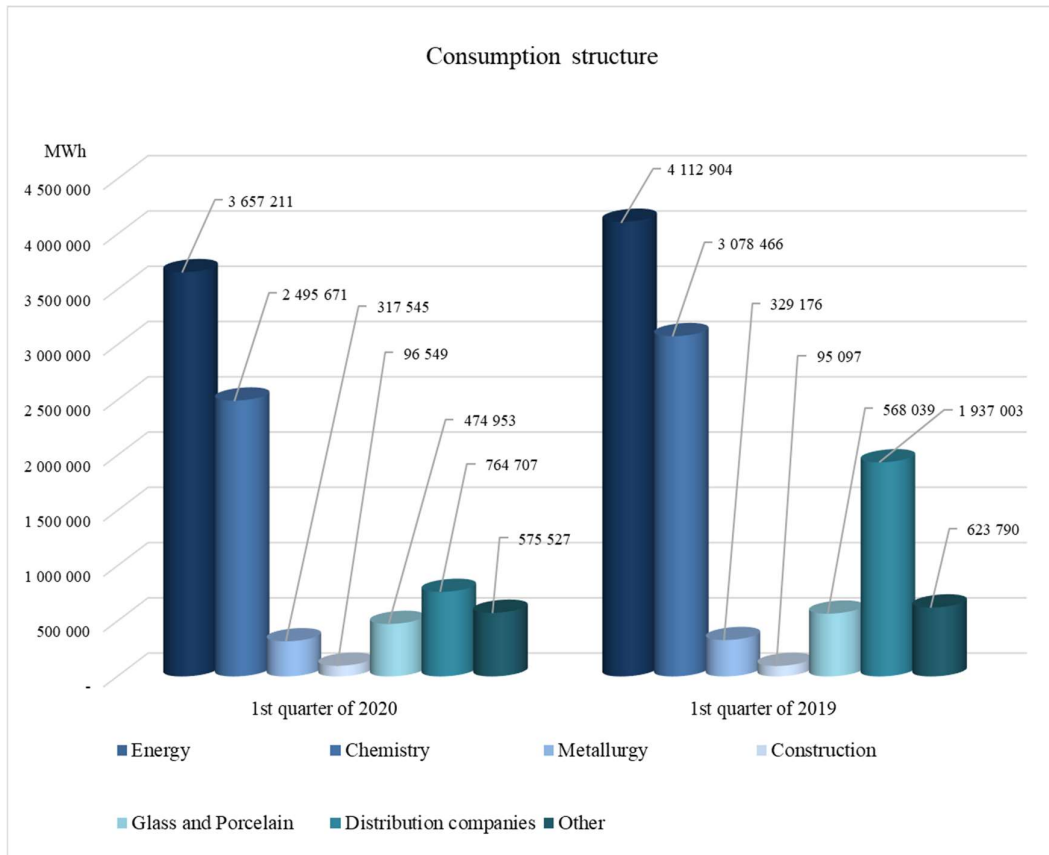
Sales	First quarter of 2020	First quarter of 2019
Regulated activity	4 413 770	10 744 475
Freely negotiated prices	3 786 373	-
Organized market exchange	182 019	-
<b>Total</b>	<b>8 382 162</b>	<b>10 744 475</b>

### 2.2. CONSUMPTION STRUCTURE

The quantities of natural gas sold by the Company's customers by main sectors of the economy for the first quarter of 2020 and the first quarter of 2019 are presented in Table No. 5.

Table No. 5

Sector	First quarter of 2020	First quarter of 2019
Energy	3 657 211	4 112 904
Chemistry	2 495 671	3 078 466
Metallurgy	317 545	329 176
Construction	96 549	95 097
Glass and Porcelain	474 953	568 039
Distribution companies	764 707	1 937 003
Other	575 527	623 790
<b>Total</b>	<b>8 382 163</b>	<b>10 744 475</b>



The data disclosed in Table No. 5, and illustrated in the chart above, outline the tendency in the consumption structure of natural gas, as follows:

- ✓ the major consumers of natural gas remain the companies in the field of energy and chemical industries;
- ✓ there is a decrease in the consumption of natural gas at the enterprises in the field of the energy, chemistry, metallurgy, glass and porcelain sectors and of the distribution companies.

### III. RISK FACTORS

The main factors that bring risk to Company activity are: the sale of natural gas at a regulated price lower than the purchase price; trade and other receivables and payables; currency risk associated with a change in foreign exchange rates.

In conducting its activity, the Company is exposed to the following types of risk:

#### 1. REGULATORY/ PRICE RISK

The specificity of Bulgargaz EAD activity relates to the fact that the Company is a “Public Supplier of natural gas”. The Company purchases natural gas to meet its clients’ needs at market prices and sells these quantities under regulated prices. The lack of correspondence between the aforementioned prices might cause risks to the Company in conducting its functional obligations.

When applying regulated sales prices lower than the purchase ones, the revenues are insufficient to cover the actual costs of purchase and supply of natural gas and the Company is experiencing difficulties in paying amounts due to suppliers. Under the terms of delivery contracts, fines and penalties for delayed payments are charged.

## **2. CURRENCY RISK**

Currency risk relates to changes in foreign currencies' exchange rates that lead to profit/loss realization, resulting from the revaluation of assets in foreign currency.

The main risk for Bulgargaz EAD arises out from the necessity to purchase natural gas in USD and sell it in BGN. Thus, the Company is exposed to a risk of exchange rate fluctuations. The approved marginal price set by the EWRC for each regulatory period is determined at a fixed USD-BGN exchange 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 exposed to a risk of loss of continuous increase of USD exchange rate within the period of prices' application, compared to the exchange rate, as applied at the time of their approval. The Company is also at risk of realizing a revaluation loss on its currency exposures due to the dynamic movement of the USD exchange rate.

## **3. CREDIT RISK**

The credit risk for the Company represents a risk of financial loss, if a customer fails to meet its contractual obligations. That risk arises out of Company's receivables from customers. The Company's customers are heating companies, having difficulties in collecting their receivables and experiencing serious obstacles to discharge their liabilities on due dates. The Company conducts continuous monitoring on its receivables, observes its clients conduct and considers in details its main debtors' activities. The Company enters into deferred payment agreements with some clients facing difficulties to discharge their current liabilities. As an extreme measure to resort to is natural gas delivery suspension. Bulgargaz EAD also protects its interests through court proceedings.

## **4. LIQUIDITY RISK**

Liquidity risk occurs when the Company is not able to meet its current financial obligations and commitments. They are presented in short-term liabilities of the Company, namely payment liabilities for transmission and storage, liabilities towards the State in the form of taxes and excise duties, liabilities under commercial loans and regular payments related to operational activity. Short-term liabilities require a careful planning of all cash inflows and outflows, based on monthly forecasts.

#### IV. PROSPECTS AND DEVELOPMENT

Company's development prospects relate to the implementation of its strategic and operational objectives.

##### 1. STRATEGIC OBJECTIVES

Bulgargaz EAD's main strategic objective is to abide by the responsibilities and obligations contained in the Natural Gas Delivery License, implementing all necessary measures to ensure timely supply of quality natural gas to consumers.

- In order to achieve the objectives, the Company endeavours to provide alternative sources and routes for the supply of natural gas that will increase the geographic supply portfolio and help to increase the security and reliability of gas supply. In 2019, for the first time in its history, Bulgargaz EAD purchased natural gas from alternative suppliers at economically more favourable prices compared to the price under the current long-term contract;
- Maintaining stable financial stability and increasing the economic efficiency of the Company's activity;
- Entering the gas market of neighbouring countries.

##### 2. OPERATIONAL OBJECTIVES:

- Maintaining Company's financial stability;
- Providing more flexible customer services.

In the short-run, Company's major objective is securing Bulgargaz EAD financial stability in a situation of market uncertainty in Bulgaria and higher inter-company indebtedness.

#### V. FINANCIAL AND ECONOMIC POSITION

The financial and economic position of Bulgargaz EAD has been examined and analyzed on the basis of financial and accounting statements prepared: statement of profit or loss and other comprehensive income and cash flow statement for the first quarter of 2020 compared to the same period in 2019, as well as a statement of the financial position of the Company for the first quarter of 2020, compared with the previous period as of the first quarter of 2019.

On 2 March 2020, Bulgargaz EAD and Gazprom Export LLC signed an ancillary agreement to the contract for the supply of natural gas.

The ancillary agreement regulates the new method of pricing and the refund of overpaid amounts by Bulgargaz EAD for the period 05.08.2019 - 29.02.2020.

The new price formula is applied as of 05.08.2019 - the date of the first request of Bulgargaz EAD for price revision.

The signed ancillary agreement will have an effect on both the cost of the gas supplied, by reducing the delivery price, and on reported sales revenues, by reducing the sale price, for the period indicated.

The National Assembly adopted an Act Supplementing the Energy Act, in connection with the repayment of amounts by Bulgargaz EAD to the company's clients, for the period 05.08.2019 - 31.03.2020. The Act was promulgated in the State Gazette No. 38 on 24.04.2020 and will have a material effect on the Company's financial statements. The adopted amendment to the Energy Act with regard to Bulgargaz EAD provides:

- *Pursuant to the Act Supplementing the Energy Act in connection with the repayment of amounts to clients of Bulgargaz EAD under the contracts for supply of natural gas, by 24.05.2020 the EWRC should adopt a decision for approval of natural gas prices for each month from the period 05.08.2019 - 31.03.2020. The approved selling price takes into account the new pricing according to the Supplement;*
- *Within 20 days from the adoption of the relevant decisions of the EWRC, Bulgargaz EAD is to calculate the amounts for repayment of clients under natural gas supply contracts as the difference between the amounts paid for the delivered quantities at prices approved by the decisions of EWRC until the entry into force of the Act Supplementing the Energy Act, and at the prices*

approved by the respective new decisions of EWRC and to conclude an agreement with the clients of the company for the repayment thereof.

- Bulgargaz EAD is to repay the amounts within 14 days from the conclusion of the agreement

As of 19.05.2020, EWRC has adopted a decision for approval of the prices of natural gas for each month from the period 05.08.2019 - 31.12.2019.

The EWRC is expected to adopt a decision for approval of natural gas prices for each month from the period 01.01.2020 - 31.03.2020, after which Bulgargaz EAD will calculate the amounts for repayment of customers under contracts for natural gas supply.

## MAIN FINANCIAL INDICATORS

The main financial and economic results of the Company's operations for the first quarter of 2020 and the first quarter of 2019 are presented as follows:

*In thousands BGN*

Indicators	First quarter of 2020	First quarter of 2019	Change	Change (%)
Total revenues	397 969	514 054	(116 085)	(22.58%)
Total expenses	(349 681)	(495 908)	146 227	(29.49%)
<b>EBITDA</b>	<b>48 286</b>	<b>18 246</b>	<b>30 040</b>	<b>164.64%</b>
<b>EBIT</b>	<b>48 288</b>	<b>18 146</b>	<b>30 142</b>	<b>166.11%</b>
<b>EBT</b>	<b>49 929</b>	<b>17 131</b>	<b>32 798</b>	<b>191.45%</b>

*In thousands BGN*

Indicators	First quarter of 2020	31.12.2019	Change	Change (%)
Non-current fixed assets	88	97	(9)	(9.28%)
Total assets	506 067	347 074	158 994	45.81%
Current assets	488 404	312 165	176 239	56.46%
Current liabilities	165 512	74 071	91 442	123.45%
<b>Cash</b>	<b>136 064</b>	<b>69 807</b>	<b>66 257</b>	<b>94.91%</b>
<b>Working capital</b>	<b>322 891</b>	<b>238 094</b>	<b>84 797</b>	<b>35.61%</b>
<b>Equity</b>	<b>255 164</b>	<b>222 374</b>	<b>32 790</b>	<b>14.75%</b>
Share capital	231 699	231 698	1	0.00%
Reserves	7 403	7 412	(9)	(0.12%)
Retained earnings / (uncovered loss)	(33 867)	(33 867)	-	0.00%
Profit/loss for the period	49 929	17 131	32 798	191.45%
<b>Number of personnel</b>	<b>53</b>	<b>54</b>	<b>(1)</b>	<b>(1.85%)</b>

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*In thousands BGN*

STATEMENT OF COMPREHENSIVE INCOME	First quarter of 2020		First quarter of 2019		Change	
<b>Revenues</b>	<b>397 969</b>	<b>100.00%</b>	<b>514 054</b>	<b>100.00%</b>	<b>( 116 085)</b>	<b>(22.58%)</b>
<b>Revenues from sale of natural gas</b>	391 180	98.29%	508 831	98.98%	( 117 651)	(23.12%)
- Sales of gas – Regulated activity	207 852	52.23%	508 831	98.98%	( 300 979)	(59.15%)
- Sales of gas – Freely negotiated prices (Unregulated activity)	172 934	43.45%	-	0.00%	172 934	-
- Sales of gas – Organized market exchange	8 107	2.04%	-	0.00%	8 107	-
- Sales of gas – Related parties for balancing	2 287	-	-	-	-	-
<b>Other income</b>	<b>6 789</b>	<b>1.71%</b>	<b>5 223</b>	<b>1.02%</b>	<b>1 566</b>	<b>29.98%</b>
- penalties under overdue receivables	4 586	1.15%	3 356	0.65%	1 230	36.65%
- other penalties	2 203	0.55%	1 765	0.34	438	24.82%
- other income	-	0.00%	102	0.02%	( 102)	(100.00%)
<b>Expenses as per economic elements</b>	<b>( 349 681)</b>	<b>100.00%</b>	<b>( 495 808)</b>	<b>100.00%</b>	<b>146 127</b>	<b>(29.47%)</b>
<b>Cost of sold natural gas</b>	<b>( 347 120)</b>	<b>99.27%</b>	<b>( 493 945)</b>	<b>99.62%</b>	<b>146 825</b>	<b>(29.72%)</b>
- Cost of gas – Regulated activity	( 183 543)	52.49%	( 493 945)	99.62%	310 402	(62.84%)
- Cost of gas – Freely negotiated prices (Unregulated activity)	( 153 919)	44.02%	-	0.00%	( 153 919)	-
- Cost of gas – Organized market exchange	( 7 405)	2.12%	-	0.00%	( 7 405)	-
- Cost of gas – Related parties – cost of natural gas for balancing	( 2 252)	0.64%	-	0.00%	-	-
<b>Cost of materials</b>	<b>( 20)</b>	<b>0.01%</b>	<b>( 11)</b>	<b>0.00%</b>	<b>( 9)</b>	<b>81.82%</b>
- fuels and lubricants	( 6)	0.00%	( 6)	0.00%	-	0.00%
- stationary and consumables	( 9)	0.00%	( 3)	0.00%	( 6)	200.00%
- sanitary materials	( 3)	0.00%	( 1)	0.00%	( 2)	200.00%
- advertising materials	( 1)	0.00%	( 1)	0.00%	-	0.00%
- other materials	( 1)	0.00%	-	0.00%	( 1)	-
<b>Cost of hired services</b>	<b>( 1 814)</b>	<b>0.52%</b>	<b>( 1 261)</b>	<b>0.25%</b>	<b>( 553)</b>	<b>43.85%</b>
- natural gas storage costs	( 713)	0.20%	( 687)	0.14%	( 26)	3.78%
- expenses on management contracts	( 25)	0.01%	( 37)	0.01%	12	(32.43%)
- license fees	( 549)	0.16%	( 168)	0.03%	( 381)	226.79%
- costs of services related to unregulated activity	( 9)	0.00%	-	0.00%	( 9)	-
- insurances	( 28)	0.01%	( 27)	0.01%	( 1)	3.70%
- rents	-	0.00%	( 3)	0.00%	3	(100.00%)
- court charges and expenditures	( 370)	0.11%	( 219)	0.04%	( 151)	68.95%
- communications	( 28)	0.01%	( 23)	0.00%	( 5)	21.74%
- audit committee remuneration	( 22)	0.01%	( 20)	0.00%	( 2)	10.00%
- consulting services	( 16)	0.00%	( 29)	0.01%	13	(44.83%)
- repair and technical maintenance	( 6)	0.00%	( 7)	0.00%	1	(14.29%)
- public utility	( 7)	0.00%	( 7)	0.00%	-	0.00%
- subscription service	( 3)	0.00%	( 3)	0.00%	-	0.00%
- parking spaces and other costs for motor vehicles	( 5)	0.00%	( 5)	0.00%	-	0.00%
- visa services	( 1)	0.00%	-	0.00%	( 1)	-
- translation services	( 6)	0.00%	( 5)	0.00%	( 1)	20.00%
- security	( 12)	0.00%	( 15)	0.00%	3	(20.00%)
- EWRC's fee - price approval	( 9)	0.00%	( 2)	0.00%	( 7)	350.00%
- other fees	( 5)	0.00%	( 4)	0.00%	( 1)	25.00%
<b>Employee benefit expenses</b>	<b>( 675)</b>	<b>0.19%</b>	<b>( 569)</b>	<b>0.11%</b>	<b>( 106)</b>	<b>18.62%</b>
- remuneration expenses	( 589)	0.16%	( 482)	0.10%	( 107)	22.19%
- social security expenses	( 86)	0.02%	( 87)	0.02%	1	(1.15%)
<b>Other expenses</b>	<b>( 54)</b>	<b>0.02%</b>	<b>( 22)</b>	<b>0.00%</b>	<b>( 32)</b>	<b>145.45%</b>

STATEMENT OF COMPREHENSIVE INCOME	First quarter of 2020		First quarter of 2019		Change	
- business trips and representation expenses	( 28)	0.01%	( 8)	0.00%	( 20)	250.00%
- one-off taxes	( 2)	0.00%	( 3)	0.00%	1	(33.33%)
- membership in organizations	( 1)	0.00%	( 1)	0.00%	-	0.00%
- donations	( 22)	0.01%	( 8)	0.00%	( 14)	175.00%
- other	( 1)	0.00%	( 2)	0.00%	1	(50.00%)
<b>Profit before interest, taxes, depreciation/amortization)</b>	<b>48 286</b>		<b>18 245</b>		<b>30 041</b>	<b>164.65%</b>
<b>Depreciation/ amortization expenses</b>	<b>( 110)</b>	<b>0.03%</b>	<b>( 100)</b>	<b>0.02%</b>	<b>( 10)</b>	<b>10.00%</b>
<b>Profit/ (loss) from operating activity</b>	<b>48 176</b>		<b>18 145</b>		<b>30 031</b>	<b>165.51%</b>
<b>Financial income/(costs)-net</b>	<b>1 753</b>		<b>( 1 015)</b>		<b>2 768</b>	<b>(272.71%)</b>
<b>Financial income</b>	<b>1 946</b>	<b>100.00%</b>	<b>676</b>	<b>100.00%</b>	<b>1 270</b>	<b>187.87%</b>
- interest income on long-term receivables	388	19.94%	676	100.00%	( 288)	(42.60%)
- profit from foreign exchange rate differences	1 558	80.06%	-	0.00%	1 558	-
<b>Financial costs</b>	<b>( 193)</b>	<b>100.00%</b>	<b>( 1 691)</b>	<b>100.00%</b>	<b>1 498</b>	<b>(88.59%)</b>
- interest expenses on trade payables to related parties	-	0.00%	( 63)	3.73%	63	(100.00%)
- interest expenses on loans to banks	( 18)	9.33%	( 1)	0.06%	( 17)	1700.00%
- interest expenses overdue tax liabilities	-	0.00%	( 16)	0.95%	16	(100.00%)
- other interest expense	( 3)	1.55%	( 6)	0.35%	3	(50.00%)
- loss from foreign exchange rate differences	-	0.00%	( 1 454)	85.98%	1 454	(100.00%)
- bank charges	(172)	89.12%	(151)	8.93%	(21)	13.91%
<b>Profit/ (loss) before tax</b>	<b>49 929</b>		<b>17 130</b>		<b>32 799</b>	<b>191.47%</b>
<b>Net profit/ (loss) for the period</b>	<b>49 929</b>		<b>17 130</b>		<b>32 799</b>	<b>191.47%</b>

## REVENUE

The company sold 8 382 162 MWh of natural gas worth BGN 391 180 thousand for the first quarter of 2020 (first quarter of 2019: 10 744 475 MWh worth BGN 508 831 thousand). The net result from the sale of natural gas for the first quarter of 2020 amounts to BGN 44 060 thousand (for the first quarter of 2019: BGN 14 886 thousand), which is an increase of BGN 29 174 thousand.

## EXPENSES

Expenses as per economic types include: cost of natural gas sold, impairment costs, cost of materials, cost of hired services, depreciation/amortization expenses, labour remunerations expenses, social security and allowance expenses, expenses on provisions, etc. For the first quarter of 2020, they amount to BGN 349 681 thousand (for the first quarter of 2019: BGN 495 808 thousand), which is a decrease of BGN 146 127 thousand, or 29.47%.

The largest relative share (99.27%) of the total costs is the cost of natural gas sold for the first quarter of 2020, amounting to BGN 347 120 thousand (first quarter of 2019: BGN 493 945 thousand). For the first quarter of 2020, compared to the first quarter of 2019, the cost of gas sold is 29.72% lower.

The cost of hired services for the first quarter of 2020 amounts to BGN 1 814 thousand (for the first quarter of 2019: BGN 1 261 thousand), which is an increase of BGN 553, or 43.85%. This is due to an increase in the costs of court fees and costs, and the cost of license fees.

The other expenses for the first quarter of 2020 amount to BGN 54 thousand (first quarter of 2019: BGN 22 thousand), which is an increase of BGN 32 thousand, or 145.45% compared to the previous report period.

The operating result is a profit of BGN 48 176 thousand for the first quarter of 2020 (for the first quarter of 2019: profit of BGN 18 145 thousand), which is an increase of BGN 30 031 thousand, or BGN 165.51 %, mainly due to the positive result from the sale of natural gas.

The net result of financial income and expenses for the first quarter of 2020 is negative in the amount of BGN 1 753 thousand (for the first quarter of 2019: negative in the amount of BGN 1 015 thousand).

After reflecting the financial revenues and expenditures for the first quarter of 2020, the financial result before taxes is a profit of BGN 49 929 thousand (first quarter of 2019: profit BGN 17 130 thousand), which is an increase of BGN 32 799 thousand.

### **STATEMENT OF FINANCIAL POSITION**

As at 31.03.2020, the Company's assets amounted to BGN 506 067 thousand (as of 31.03.2019: BGN 426 723 thousand). Changes in the asset structure for both periods are shown in the following table:

*In thousands BGN*

	31.03.2020 r		31.03.2019		Change	
	Amount	Share	Amount	Share	Amount	Share
<b>Assets</b>						
<b>Non-current assets</b>						
Plant and equipment	88	0.50%	88	0.41%	-	0.00%
Intangible assets	475	2.69%	548	2.55%	(73)	(13.32%)
Trade and other receivables	3 326	18.83%	7 046	32.84%	(3 720)	(52.78%)
- trade receivables from sale of natural gas	3 326	18.83%	7 046	32.84%	(3 720)	(52.78%)
Deferred tax assets	13 774	77.98%	13 774	64.20%	-	0.00%
<b>Total non-current assets</b>	<b>17 663</b>	<b>100.00%</b>	<b>21 456</b>	<b>100.00%</b>	<b>(3 793)</b>	<b>(17.67%)</b>
<b>Current assets</b>						
<b>Inventories</b>	<b>3 775</b>	<b>0.77%</b>	<b>106 201</b>	<b>26.21%</b>	<b>(102 426)</b>	<b>(96.45%)</b>
- natural gas	3 755	0.77%	106 179	26.20%	(102 424)	(96.46%)
- materials	20	0.00%	22	0.01%	(2)	(9.09%)
<b>Trade and other receivables</b>	<b>348 565</b>	<b>71.37%</b>	<b>298 986</b>	<b>73.78%</b>	<b>49 579</b>	<b>16.58%</b>
- trade receivables from natural gas sales	216 674	44.36%	183 381	45.25%	33 293	18.16%
- court and awarded receivables	2 934	0.60%	2 586	0.64%	348	13.46%
- prepaid advances for supply of natural gas	116 198	23.79%	104 285	25.73%	11 913	11.42%
- prepaid advances for delivery of tangible fixed assets	13		-	0.00%	13	
- receivables from related parties (natural gas, deposits and guarantees)	10 642	2.18%	476	0.12%	10 166	2135.71%
- other	2 104	0.43%	8 258	2.04%	(6 154)	(74.53%)
<b>Cash and cash equivalents</b>	<b>136 064</b>	<b>27.86%</b>	<b>80</b>	<b>0.02%</b>	<b>135 984</b>	<b>169980.00%</b>
<b>Total current assets</b>	<b>488 404</b>	<b>100.00%</b>	<b>405 267</b>	<b>100.00%</b>	<b>83 137</b>	<b>20.51%</b>
<b>Total assets</b>	<b>506 067</b>		<b>426 723</b>		<b>79 344</b>	<b>18.59%</b>

### **NON-CURRENT ASSETS**

Non-current assets for the first quarter of 2020 amount to BGN 17 664 thousand (first quarter of 2019: BGN 21 456 thousand), which is a decrease of BGN 3 792 thousand, or 17.67%. Non-current assets during the reporting period are formed by trade receivables from the sale of natural gas in the amount of BGN 3 327 thousand, non-current tangible and intangible assets in the amount of BGN 563 thousand and deferred tax assets for BGN 13 871 thousand.

As of 01.01.2019, according to IFRS 16, a unified model of accounting treatment of a contract for a rented asset - an office building - is applied. A 'right to use asset' asset is recognized, amounting to BGN 546 thousand, which will be amortized over the term of the contract and respectively a lease payable under this contract is recognized.

### **CURRENT ASSETS**

The current assets of the Company as of 31.03.2020 amount to BGN 488 403 thousand (31.12.2019: BGN 405 267 thousand), which is an increase of BGN 83 136 thousand, or 20.51%, as a result of an increase in receivables for natural gas, prepaid advances for the supply of natural gas and receivables from related parties (guarantees and deposits).



Inventories as of 31.03.2020 amount to BGN 3 775 thousand (31.12.2019: BGN 106 201 thousand), which is a decrease of BGN 102 426 thousand, or 96.45%.

Trade and other receivables as of 31.03.2020 amount to BGN 348 564 thousand (31.03.2019: BGN 298 986 thousand), which is a decrease of BGN 49 578 thousand, or 16.58%.

The prepaid advance for the supply of natural gas as of 31.03.2020 amounts to BGN 116 198 thousand (31.03.2019: BGN 104 285 thousand), which is an increase of BGN 11 913 thousand, or 11.42%.

The largest gross trade receivables for delivered but unpaid natural gas as of 31.03.2020 are from the following companies:

*In thousands BGN*

Counterparty	Receivables on deferred payment agreements	Overdue receivables	Total
Toplofikatsia Sofia EAD	-	200 195	<b>200 195</b>
Toplofikatsia Pleven EAD	16 553	-	<b>16 553</b>
Gimel Greenhouses AD	-	854	<b>854</b>
Atanasov Group EOOD	-	635	<b>635</b>
Metamodul Trade EOOD	-	627	<b>627</b>
Other	-	1 675	<b>1 675</b>
<b>Total</b>	<b>16 553</b>	<b>203 986</b>	<b>220 539</b>

Receivables from clients on agreements for deferred payment of overdue liabilities are concluded against financial collateral provided in favor of Bulgargaz EAD.

Cash in current bank accounts and cash on hand of the Company at the end of the reporting period amounts to BGN 136 064 thousand (as of 31.03.2019: BGN 69 807 thousand), which is an increase of BGN 66 thousand.

## CHANGES IN THE EQUITY AND LIABILITIES STRUCTURE

	31.03.2020		31.03.2019		Change	
	TBGN	% of the total	TBGN	% of the total	TBGN	% of the total
<i>Equity and liabilities</i>						
<b>Equity</b>						
Share capital	231 698	80.00%	231 698	96.68%	-	-
Statutory reserves	7 366	2.54%	7 366	3.07%	-	-
Other reserves	38	0.02%	38	0.02%	-	-
Retained earnings /(accumulated loss)	50 491	17.44%	562	0.23%	49 929	8884.16%
<b>Total equity</b>	<b>289 593</b>	<b>100%</b>	<b>239 664</b>	<b>100%</b>	<b>49 929</b>	<b>20.83%</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Lease payables	64	0.13%	64	0.13%	-	-
Provisions	50 837	99.75%	50 837	99.75%	-	-
Liabilities for retirement employee benefits	61	0.12%	62	0.12%	(1)	(1.61%)
<b>Total non-current liabilities</b>	<b>50 962</b>	<b>100.00%</b>	<b>50 963</b>	<b>100.00%</b>	<b>(1)</b>	<b>(0.00%)</b>
<b>Current liabilities</b>						
<b>Loans</b>	<b>188</b>	<b>0.00%</b>	<b>52 386</b>	<b>38.49%</b>	<b>(52 386)</b>	<b>(100.00%)</b>
- Payables on received bank loans	-	-	52 386	38.49%	(52 386)	(100.00%)
- Lease payable – current portion	188	0.00%	249	0.18%	(249)	(100.00%)
<b>Trade and other payables</b>	<b>164 338</b>	<b>99.29%</b>	<b>82 475</b>	<b>60.60%</b>	<b>81 863</b>	<b>99.26%</b>
- Trade payables	136 903	82.71%	35 940	26.41%	100 963	280.92%
- Payables to related parties	2 010	1.21%	3 159	2.32%	(1 149)	(36.37%)
- Received advances from clients for sale of natural gas	1 041	0.63%	17 654	12.97%	(16 613)	(94.10%)
- VAT to be paid	22 271	13.46%	24 048	17.67%	(1 777)	(7.39%)
- Excise duty to be paid	1 093	0.66%	1 211	0.89%	(118)	(9.74%)
- Payables to personnel	109	0.07%	134	0.10%	(25)	(18.66%)

	31.03.2020		31.03.2019		Change	
	TBGN	% of the total	TBGN	% of the total	TBGN	% of the total
- Liabilities to insurance companies	73	0.04%	82	0.06%	(9)	(10.98%)
- other payables	838	0.51%	247	0.18%	591	239.27%
<b>Corporate tax</b>	<b>875</b>	<b>0.53%</b>	<b>875</b>	<b>0.64%</b>	<b>0</b>	<b>0.00%</b>
<b>Liabilities for retirement employee benefit</b>	<b>111</b>	<b>0.07%</b>	<b>111</b>	<b>0.08%</b>	<b>0</b>	<b>0.00%</b>
<b>Total current liabilities</b>	<b>165 512</b>	<b>100.00%</b>	<b>136 096</b>	<b>100.00%</b>	<b>29 416</b>	<b>21.61%</b>
<b>Total liabilities</b>	<b>216 474</b>		<b>187 059</b>		<b>29 415</b>	<b>15.72%</b>
<b>Total equity and liabilities</b>	<b>506 067</b>		<b>426 723</b>		<b>79 344</b>	<b>18.59%</b>

## SHARE CAPITAL STRUCTURE

The registered share capital as of 31.03.2020 amounts to BGN 231 698 thousand and is unchanged compared to the previous reporting period.

As of 31.03.2020, the retained earnings amounted to BGN 50 491 thousand (31.12.2019: BGN 562 thousand); the change is BGN 49 929 thousand, representing the net profit for the first quarter of 2020.

## NON-CURRENT LIABILITIES

Non-current liabilities of the Company as of 31.03.2020 amounted to BGN 50 962 thousand (31.12.2019: BGN 50 963 thousand), an increase of a thousand Bulgarian leva or 0.00% formed by a lease payable, provision for a litigation liability related to *Case COMP/B1/AT.39849 - BEH gas* and compensation for retirement.

## CURRENT LIABILITIES

As of 31.03.2020, the current liabilities of the Company amount to BGN 165 513 thousand (31.12.2019: BGN 136 096 thousand), which is an increase of BGN 29 417 thousand, or 21.61%.

As of 31.03.2020, the Company has not utilized any loans.

Current VAT payables to the National Revenue Agency amount to BGN 22 271 thousand (31.03.2019: BGN 24 048 thousand).

## STATEMENT OF CASH FLOWS

The table below provides data on changes in cash flows as of the first quarter of year 2020 compared to the first quarter of 2019.

*In thousands BGN*

	First quarter of 2020	First quarter of 2019	Change	
Net cash flows from operating activity	188 114	73 617	114 497	155.53%
Net cash flows from investing activity	338	(159)	497	312.58%
Net cash flows from financing activity	(52 468)	(64)	(52 404)	(81881.25%)
<b>Net change in cash and cash equivalents during the year</b>	<b>135 984</b>	<b>73 394</b>	<b>62 590</b>	<b>85.28%</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>80</b>	<b>(3 587)</b>	<b>3 667</b>	<b>102.22%</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>136 064</b>	<b>69 807</b>	<b>66 257</b>	<b>94.91%</b>

The net cash flow from operating activities of the Company for the first quarter of 2020 is positive in the amount of BGN 188 114 thousand (first quarter of 2019: positive in the amount of BGN 73 617 thousand) – an increase of 114 497 thousand BGN, or 153.53%, including refunds from Gazprom Export LLC. It is formed by the difference between receipts from customers for natural gas sold and paid taxes, other than the income tax, and other expenses.

During the reporting period, Bulgargaz EAD paid taxes other than income tax in the amount of BGN 78 742 thousand (first quarter of 2019: BGN 118 080 thousand).

Net cash flows from investing activities were positive, amounting to BGN 338 thousand, which is an increase of BGN 497 thousand compared to the first quarter of 2019. The increase is mainly due to interest received from deferred trade receivables.

The net cash flows from financing activities for the first quarter of 2020 are negative in the amount of BGN 52 468 thousand (first quarter of 2019: BGN 64 thousand), which is due to overdraft payments.

#### POST-REPORTING DATE EVENTS

The events are described in Note 23 'Post-reporting date events' of the interim condensed financial statements as of 31.03.2020.

#### FINANCIAL RATIOS

These are indicators, based on financial statements, which aim to present the overall assessment for the Company's financial performance, profitability and effectiveness in utilising its assets to achieve its operational objectives.

In the first quarter of 2020 the financial ratios show financial stability of the Company and are optimal compared to market levels.

#### PROFITABILITY

Indicators	First quarter of 2020	First quarter of 2019
Return on sales	12.76%	3.37%
Return on equity	19.57%	7.70%
Return on assets	9.87%	4.94%

#### RETURN ON SALES

Return on sales is calculated as a percentage of the balance sheet profit and sales revenue. It shows the net profit per revenue of BGN 100. For the first quarter of 2020, the return of sales is 12.76% (for the first quarter of 2019: 3.37%).

#### RETURN ON EQUITY

This indicator reveals the equity profitability level. In the first quarter of 2020 the return on equity ratio was 19.57% (first quarter of 2019: 7.70%).

#### RETURN ON ASSETS

It reveals the rate of return on the capital of the Company – own capital and attracted funds. It is expressed via ratio of the achieved financial result and assets used therein.

During the reporting period the return on assets was 9.87% (for first quarter of 2019: 4.94%).

#### LIQUIDITY

The indicators for liquidity reveal Company's ability to repay its current liabilities, with its current short-term assets.

Indicators	First quarter of 2020	First quarter of 2019
Current liquidity ratio	2.95	4.21
Quick liquidity ratio	2.93	4.14
Immediate liquidity ratio	0.82	0.94

The current liquidity ratio for the first quarter of 2020 is 2.95, indicating that current assets can cover approx. 3 times the current liabilities of the Company (first quarter of 2019: 4.21).

The quick liquidity ratio is 2.93, which shows that the available current assets reduced by inventories can cover almost 3 times the current liabilities of the Company.

## FINANCIAL INDEPENDENCE

The financial autonomy indicators reveal Company financial independence from creditors and its ability to meet all liabilities' payments in the long run.

Indicators	First quarter of 2020	First quarter of 2019
Financial autonomy ratio	1.18	1.78
Indebtedness ratio	0.85	0.56

When the financial autonomy ratio is below 1 (one), there is an excess of liabilities over equity. In this case, the current liabilities are not sufficiently secured with Company's property.

When the indicator is above 1 (one), it shows the level of financial independence from using funds from other parties. In the first quarter of 2020 the indicator for financial autonomy ratio was 1.18 (first quarter of 2019: 1.78).

The indebtedness ratio expresses the degree of dependence of the Company on creditors. When the ratio is greater than 1 (one), the company's dependence on external sources of funds is greater. This indicator as of first quarter of 2020 is 0.85 (first quarter of 2019: 0.56).


The information presented and analysed in the Management Report of Bulgargaz EAD as of 31.03.2020 shows that the Company fulfils its licensing obligations as a public supplier of natural gas in the Republic of Bulgaria in full compliance with the requirements of the legal framework. The activity is directly related to the business environment, regulatory requirements and financial security. Regardless of the dynamic market conditions during the period under review, the Company reacted promptly and adequately and significantly improved its financial performance, maintaining financial stability and increasing the cost-effectiveness of its operations.

19.05.2020

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2016/679

Head of Financial Accountability and  
Methodology Department

5, §1,  
2016/679



Executive Director

# BULGARGAZ EAD

## CONDENSED STATEMENT OF FINANCIAL POSITION

31 MARCH 2020

(All amounts are in thousands BGN)

	NOTE	AS AT 31 MARCH 2020	AS AT 31 DECEMBER 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	7	88	88
Intangible assets	8	475	548
Long-term trade receivables	10	3 326	7 046
Deferred tax assets	14	13 774	13 774
		<b>17 663</b>	<b>21 456</b>
<b>Current assets</b>			
Inventories	10	3 775	106 201
Trade and other receivables	11	348 565	298 986
Cash and cash equivalents	12	136 064	80
		<b>488 404</b>	<b>405 267</b>
<b>TOTAL ASSETS</b>		<b>506 067</b>	<b>426 723</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	231 698	231 698
Reserves	16	7 404	7 404
Retained earnings /(accumulated) loss		50 491	562
		<b>289 593</b>	<b>239 664</b>
<b>Non-current liabilities</b>			
Lease payable	9	64	64
Liabilities for retirement employee benefits		61	62
Provisions	19	50 837	50 837
		<b>50 962</b>	<b>50 963</b>
<b>Current liabilities</b>			
Borrowings		-	52 386
Trade and other payables	17	164 338	82 475
Lease payable	9	188	249
Profit tax liabilities		875	875
Liabilities for retirement employee benefits		111	111
		<b>165 512</b>	<b>136 096</b>
<b>TOTAL LIABILITIES</b>		<b>216 474</b>	<b>187 059</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>506 067</b>	<b>426 723</b>

The interim condensed financial statements were approved by the Board of Directors on 19 May 2020.

5, §1,

2016/679

Liya Ivanova

Head of Accounting Department

5, §1,

2016/679

Executive Director



Compiled on: 29 April 2020

**BULGARGAZ EAD**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
31 MARCH 2020**

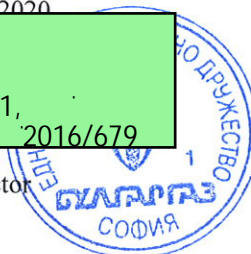
*(All amounts are in thousands BGN)*

	NOTE	3-MONTH PERIOD ENDED ON 31	
		2020	MARCH 2019
Revenues from sale of natural gas		391 180	508 831
Cost of natural gas as sold		(347 120)	(493 945)
Cost of hired services		(1 814)	(1 261)
Employee benefits and social security expenses		(675)	(569)
Cost of materials		(20)	(11)
Depreciation/amortization expenses	7, 8	(110)	(100)
Other revenues		6 789	5 223
Other expenses		(54)	(22)
<b>Operating activity profit/(loss)</b>		<b>48 176</b>	<b>18 146</b>
Financial income		388	676
Financial costs		(193)	(237)
Other financial income/(costs) – net		1 558	(1 454)
<b>Financial income/(costs) – net</b>		<b>1 753</b>	<b>(1 015)</b>
<b>Profit/(loss) before tax</b>		<b>49 929</b>	<b>17 131</b>
<b>Net profit/(loss) for the period</b>		<b>49 929</b>	<b>17 131</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>49 929</b>	<b>17 131</b>

The interim condensed financial statements were approved by the Board of Directors on 19 May 2020.

Lily  
Head of Accounting  
5, \$1,  
2016/679

Nik  
Executive Director  
5, \$1,  
2016/679



Compiled on: 29 April 2020

**BULGARGAZ EAD**

**CONDENSED STATEMENT OF CHANGES IN EQUITY  
31 MARCH 2020**

*(All amounts are in thousands BGN)*

	NOTE	Share capital	Reserves	Retained earnings / accumulated loss	Total
<b>AS AT 1 JANUARY 2020</b>	15, 16	<b>231 698</b>	<b>7 404</b>	<b>562</b>	<b>239 664</b>
<b>Comprehensive income</b>					
Profit for the period		-	-	49 929	49 929
<b>Total comprehensive income</b>		-	-	<b>49 929</b>	<b>49 929</b>
<b>AS AT 31 MARCH 2020</b>		<b>231 698</b>	<b>7 404</b>	<b>50 491</b>	<b>289 593</b>
<b>AS AT 1 JANUARY 2019</b>					
		<b>231 698</b>	<b>7 412</b>	<b>(33 867)</b>	<b>205 243</b>
<b>Comprehensive income</b>					
Profit for the period		-	-	17 131	17 131
<b>Total comprehensive income</b>		-	-	<b>17 131</b>	<b>17 131</b>
<b>AS AT 31 MARCH 2019</b>		<b>231 698</b>	<b>7 412</b>	<b>(16 736)</b>	<b>222 374</b>

The interim condensed financial statements were approved by the Board of Directors

Liliya I  
Head of Account

5, \$1,  
2016/679

Executive Director

5, \$1,  
2016/679



Compiled on: 29 April 2020

**BULGARGAZ EAD**

**CONDENSED STATEMENT OF CASH FLOWS  
31 MARCH 2020**

*(All amounts are in thousands BGN)*

	NOTE	3-MONTH PERIOD ENDED ON 31 MARCH	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>			
Proceeds from clients		448 839	622 936
Payments to suppliers		(181 310)	(429 336)
Payments to personnel and social security institutions		(866)	(607)
Taxes paid, different from corporate income tax		(78 742)	(118 080)
Profit/(loss) of exchange rate revaluation of cash and cash equivalents		214	(1 047)
Other proceeds/(payments), net		(21)	(249)
<b>Net cash flows from operating activity</b>		<b>188 114</b>	<b>73 617</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Payments for plant and equipment		(14)	(8)
Payments for intangible assets		(36)	(151)
Interest received on deferred trade receivables		388	-
<b>Net cash flow from investing activity</b>		<b>338</b>	<b>(159)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Payments of principal under a lease agreement		(62)	-
Payments of interest under a lease agreement		(2)	-
Receipts and payments on overdraft, net		(52 372)	-
Payments of interest under loans and financing agreements		(32)	(1)
Payments of interest under deferred trade payables		-	(63)
<b>Net cash flow from financing activity</b>		<b>(52 468)</b>	<b>(64)</b>
<b>Net increase/(decrease) of cash and cash equivalents during the period</b>		<b>135 984</b>	<b>73 394</b>
Cash and cash equivalents at the beginning of the period		80	(3 587)
<b>Cash and cash equivalents at the end of the period</b>	<b>12</b>	<b>136 064</b>	<b>69 807</b>


The interim condensed financial statements were approved by the Board of Directors on 19 May 2020.

5, \$1,  
2016/679

Liliya  
Head of Accounting Department

5, \$1,  
2016/679

Executive Director



Compiled on: 29 April 2020



# **BULGARGAZ EAD**

## **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2020**

### **1. GENERAL INFORMATION**

BULGARGAZ EAD (the Company), UIC 175203485, is a sole shareholder joint stock company, registered under the Commercial Act, with seat and address of management at 47, Petar Parchevich St., Serdika district, Sofia, Bulgaria. The Company is registered in the Bulgarian Registry Agency, under No. 113068, Volume 1534, page 35, company case No. 16440/2006 and was registered on the grounds of Decision No. 1 of 15 January 2007.

The Company's main activity is the public supply of natural gas as well as purchases and sales related thereto; purchases of natural gas stored in underground gas storage; marketing studies and natural gas market analyses.

The major strategic goal of BULGARGAZ EAD, as a public gas supplier, is to ensure the public interests by providing long-term supplies of natural gas to Bulgaria. The Company has entered into a contract for the supply of natural gas with its major supplier Gazprom Export LLC. The Company is considering and assessing the opportunities for providing alternative sources and routes for natural gas.

The Company operates under an individual licence for public supply of natural gas on the territory of Republic of Bulgaria – licence No JI-214-14 of 29<sup>th</sup> November 2006, issued by the State Energy and Water Regulatory Commission for a period of 35 years.

BULGARGAZ EAD is a sole shareholder joint stock company whose ultimate parent company is Bulgarian Energy Holding EAD. The ultimate owner of the Company is the Bulgarian Republic, through the Minister of Energy.

The organizational structure of BULGARGAZ EAD includes a headquarters office.

The Company does not present segment information by activities due to the fact that the supply of natural gas is the only activity for the period.

The current condensed interim financial statements have been approved for publication by the Board of Directors on 19 May 2020.

### **2. BASIS OF PREPARATION**

The current condensed interim financial statements for the three-month period ended 31 March 2020 was prepared in accordance with IAS 34 Interim Financial Reporting. Same do not contain all the information required for the preparation of a full annual financial statement under International Financial Reporting Standards (IFRS) and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2019, prepared in accordance with IFRS, developed and published by the International Accounting Standards Board ("IASB") and adopted for application in the European Union ("EU").

The condensed interim financial statements are presented in Bulgarian lev (BGN), which is also the functional currency of the Company. Unless otherwise stated, all amounts are presented in thousand Bulgarian lev (BGN thousand), including comparative information for year 2019.

The condensed interim financial statements are prepared in accordance with the going concern principle.

For the period ending 31 March 2020, the Company reported a profit after tax in the amount of BGN 49 929 thousand, a positive cash flow from operating activities in the amount of BGN 188 114 thousand and a net increase in cash and cash equivalents for the period in the amount of BGN 135 984 thousand.

## **BULGARGAZ EAD**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2020**

As of 31 March 2020, the financial statements are prepared on a going concern basis, implying that the Company will continue its business for the foreseeable future.

As disclosed in Note 1 "General Information", the Company holds an individual license for public supply of natural gas on the territory of the Republic of Bulgaria issued by the State Energy and Water Regulatory Commission for a period of 35 years. The future operations of the Company as a public supplier of natural gas depend on the business environment, the regulatory requirements, contracts for ensuring natural gas supplies in place, the contracts for natural gas sales to the clients of the Company, as well as from ensuring the financing on the part of the principal company – Bulgarian Energy Holding EAD, in case of necessity.

Given the assessment of the expected future cash flows and the group strategy for the activity development in Bulgaria, the Company's management believes that it is appropriate the financial statements be prepared on the going concern principle.

### **3. ACCOUNTING POLICIES**

#### **3.1. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2019**

The Company applies the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which have an effect on the Company's financial statements and are required to be applied from the annual period beginning on or after 1 January 2019:

- **IFRS 16 Leases** - (issued on January 13, 2016 and effective for annual periods beginning on or after January 1, 2019)

This standard supersedes the guidance in IAS 17 Leases along with three interpretations (IFRIC Interpretation 4 Determining whether an Arrangement Contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease) and introduces significant changes in the reporting of leases, especially by lessees.

Under IAS 17, lessees were required to differentiate between finance leases (recognized in the balance sheet) and operating leases (recognized in the off-balance sheet). IFRS 16 requires lessees to recognize a lease payable reflecting future lease payments and a 'right to use asset' for almost all leases. The IASB has included the right to choose certain short-term and low-value asset leases; this exemption can only be applied by lessees.

Accounting for lessors remains virtually unchanged.

In accordance with IFRS 16, a contract that is or includes a lease is a contract that grants the right to control the use of the asset for a specified period of time for consideration.

The Company has adopted IFRS 16 Leases retroactively as of January 1, 2019, but has not restated comparative data for the 2018 reporting period as permitted by the specific transitional provisions in the standard. The reclassifications and adjustments resulting from the new leasing rules are therefore recognized in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in the Lease Note.

Following the adoption of IFRS 16, the Company recognizes lease payables in relation to leases that were previously classified as 'operating leases' in accordance with the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments discounted at the differential interest rate as of January 1, 2019, using the Group-specific interest rate. The weighted average differential interest rate applied to leasing liabilities as of 1 January 2019 is 4.24%.

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2020

For leases previously classified as finance leases, the Company recognizes the carrying amount of the leased asset and the lease liability immediately before the transition as the carrying amount of the right to use asset and the lease obligation at the date of initial application. The IFRS 16 measurement principles only apply after that date.

The Company has decided to apply a simplified transitional approach from January 1, 2019, without recalculating the comparative data for the previous period. All usable assets are valued at the value of the lease liability, adjusted for the amount of any prepaid or accrued related shipments recognized in the balance sheet as at December 31, 2018. This means that 2018 and 2019 data do not are comparable in that they are prepared on the basis of the different accounting policies described in the notes. The adoption of IFRS 16 had no effect on equity (retained earnings) as of 1 January 2019.

For the first time in applying IFRS 16, the Company uses the following practical benefits, permitted by the standard:

- the application of a flat discount rate to a leasing portfolio with relatively similar characteristics;
- relying on previous assessments of whether the lease is burdensome as an alternative to performing a review of impairment - there are no such contracts as of January 1, 2019;
- accounting for operating leases with a remaining term of less than 12 months as of 01.01.2019. as short-term leasing;
- exclusion of initial direct costs for the valuation of the usable asset at the date of initial use, and
- use of previous valuations when determining the lease term when the contract contains options for extending or terminating the lease.

The Company has also chosen not to reassess whether the contract is or is leasing at the date of initial application.

For contracts concluded before the date of implementation of IFRS 16, the entity relies on its assessment made in applying IAS 17 and Interpretation 4 Determining whether an Arrangement Contains a Lease.

#### **Measuring assets with right to use**

Assets with right to use are valued at an amount equal to the lease payable adjusted by the amount of any prepaid or accrued lease payments related to that lease recognized in the balance sheet as at 31 December 2018. There are no burdensome leases that would require adjustment of the rights to use assets at the date of initial application.

The Company has applied the following new standards, amendments and interpretations to IFRSs, developed and published by the International Accounting Standards Board, which are mandatory for annual periods beginning on or after 1 January 2019 but do not have a material effect on their financial results and the financial position of the Company:

- **IFRS 9 Financial Instruments** (amended) – Prepayment Features with Negative Compensation (issued on 12 October 2017 – effective for annual periods beginning on or after 1 January 2019);
- **IAS 28 Investments in Associates and Joint Ventures** (amended) – Long-term Interests in Associates and Joint Ventures – effective 1 January 2019, not yet adopted by the EU;
- **IAS 19 Employee Benefits** (amended) – Plan Amendment, Curtailment or Settlement – effective 1 January 2019, not yet adopted by the EU;
- **IFRIC 23 Uncertainty over Income Tax Treatments** (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).
- **Annual Improvements to IFRS Standards 2015–2017** – effective 1 January 2019, not yet adopted by the EU

## **BULGARGAZ EAD**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2020**

These changes include minor changes to:

- **IFRS 3 Business Combinations** – the Company reevaluates its previous interest in a jointly controlled operations when it acquires control of the operations.
- **IFRS 11 Joint Arrangements** – the Company does not reevaluate its previous interest in a jointly controlled operations when it acquires joint control over the operations.
- **IAS 12 Income Taxes** – the Company accounts for all tax consequences of dividend payments in the same way as they do.
- **IAS 23 Borrowing Costs** – the Company treats as part of its total loans any loan initially taken to develop an asset when the asset is ready for its intended use or sale.

#### **4. ESTIMATES**

In the preparation of interim financial statements, the 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 previously assessed results.

In the preparation of these condensed interim financial statements, the significant management's judgment 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 2019, with the exception of the changes in the estimate of income tax expense.

#### **5. FINANCIAL RISK MANAGEMENT**

##### **5.1. FINANCIAL RISK FACTORS**

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

The condensed interim financial statements do not include all the information on risk management and disclosures required in the preparation of annual financial statements and should be read in conjunction with the annual financial statements of the Company as at 31 December 2019. There were no changes to the risk management policy during the period.

##### **5.2. FAIR VALUE MEASUREMENT**

The Company has no financial instruments that are classified as such at fair value in the condensed statement of financial position. The fair value for the purposes of disclosure of these financial instruments is assumed to be reasonable approximation of their carrying value:

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

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2020

#### 6. SEASONALITY OF OPERATIONS

The activity of the Company is characterized by seasonal fluctuation as part of the Company's customers (heat and gas distribution companies) that use natural gas for heat and electricity production or directly deliver it for heating. This is why the seasons have a significant impact on the Company's activities.

Highest gas consumption occurs during the winter months, particularly in the first quarter, and in the summer it falls.

The realization of natural gas in the first quarter of 2020 is 8 382 162.021 MWh (first quarter of 2019: 10 744 475 MWh).

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

#### 7. PLANT AND EQUIPMENT

	Plant and equipment	Vehicles	Office equipment	Total
<b>AS AT 1 JANUARY 2020</b>				
Gross carrying amount	91	468	334	<b>893</b>
Depreciation	(57)	(444)	(304)	<b>(805)</b>
<b>Carrying amount</b>	<b>34</b>	<b>24</b>	<b>30</b>	<b>88</b>
<b>3-MONTH PERIOD TO 31 MARCH 2020</b>				
Additions	-	-	10	<b>10</b>
Written-off	(10)	-	(1)	<b>(11)</b>
Written-off depreciation	10	-	1	<b>11</b>
Depreciation	(1)	(3)	(6)	<b>(10)</b>
<b>Ending carrying amount</b>	<b>33</b>	<b>21</b>	<b>34</b>	<b>88</b>
<b>AS AT 31 MARCH 2020</b>				
Gross carrying amount	81	468	343	<b>892</b>
Depreciation	(48)	(447)	(309)	<b>(804)</b>
<b>Carrying amount</b>	<b>33</b>	<b>21</b>	<b>34</b>	<b>88</b>

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

#### 8. INTANGIBLE ASSETS

	Licenses	Software	Assets with right of use, IFRS 16	Total
<b>AS AT 1 JANUARY 2020</b>				
Gross carrying amount	41	1 159	546	<b>1 746</b>
Amortization	(10)	(945)	(243)	<b>(1 198)</b>
<b>Carrying amount</b>	<b>31</b>	<b>214</b>	<b>303</b>	<b>548</b>
<b>3-MONTH PERIOD TO 31 MARCH 2020</b>				
Additions	1	26	-	<b>27</b>
Amortization	(1)	(38)	(61)	<b>(100)</b>
<b>Ending carrying amount</b>	<b>31</b>	<b>202</b>	<b>242</b>	<b>475</b>

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2020

AS AT 31 MARCH 2020				
Gross carrying amount	42	1 185	546	1 773
Amortization	(11)	(983)	(304)	(1 298)
<b>Carrying amount</b>	<b>31</b>	<b>202</b>	<b>242</b>	<b>475</b>

#### 9. LEASES

As of 01.01.2019, according to IFRS 16, a uniform model of accounting treatment of a contract for leased asset – office building has been applied. A 'right to use asset' was recognized, amounting to BGN 546 thousand, which will be depreciated over the term of the contract and a lease payable under this contract has been reported, respectively. As of 31.03.2020, the amount of the lease payable is BGN 252 thousand, total current and non-current portion.

There are no intangible assets provided as collateral for the Company's liabilities.

#### 10. INVENTORIES

	AS AT 31 MARCH 2020	AS AT 31 DECEMBER 2019
Natural gas at cost	3 755	106 179
Natural gas – net realisable value	3 755	106 179
Materials	20	22
<b>Total inventories</b>	<b>3 775</b>	<b>106 201</b>

No inventories are pledged as security for the Company's liabilities.

#### 11. TRADE AND OTHER RECEIVABLES

	AS AT 31 MARCH 2020	AS AT 31 DECEMBER 2019
Trade receivables	309 282	218 104
Accumulated impairment of trade receivables	(7 163)	(7 165)
<b>Trade receivables, net</b>	<b>302 119</b>	<b>210 939</b>
Court and awarded receivables	204 706	202 335
Accumulated impairment of court and awarded receivables	(201 771)	(201 809)
<b>Court and awarded receivables, net</b>	<b>2 935</b>	<b>526</b>
Receivable from Corporate Commercial Bank AD - insolvent	4 503	4 503
Accumulated impairment of receivable from Corporate Commercial Bank AD-insolvent	(4 503)	(4 503)
<b>Receivable from Corporate Commercial Bank AD-insolvent, net</b>	<b>-</b>	<b>-</b>
Prepaid advances for natural gas delivery	34 092	80 263
Receivables from related parties (Note 20)	10 642	10 728
Other receivables - prepaid expenses, guarantees and deposits	2 103	3 576
<b>Total trade and other receivables</b>	<b>351 891</b>	<b>306 032</b>
Less current portion: trade receivables	3 326	7 046
<b>Current trade and other receivables</b>	<b>348 565</b>	<b>298 986</b>

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2020

The movement in the allowance for credit losses can be reconciled as follows:

	3-MONTH PERIOD TO	
	2020	2019
<b>At the beginning of period</b>	<b>213 477</b>	<b>214 108</b>
Accrued losses from impairment of receivables	-	-
Written-off uncollectible receivables	(39)	-
Reversals of impairment losses	-	-
<b>At the end of period</b>	<b>213 438</b>	<b>214 108</b>

Impairment loss and recovery is recognized in the condensed statement of profit or loss and other comprehensive income. The effects of time elapsed/change in the discount rate are reported in financial income/expense - net.

Amounts recognized in the allowance account for credit losses on receivables are written-off when there is no expectation that the Company will be able to obtain additional payments.

The Company has receivables from Corporate Commercial Bank AD (CCB) at the amount of BGN 17 463 thousand, which are filed in the open bankruptcy proceedings of the Bank. Pursuant to the Decision No. 3BH66-8, 3BH66-39 of 28.12.2015 of the syndics of CCB AD (insolvent), entered in the Commercial Register, the amount of the recognised receivables of the Company is BGN 5 077 thousand. An appeal has been filed against the decision of the syndics before the competent court for recognition that the Company had a receivable amounting to BGN 12 394 thousand and a claim for contractual interest on the entire amount of the receivables filed in the bankruptcy proceedings. The Company's objection was rejected by two courts. A cassation complaint was filed with the Supreme Court of Cassation against the decision of the Second Instance Court. By a ruling of the Supreme Court of Cassation of 13.03.2018 the appeal of Bulgargaz EAD against the decision of the Sofia Court of Appeal in the case with CCB AD was not admitted to cassation and the decision came into legal force. The decision of the Sofia Court of Appeal confirmed the decision of the Sofia City Court, which rejected the objection of Bulgargaz EAD against the decision of the syndics of CCB AD (insolvent) to acknowledge that the Company was the holder of a receivable for an amount in amount to BGN 12 394 thousand as well as a claim for contractual interest on bankruptcy claims in the amount of BGN 17 472 thousand. As of the date of the Supreme Court of Cassation's ruling, the Sofia Court of Appeal's decision entered into force. On the basis of this decision of the Sofia Court of Appeal, the unrecognized amount of the assigned receivable, by accounting data amounting to BGN 12 386 thousand, was written off in 2018.

In 2017, a statement from a partial accounting was published in the Commercial Register for the distribution of the available amounts among the creditors of the bank by the syndics of the CCB AD (insolvent). According to the distribution of the syndics, in May 2019 Bulgargaz EAD was recovered the amount of BGN 574 thousand.

There are no trade and other receivables that are provided as collateral for the Company's liabilities.

#### 12. CASH AND CASH EQUIVALENTS

	AS AT 31 MARCH 2020	AS AT 31 DECEMBER 2019
Cash on hand	49	4
Cash in current bank accounts	136 015	76
<b>Total cash and cash equivalents in the statement of financial position</b>	<b>136 064</b>	<b>80</b>

**BULGARGAZ EAD****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
31 MARCH 2020****13. RECONCILIATION OF INITIAL AND FINAL BALANCES IN THE CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2020 OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES.**

Liabilities arising from financial activities	On 1 January	Cash flows from financial activities, net	Changes of a non-monetary nature - dematerialized		On 31 March
			Acquired (increases)	Other changes	
Short-term bank loans	52 372	(52 372)	-	-	-
Lease payables	313	(64)		3	<b>252</b>
Interest on loans and deferred trade payables	14	(32)	-	18	-
<b>Total liabilities of financial activities:</b>	<b>52 699</b>	<b>(52 468)</b>	<b>-</b>	<b>21</b>	<b>252</b>

**14. DEFERRED TAX ASSETS AND LIABILITIES**

Deferred tax assets and liabilities are recognized 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% (2019: 10%), applicable for the year, when they are expected to occur retroactively.



**BULGARGAZ EAD****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
31 MARCH 2020**

The movement of deferred tax assets and liabilities during the period by elements can be presented 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 leaves</b>	<b>Plant and Equipment</b>	<b>Lease, IFRS 16</b>	<b>Total</b>
AS AT 1 JANUARY 2020	-	(13 744)	(17)	(16)	-	(1)	(13 778)
<b>AS AT 31 MARCH 2020</b>	-	<b>(13 744)</b>	<b>(17)</b>	<b>(16)</b>	-	<b>(1)</b>	<b>(13 778)</b>
<b>DEFERRED TAX LIABILITIES</b>							
AS AT 1 JANUARY 2020	-	-	-	-	4		4
<b>AS AT 31 MARCH 2020</b>	-	-	-	-	4		4
<b>DEFERRED TAX ASSETS, NET</b>	-	<b>(13 744)</b>	<b>(17)</b>	<b>(16)</b>	4	<b>(1)</b>	<b>(13 774)</b>

**BULGARGAZ EAD**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS**

**31 MARCH 2020**

**15. SHARE CAPITAL**

	<b>3-MONTH PERIOD TO 31 MARCH 2020</b>	
	<b>Number of shares</b>	<b>Amount</b>
At the beginning of period	231 698 584	231 698
<b>At the end of the period</b>	<b>231 698 584</b>	<b>231 698</b>

**16. RESERVES**

	<b>3-MONTH PERIOD TO 31 MARCH 2020</b>			
	<b>Statutory reserves</b>	<b>Revaluation reserves of non-financial assets</b>	<b>Reserve of revaluations of defined benefit plans</b>	<b>Total</b>
At the beginning of period	7 367	53	(16)	7 404
<b>At the end of the period</b>	<b>7 367</b>	<b>53</b>	<b>(16)</b>	<b>7 404</b>

**17. TRADE AND OTHER PAYABLES**

	<b>AS AT 31 MARCH 2020</b>	<b>AS AT 31 DECEMBER 2019</b>
Related party payables (Note 20)	2 010	3 159
VAT payable	22 271	24 048
Advances received from clients for sale of natural gas	1 041	17 654
Trade payables	136 903	35 940
Excise duty	1 093	1 211
Payables to employees	109	134
Liabilities to social security institutions	73	82
Other liabilities	839	247
<b>Total trade and other payables</b>	<b>164 338</b>	<b>82 475</b>
<b>Current trade and other payables</b>	<b>164 338</b>	<b>82 475</b>

**18. UNUSUAL ITEMS**

There are no expenses in the condensed statement of profit or loss and other comprehensive income as at 31 March 2020 treated as unusual items.

**19. 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 an alleged infringement of Article 102 of TFUE in connection with allegations by the European Commission (EC) about the actions of Energy Holding EAD and its subsidiaries - Bulgargaz EAD and Bulgartransgaz EAD related to:

- preventing their competitors from getting access to key gas infrastructure (gas transmission network and the gas storage facility) in Bulgaria, such as explicitly or tacitly refusing third party access or delaying;
- preventing competitors from getting access to a major gas import pipeline via booking a capacity, which remains unused.

The proceedings were instigated in 2013 with view of adopting a decision under Chapter 3 (Art.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 presented 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, a decision was taken by the 44th National Assembly (NA) of the Republic of Bulgaria to take the necessary action for the closing of Case COMP/B1/AT.39849 – BEH Gas, by which NA supports the closing of the case under Article 7 of Regulation (EC) No 1/2003 without admitting the alleged infringements and without assuming liability for them, by fulfilling the obligations arising from a possible prohibitive decision, including a possible financial sanction.

On 26 July 2018, a decision was taken by the 44th National Assembly (NA) of the Republic of Bulgaria to take action for the closing of COMP/B1/AT.39849 – BEH Gas pursuant to Article 9 of Regulation (EC) No 1/2003 by entering into commitments on the part of the Bulgarian party and reaching an agreement with the European Commission. The second decision of NA is motivated by the development of case COMP/B1/AT.39816 between the EC and PJSC Gazprom and Gazprom Export LLC, in which, on 24 May 2018, the Commission announced that an agreement had been reached and the same was closed under 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 notified Decision C (2018) 8806 in case AT.39849 BEH-Gas, by which the European Commission imposed a fine on Bulgarian Energy Holding EAD (BEH), its subsidiary for gas supply Bulgargaz EAD and its subsidiary for gas infrastructure Bulgartransgaz EAD (the BEH group) amounting to EUR 77 068 000 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 19.12.2018, which set the start of the appeal period of the EC Decision (two months and ten days after notification of the Decision to the parties) and payment of the fine (three months after the notification of the decision to the Parties), defined in the same.

The appeal against the decision does not delay the payment of the fine. On 18 March 2019, a bank guarantee was issued by a selected bank through a procedure conducted by BEH EAD. The bank guarantee covers 2/3 of the total amount of the fine amounting to EUR 77 068 000. The bank guarantee secures obligations of BEH EAD and Bulgargaz EAD on the imposed fine.

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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 26 August 2019, the European Commission presented to the General Court its defense in response to the Application lodged by Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD.

On 29 November 2019, a response was filed by the Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD against the defense of the European Commission.

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), deposited the official position of the Republic of Bulgaria in Case T-136/19, submitted by the Ministry of Energy of the Ministry of Foreign Affairs, with which the State intervenes 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 borne in mind that, if the General Court decides to open the oral procedure, the President sets the date for the oral hearing, most probably in 2021.

As of 31 December 2019, the Company has accrued a provision in the amount of BGN 50 244 thousand, representing 1/3 of the total amount of the imposed fine and interest thereon in the amount of BGN 593 thousand, with the estimate being that the settlement is expected to occur after more than 12 months.

#### Contingent asset

Bulgargaz EAD initiated the International Arbitration Case No. 78/2019 of the International Commercial Arbitration Tribunal of the Romanian Chamber of Commerce and Industry, against Transgaz National Gas Company SA, Romania. The expected outcome of the case is a full refund of the amount of BGN 3 737 thousand.

The claim brought by the Company through a lawsuit, the outcome of which is uncertain, meets the criteria for a Contingent Asset.

#### Contingent liabilities

There are legal claims against the Company, but they are not of considerable material interest.

With the exception of those for which provisions have already been accrued, the management of the Company considers that the claims are unfounded and that they are unlikely to incur expenses for the Company in settling them. This judgment of the management is supported by the opinion of an independent legal consultant.

None of the aforementioned claims is set out in detail here, so as not to have a serious impact on the Company's position in dispute resolution.

## 20. RELATED PARTY TRANSACTIONS

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

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

	3-MONTH PERIOD TO 31	
	2020	MARCH 2019
<b>Companies under common control</b>		
Bulgartransgaz EAD	2 287	3 588
<b>Total</b>	<b>2 287</b>	<b>3 588</b>

Sales include natural gas sold for balancing.

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

	3-MONTH PERIOD TO 31 MARCH	
	2020	2019
<b>Parent company</b>		
Bulgarian Energy Holding EAD	152	163
<b>Companies under common control</b>		
Bulgartransgaz EAD	22 059	30 915
Bulgartel EAD	1	2
Balkan Gas Hub EAD	9	-
<b>Total</b>	<b>22 221</b>	<b>31 080</b>

Purchases of services from Bulgarian Energy Holding EAD include services under a management and control agreement and a bank guarantee maintenance fee related to a property sanction in the BEH Gas case.

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

Purchases of services from Bulgartel EAD include technical support.

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

#### (C) ACCRUED PENALTY CHARGES

	3-MONTH PERIOD TO 31 MARCH	
	2020	2019
<b>Companies under common control</b>		
Bulgartransgaz EAD	-	63
<b>Total</b>	<b>-</b>	<b>63</b>

Accrued penalty charges to Bulgartransgaz EAD represent interest under an agreement.

#### (D) RECEIVABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 MARCH 2020	AS AT 31 DECEMBER 2019
<b>Companies under common control</b>		
Bulgartransgaz EAD	10 642	10 728
<b>Total</b>	<b>10 642</b>	<b>11 660</b>

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

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2020

#### (E) PAYABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 MARCH 2020	AS AT 31 DECEMBER 2019
<b>Parent company</b>		
Bulgarian Energy Holding EAD	24	32
<b>Companies under common control</b>		
Bulgartransgaz EAD	1 985	3 126
Bulgartel EAD	1	1
<b>Total current</b>	<b>2 010</b>	<b>3 159</b>
<b>Total</b>	<b>2 010</b>	<b>3 159</b>

Trade payables of the Company to Bulgartransgaz EAD are related to transmission and storage of natural gas.

As at 31 December 2019 the Company has an agreement, concluded on 15 July 2015, consolidating 3 previous agreements of 11 May 2012, 15 March 2013 and 1 April 2015. As at the signing date of the agreement until the date of final payment of the debt – 30 June 2019, in accordance with a payback schedule, the Company owes interest amounting to 3.6 per cent per year, based on a 360-year basis.

Payables to BULGARTRANS GAS EAD are related to current supply of transmission and storage services and current supply of natural gas for balancing and amount to BGN 1 985 thousand.

#### (F) KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel includes members of the Board of Directors.

Key management personnel remunerations are as follows:

	3-MONTH PERIOD TO 31 MARCH	
	2020	2019
Short term benefits to key management personnel		
- Remunerations	45	44
- Social security costs	6	4
<b>Total</b>	<b>51</b>	<b>48</b>

The Company has no remuneration obligations to the key management personnel at the end of each of the reporting periods.

#### 23. POST-REPORTING DATE EVENTS

The National Assembly adopted an Act Supplementing the Energy Act, in connection with the repayment of amounts by Bulgargaz EAD to the company's clients, for the period 05.08.2019 - 31.03.2020. The Act was promulgated in the State Gazette No. 38 on 24.04.2020 and will have a material effect on the Company's financial statements. The adopted amendment to the Energy Act with regard to Bulgargaz EAD provides:

## **BULGARGAZ EAD**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2020**

- *Pursuant to the Act Supplementing the Energy Act in connection with the repayment of amounts to clients of Bulgargaz EAD under the contracts for supply of natural gas, by 24.05.2020 the EWRC should adopt a decision for approval of natural gas prices for each month from the period 05.08.2019 - 31.03.2020. The approved selling price takes into account the new pricing according to the Supplement;*
- *Within 20 days from the adoption of the relevant decisions of the EWRC, Bulgargaz EAD is to calculate the amounts for repayment of clients under natural gas supply contracts as the difference between the amounts paid for the delivered quantities at prices approved by the decisions of EWRC until the entry into force of the Act Supplementing the Energy Act, and at the prices approved by the respective new decisions of EWRC and to conclude an agreement with the clients of the company for the repayment thereof.*
- *Bulgargaz EAD is to repay the amounts within 14 days from the conclusion of the agreement.*

The event is defined as non-adjusting, within the meaning of IAS 10 “Events after the end of the reporting period”, with an effect on revenue in the current period.

#### **24. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements as at 31 March 2020 (including comparative information) were approved and endorsed by the Board of Directors on 19 May 2020.