

**BULGARGAZ EAD**

**INTERIM MANAGEMENT REPORT  
INTERIM CONDENSED FINANCIAL STATEMENTS  
INDEPENDENT AUDITOR'S REPORT**

**30 JUNE 2020**

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**INDEPENDENT AUDITOR’S REPORT**

This Company Management Report as of 30.06.2020 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 data as of 30.06.2020 and the data as of 30.06.2019.

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 100H, 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: 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. Л-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, issue 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, unprivileged and 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**

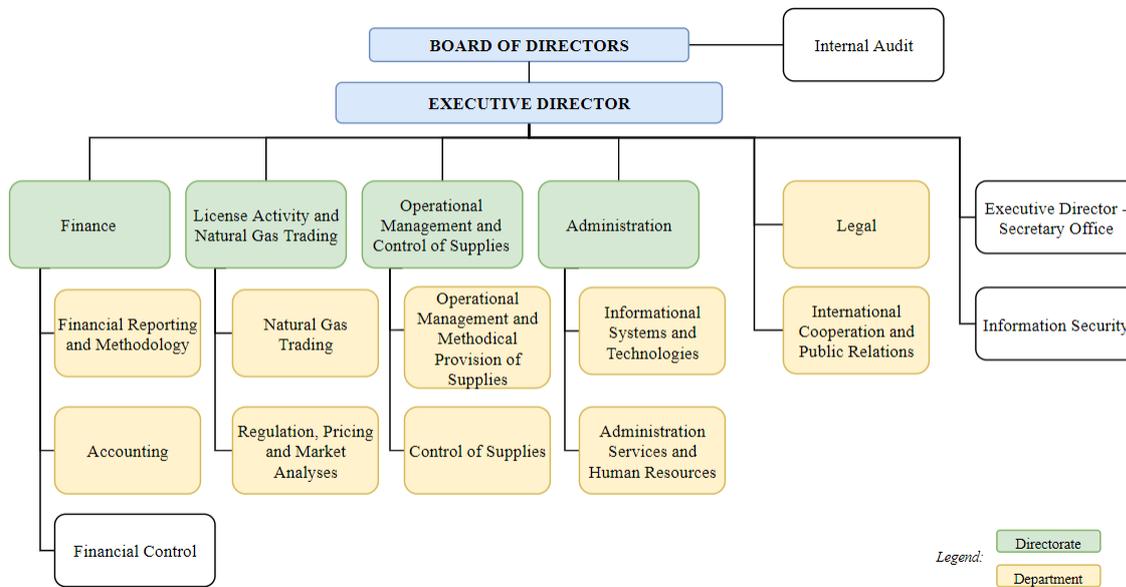
Bulgargaz EAD has one-tier system of management. The Company management bodies are:

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

As of 30.06.2020 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 as of 30.06.2020, 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 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. All shares are owned by Bulgarian Energy Holding EAD.

**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 30.06.2020, 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 AS OF 30.06.2020**

As of 30.06.2020, Bulgargaz EAD operates in compliance with all regulations. The result of the Company's activity is profit after taxes in the amount of BGN 21 611 thousand (as of 30.06.2019: profit in the amount of BGN 25 189 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 stock market 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 stock 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 29.11.2019.

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)).

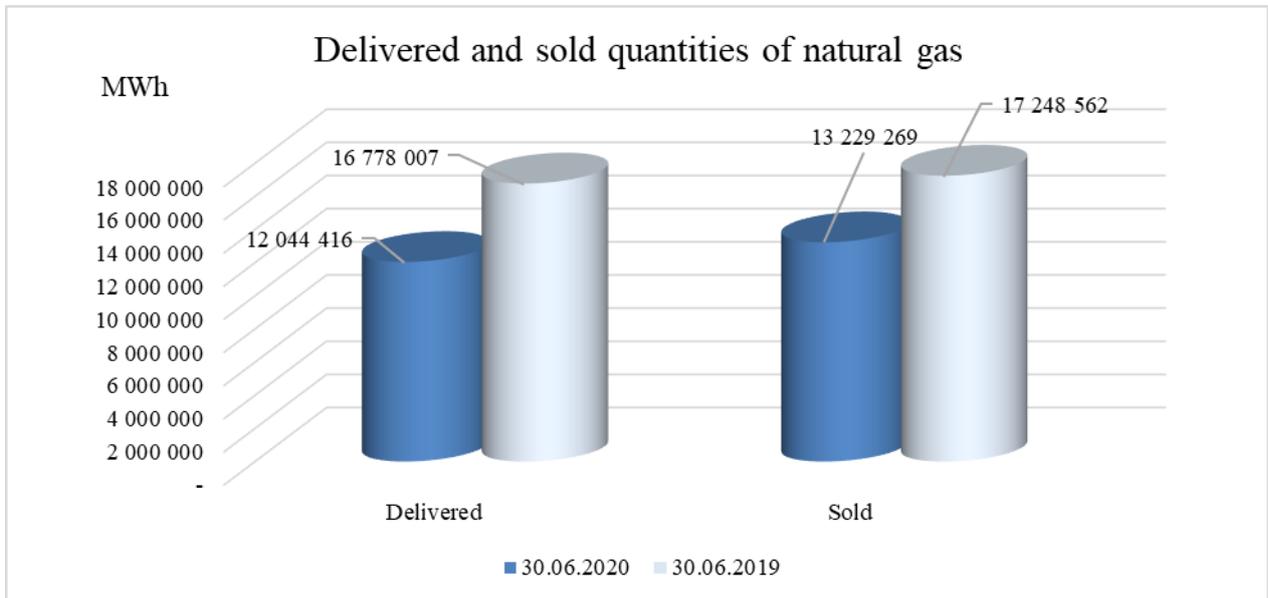
## 1. QUANTITATIVE INDICATORS IMPLEMENTATION

The quantities of natural gas delivered and sold as of 30.06.2020 compared to 30.06.2019 are presented in Table 1 below:

Table No.1

MWh

Type of delivery	30.06.2020	30.06.2019	Volume change	% Change
Delivered	12 044 416	16 778 007	(4 733 591)	(28.21%)
Sold	13 229 269	17 248 562	(4 019 293)	(23.30%)



During the reporting period, a total of 12 044 416 MWh were delivered (30.06.2019: 16 778 007 MWh), which is a decrease of 4 733 591 MWh, or 28.21%.

As of 30.06.2020, 13 229 269 MWh was sold, compared to 17 248 562 MWh for as of 30.06.2019, which is a decrease of 4 019 293 MWh, or 23.30%. 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.

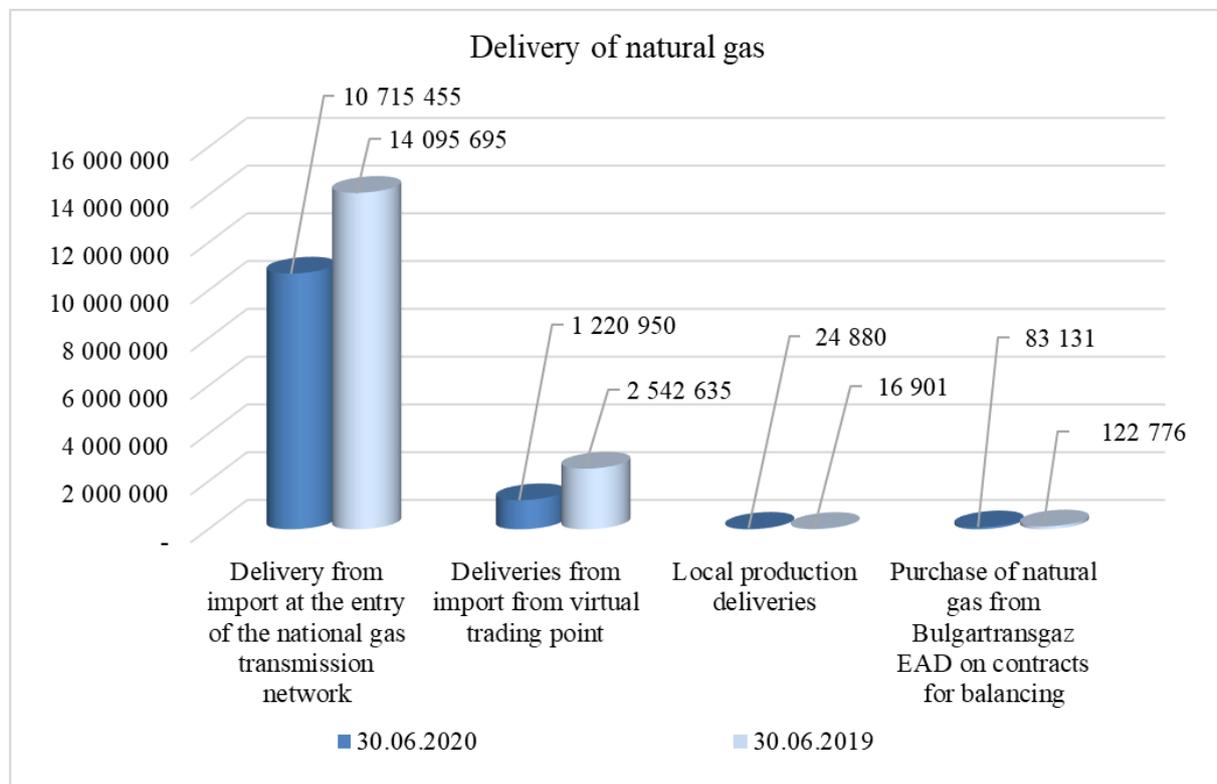
## 1.1. DELIVERED NATURAL GAS VOLUMES

The delivered natural gas volumes as of 30.06.2020 and 30.06.2019 are presented in Table No. 2 below.

Table No.2

MWh

Type of delivery	30.06.2020	30.06.2019	Relative share	
			30.06.2020	30.06.2019
<b>TOTAL</b>	<b>12 044 416</b>	<b>16 778 007</b>	<b>100.00%</b>	<b>100.00%</b>
<b>Delivery from import at the entry of the national gas transmission network</b>	<b>10 715 455</b>	<b>14 095 695</b>	<b>88.97%</b>	<b>84.01%</b>
<b>Deliveries from import from virtual trading point</b>	<b>1 220 950</b>	<b>2 542 635</b>	<b>10.14%</b>	<b>15.15%</b>
<b>Local production deliveries</b>	<b>24 880</b>	<b>16 901</b>	<b>0.21%</b>	<b>0.11%</b>
<b>Purchase of natural gas from Bulgartransgaz EAD on contracts for balancing</b>	<b>83 131</b>	<b>122 776</b>	<b>0.69%</b>	<b>0.73%</b>



To meet the natural gas needs of its customers as of 30.06.2020, Bulgargaz EAD delivered 12 044 416 MWh of natural gas (30.06.2019: 16 778 007 MWh). From imports at the entrance to the national gas transmission network 10 715 455 MWh (30.06.2019: 14 095 695 MWh), 1 220 950 MWh from imports of natural gas at a virtual trading point (30.06.2019: 2 542 635 MWh), local production deliveries in the amount of 24 880 MWh (30.06.2019: 16 901 MWh) and purchase of natural gas from Bulgartransgaz EAD on contracts for balancing in the amount of 83 131 MWh (30.06.2019 – 122 776 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 as of 30.06.2020 compared to the same period of year 2019 are presented in Table No. 4 below.

Table No. 3 MWh

Production and injection	30.06.2020	30.06.2019	MWh Change	% Change
<b>Quantities available at the beginning of the period</b>	<b>2 329 714</b>	<b>2 284 130</b>	<b>45 584</b>	<b>2.00%</b>
Production	2 331 780	2 236 139	95 641	4.28%
Injection	1 141 777	1 814 352	(672 575)	(37.07%)
Difference in the recalculation of stocks, production and injection in UGS Chiren	(2 066)	(88)	(1 978)	2247.73%
<b>Quantities available at the end of the period</b>	<b>1 141 777</b>	<b>1 862 431</b>	<b>(720 654)</b>	<b>(38.69%)</b>

The quantities of natural gas produced as of 30.06.2020 amount to 2 331 780 MWh, which is an increase by 95 641 MWh, compared to 30.06.2019: 2 236 139 MWh, as the change is due to the increased production in the months of 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. As of 30.06.2020, 13 229 269 MWh of natural gas were sold, which is a decrease of 4 019 293 MWh or 23.30%, compared to the realized quantities for the same period of the previous year in the amount of 17 248 562 MWh.

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

Table No. 4 MWh

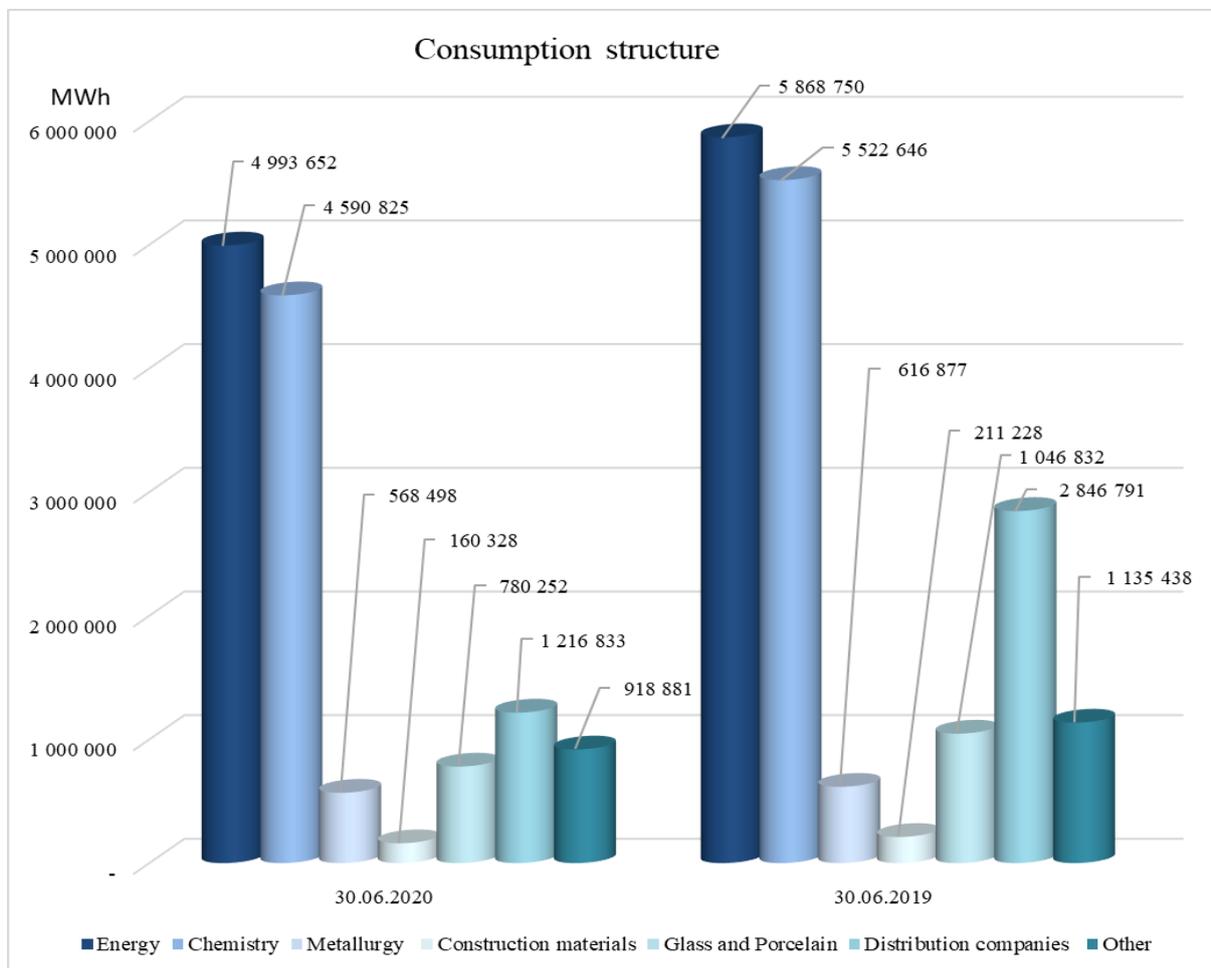
Sales	30.06.2020	30.06.2019
Regulated activity	6 211 519	17 146 737
Freely negotiated prices	6 712 848	101 825
Organized stock market	304 902	-
<b>Total</b>	<b>13 229 269</b>	<b>17 248 562</b>

## 2.2. SALES/ CONSUMPTION STRUCTURE

The quantities of natural gas sold by the Company's customers by main sectors of the economy as of 30.06.2020 compared to 30.06.2019 are presented in Table No. 5 below.

Table No. 5

Sector	30.06.2020	30.06.2019
Energy	4 993 652	5 868 750
Chemistry	4 590 825	5 522 646
Metallurgy	568 498	616 877
Construction materials	160 328	211 228
Glass and Porcelain	780 252	1 046 832
Distribution companies	1 216 833	2 846 791
Other	918 881	1 135 438
<b>Total</b>	<b>13 229 269</b>	<b>17 248 562</b>



The data disclosed in Table No. 5, and illustrated in the chart above, outline the tendency in the sales/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 in all sectors.

### **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.

Operating on a liberalized market with many suppliers creates competition, which would affect the company's sales. Bulgargaz EAD takes into account the current development of the market and makes constant efforts to provide competitive trade terms under contracts with clients, which are performed at both regulated and freely negotiated prices.

#### **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 at risk of exchange rate fluctuations. The approved limit 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 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 favorable 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;
- Offering more flexible terms under contracts with clients.

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 as of 30.06.2020 compared to the same period in 2019, as well as a statement of the financial position of the Company as of 30.06.2020, compared to the same as of 31.12.2019.

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 had a material effect on the Company's financial statements.

Pursuant to § 2 of the Act Supplementing the Energy Act, the 20-day term for concluding an agreement between Bulgargaz EAD and the clients of the Company for repayment is for the period from 21.05.2020 to 09.06.2020.

On 2 June 2020, Bulgargaz EAD sent the additional refund agreements to all 199 customers.

As of 30.06.2020, Bulgargaz EAD has returned the overpaid amounts to its customers at prices, which have been approved by EWRC with respective Decisions.

## MAIN FINANCIAL INDICATORS

The main financial and economic results of the Company's operations as of 30.06.2020 and as of 30.06.2019 are presented below:

*In thousands BGN*

Indicators	30.06.2020	30.06.2019	Change	Change (%)
Total operating income	356 978	825 508	(468 530)	(56.76%)
Total operating expenses	(334 428)	(794 642)	460 214	(57.91%)
<b>EBITDA</b>	<b>22 550</b>	<b>30 866</b>	<b>(8 316)</b>	<b>(26.94%)</b>
<b>EBIT</b>	<b>22 324</b>	<b>30 658</b>	<b>(8 334)</b>	<b>(27.18%)</b>
<b>EBT</b>	<b>24 055</b>	<b>28 010</b>	<b>(3 955)</b>	<b>(14.12%)</b>

*In thousands BGN*

Indicators	30.06.2020	31.12.2019	Change	Change (%)
Non-current fixed assets	91	88	3	3.41%
Total assets	323 947	426 723	(102 776)	(24.08%)
Current assets	309 704	405 267	(95 563)	(23.58%)
Current liabilities	11 330	136 096	(124 766)	(91.67%)
<b>Cash</b>	<b>88 237</b>	<b>80</b>	<b>88 157</b>	<b>110196.25%</b>
<b>Working capital</b>	<b>298 374</b>	<b>269 171</b>	<b>29 203</b>	<b>10.85%</b>
<b>Equity</b>	<b>261 275</b>	<b>239 664</b>	<b>21 611</b>	<b>9.02%</b>
Share capital	231 698	231 698	0	0.00%
Reserves	7 397	7 404	(7)	(0.09%)
Retained earnings / (uncovered loss)	569	(33 867)	34 436	(101.68%)
Profit/loss for the period	21 611	34 429	(12 818)	(37.23%)
<b>Number of personnel</b>	<b>51</b>	<b>54</b>	<b>(3)</b>	<b>(5.56%)</b>

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

*In thousands BGN*

STATEMENT OF COMPREHENSIVE INCOME	30.06.2020		30.06.2019		Change	
<b>Revenues</b>	<b>356 978</b>	<b>100.00%</b>	<b>825 508</b>	<b>100.00%</b>	<b>(468 530)</b>	<b>(56.76%)</b>
<b>Revenues from sale of natural gas</b>	<b>349 018</b>	<b>97.77%</b>	<b>816 066</b>	<b>98.86%</b>	<b>(467 048)</b>	<b>(57.23%)</b>
Adjustment due to a change in the sale price	(164 462)	(46.07%)	0	0.00%	(164 462)	-
- Sales of gas – Regulated activity	253 765	71.09%	816 066	98.86%	(562 301)	(68.90%)
- Sales of gas – Freely negotiated prices (Unregulated activity)	245 806	68.86%	0	0.00%	245 806	-
- Sales of gas – Organized stock market	10 959	3.07%	0	0.00%	10 959	-
- Sales of gas – Related parties- for balancing	2 950	0.83%	0	0.00%	2 950	-
<b>Other income</b>	<b>7 960</b>	<b>2.23%</b>	<b>9 442</b>	<b>1.14%</b>	<b>(1 482)</b>	<b>(15.70%)</b>
- penalties for overdue receivables/ payables	5 774	1.62%	6 871	0.83%	(1 097)	(15.97%)
- other penalties	2 185	0.61%	2 469	0.30%	(284)	(11.50%)
- other income	1	0.00%	102	0.01%	(101)	(15.70%)
<b>Expenses as per economic elements</b>	<b>(334 428)</b>	<b>100.00%</b>	<b>(794 642)</b>	<b>100.00%</b>	<b>460 214</b>	<b>(57.91%)</b>
<b>Cost of sold natural gas</b>	<b>(329 902)</b>	<b>(98.64%)</b>	<b>(790 134)</b>	<b>(99.43%)</b>	<b>460 232</b>	<b>(58.25%)</b>
Adjustment due to a change in the sale price	137 243	38.45%	0	0.00%	137 243	-
- Cost of gas – Regulated activity	(228 518)	(64.01%)	(790 134)	(95.71%)	561 616	(71.08%)
- Cost of gas – Freely negotiated prices (Unregulated activity)	(225 193)	(63.08%)	0	0.00%	(225 193)	-
- Cost of gas – Organized stock market	(10 476)	(2.93%)	0	0.00%	(10 476)	-
- Related parties – cost of natural gas for balancing	(2 958)	(0.83%)	0	0.00%	(2 958)	-
<b>Accrued/(reversed) impairment</b>	<b>(119)</b>	<b>0.04%</b>	<b>(617)</b>	<b>0.08%</b>	<b>498</b>	<b>(80.71%)</b>
- Reversed / (accrued) impairment of receivables, net	3 157	(0.94%)	(543)	0.07%	167	(30.76%)
- Reversed / (accrued) impairment on cash	(168)	0.05%	(57)	0.01%	23	(40.35%)
- Reversed / (accrued) impairment of natural gas	(3 108)	0.93%	(17)	0.00%	11	(64.71%)
<b>Recognized (accrued) expenses for provisions</b>	<b>(376)</b>	<b>0.11%</b>	<b>0</b>	<b>0.00%</b>	<b>(376)</b>	<b>-</b>
<b>Cost of materials</b>	<b>(34)</b>	<b>0.01%</b>	<b>(25)</b>	<b>0.00%</b>	<b>16</b>	<b>(64.00%)</b>
- main materials	(6)	0.00%	(4)	0.00%	(1)	25.00%
- fuels and lubricants	(11)	0.00%	(12)	0.00%	11	(91.67%)

STATEMENT OF COMPREHENSIVE INCOME	30.06.2020		30.06.2019		Change	
- stationary and consumables	(9)	0.00%	(5)	0.00%	3	(60.00%)
- sanitary materials	(5)	0.00%	(2)	0.00%	(3)	150.00%
- advertising materials	(1)	0.00%	(1)	0.00%	-	0.00%
- other materials	(2)	0.00%	(1)	0.00%	(1)	100.00%
<b>Cost of hired services</b>	<b>(2 549)</b>	<b>0.76%</b>	<b>(2 482)</b>	<b>0.31%</b>	<b>(67)</b>	<b>2.70%</b>
- natural gas storage costs	(992)	0.30%	(1 204)	0.15%	212	(17.61%)
- expenses on management contracts	(52)	0.02%	(66)	0.01%	14	(21.21%)
- license fees	(732)	0.22%	(337)	0.04%	(395)	117.21%
- costs of services related to unregulated activity	(20)	0.01%	0	0.00%	(20)	-
- insurances	(55)	0.02%	(55)	0.01%	-	0.00%
- rents	0	0.00%	(7)	0.00%	7	(100.00%)
- court charges and expenditures	(337)	0.10%	(573)	0.07%	236	(41.19%)
- consulting	(137)	0.04%	(52)	0.01%	(85)	163.46%
- communications	(63)	0.02%	(51)	0.01%	(12)	23.53%
- audit committee remuneration	(44)	0.01%	(40)	0.01%	(4)	10.00%
- public utilities	(14)	0.00%	(13)	0.00%	1	(7.69%)
- subscription service	(7)	0.00%	(6)	0.00%	(1)	16.67%
- repair and technical maintenance	(10)	0.00%	(13)	0.00%	(3)	(23.08%)
- parking spaces and other costs for motor vehicles	(7)	0.00%	(10)	0.00%	3	(30.00%)
- visa services	(1)	0.00%	0	0.00%	(1)	-
- translation services	(9)	0.00%	(7)	0.00%	2	28.57%
- security	(35)	0.00%	(34)	0.00%	(1)	(2.94%)
- occupational medicine	0	0.00%	(1)	0.00%	1	100.00%
- EWRC's fee - price approval	(12)	0.00%	(3)	0.00%	(9)	300.00%
- other services and fees	(22)	0.00%	(10)	0.00%	(12)	120.00%
<b>Employee benefit expenses</b>	<b>(1 414)</b>	<b>0.42%</b>	<b>(1 339)</b>	<b>0.17%</b>	<b>(75)</b>	<b>5.60%</b>
- remuneration expenses	(1 242)	0.36%	(1 161)	0.15%	(81)	6.98%
- social security expenses	(172)	0.05%	(178)	0.02%	6	(3.37%)
<b>Other expenses</b>	<b>(34)</b>	<b>0.01%</b>	<b>(46)</b>	<b>0.01%</b>	<b>12</b>	<b>(26.09%)</b>
- penalties for late payments	29	(0.01%)	0	0.00%	29	-
- business trips and representation expenses	(32)	0.01%	(25)	0.00%	(7)	28.00%
- one-off taxes	(5)	0.00%	(6)	0.00%	1	(16.67%)
- membership in organizations	(1)	0.00%	(8)	0.00%	7	(87.50%)
- donations	(24)	0.01%	(2)	0.00%	(22)	1100.00%
- other	(1)	0.00%	(5)	0.00%	3	(75.00%)
<b>Profit before interest, taxes, depreciation/amortization)</b>	<b>22 550</b>		<b>30 865</b>		<b>(8 315)</b>	<b>(26.94%)</b>
<b>Depreciation/ amortization expenses</b>	<b>(226)</b>	<b>0.07%</b>	<b>(207)</b>	<b>0.03%</b>	<b>(19)</b>	<b>9.18%</b>
<b>Profit/ (loss) from operating activity</b>	<b>22 324</b>		<b>30 658</b>		<b>(8 334)</b>	<b>(27.18%)</b>
<b>Financial income/(costs)-net</b>	<b>1 731</b>		<b>(2 648)</b>		<b>4 379</b>	<b>165.37%</b>
<b>Financial income</b>	<b>620</b>	<b>100.00%</b>	<b>1 595</b>	<b>100.00%</b>	<b>(975)</b>	<b>(61.13%)</b>
- interest income on long-term receivables	620	100.00%	1 595	0.19%	(974)	(61.13%)
<b>Financial expenses</b>	<b>(387)</b>	<b>100.00%</b>	<b>(283)</b>	<b>100.00%</b>	<b>(104)</b>	<b>36.75%</b>
- interest expenses on trade payables to related parties	-	0.00%	( 63)	22.26%	63	(100.00%)
- interest expenses on loans to banks	(18)	(4.65%)	(1)	(0.35%)	(17)	1700.00%
- interest expenses overdue tax liabilities	(20)	(5.17%)	(16)	(5.65%)	10	(62.50%)
- other interest expense	(6)	(1.55%)	0	0.00%	(6)	-

STATEMENT OF COMPREHENSIVE INCOME	30.06.2020		30.06.2019		Change	
- expenses on bank guarantees	(254)	(65.63%)	(11)	(3.89%)	(243)	2209.09%
- bank charges	(89)	(23.00%)	(192)	(67.84%)	103	(53.65%)
<b>Other financial income/ costs – foreign exchange rate differences</b>	<b>1 498</b>	<b>100.00%</b>	<b>(3 960)</b>	<b>100.00%</b>	<b>5 458</b>	<b>(137.83%)</b>
<b>Foreign exchange gain/ loss</b>	<b>1 498</b>	<b>100.00%</b>	<b>(3 960)</b>	<b>100.00%</b>	<b>5 458</b>	<b>(137.83%)</b>
<b>Profit/ (loss) before tax</b>	<b>24 055</b>		<b>28 010</b>		<b>(3 955)</b>	<b>(14.12%)</b>
<b>Income tax revenue/(expense)</b>	<b>(2 444)</b>		<b>(2 821)</b>		<b>377</b>	<b>(13.36%)</b>
<b>Net profit/ (loss) for the period</b>	<b>21 611</b>		<b>25 189</b>		<b>(3 578)</b>	<b>(14.21%)</b>

## REVENUE

The company sold 13 229 269 MWh of natural gas worth BGN 349 018 thousand as of 30.06.2020 (30.06.2019: 17 248 562 MWh worth BGN 816 066 thousand). The net result from the sale of natural gas for the reporting period amounts to BGN 19 116 thousand (30.06.2019: BGN 25 932 thousand), which is a decrease of BGN 6 816 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. As of 30.06.2020, they amount to BGN 334 428 thousand (30.06.2019: 794 642 thousand), which is a decrease of BGN 460 214 thousand, or 57.91%.

The largest relative share (98.64%) of the total costs is the cost of natural gas sold, which as of 30.06.2020 amounts to BGN 329 902 thousand (30.06.2019: BGN 790 134 thousand). As of 30.06.2020 compared to the same period of 2019 the cost of gas sold is 58.25% lower.

The cost of hired services for the reporting period amount to BGN 2 549 thousand (30.06.2019: BGN 2 482 thousand), which is an increase of BGN 67 thousand or 2.70%. This is due to the increased costs of court fees and costs and the cost of license fees.

The other expenses as of 30.06.2020 amount to BGN 34 thousand (30.06.2019: BGN 45 thousand), which is a decrease of BGN 11 thousand or 24.44%.

The operating result is a profit of BGN 22 324 thousand as of 30.06.2020 (30.06.2019: BGN 30 658 thousand), which is a decrease of BGN 8 334 thousand or 27.19% due to mainly on the reduced consumption of natural gas.

The net result of financial income and expenses as of 30.06.2020 is positive in the amount of BGN 1 731 thousand (30.06.2019: negative BGN 2 648 thousand).

After reflecting the financial revenues and expenditures as of 30.06.2020, the financial result before taxes is profit in the amount of BGN 24 055 thousand (30.06.2019: BGN 28 010 thousand), which is a decrease of BGN 3 955 thousand.

## STATEMENT OF FINANCIAL POSITION

As of 30.06.2020 the assets of the Company amount to BGN 323 947 thousand (31.12.2019: BGN 426 723 thousand). The changes in the structure of assets for both periods are shown in the following table:

*In thousands BGN*

	30.06.2020		31.12.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	%
<i>Assets</i>						
<b>Non-current assets</b>						
Plant and equipment	91	0.64%	88	0.41%	3	3.41%
Intangible assets	418	2.93%	548	2.55%	(130)	(23.72%)
<b>Trade and other receivables</b>	<b>0</b>	<b>0.00%</b>	<b>7 046</b>	<b>32.84%</b>	<b>(7 046)</b>	<b>(100.00%)</b>
- trade receivables from sale of natural gas	0	0.00%	7 046	32.84%	(7 046)	(100.00%)
Deferred tax assets	13 734	96.43%	13 774	64.20%	(40)	(0.29%)

	30.06.2020		31.12.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	%
<b>Total non-current assets</b>	<b>14 243</b>	<b>100.00%</b>	<b>21 456</b>	<b>100.00%</b>	<b>(7 213)</b>	<b>(33.62%)</b>
<b>Current assets</b>						
<b>Inventories</b>	<b>23 923</b>	<b>7.72%</b>	<b>106 201</b>	<b>26.21%</b>	<b>(82 278)</b>	<b>(77.47%)</b>
- natural gas	23 904	7.72%	106 179	26.20%	(82 275)	(77.49%)
- materials	19	0.01%	22	0.01%	(3)	(13.64%)
<b>Trade and other receivables</b>	<b>197 544</b>	<b>63.78%</b>	<b>298 986</b>	<b>73.78%</b>	<b>(101 442)</b>	<b>(33.93%)</b>
- trade receivables from natural gas sales	135 699	43.82%	183 381	45.25%	(47 682)	(26.00%)
- court and awarded receivables	511	0.16%	2 586	0.64%	(2 075)	(80.24%)
- prepaid advances for supply of natural gas	22 136	7.15%	104 285	25.73%	(82 149)	(78.77%)
- prepaid advances for delivery of tangible fixed assets	38	0.01%	-	0.00%	38	-
- VAT receivables due to adjusted prices	26 903	8.69%	-	0.00%	26 903	-
- receivables from related parties (natural gas, deposits and guarantees)	10 469	3.38%	476	0.12%	9 993	2099.37%
- other receivables	1 788	0.58%	8 258	2.04%	(6 470)	(78.35%)
<b>Cash and cash equivalents</b>	<b>88 237</b>	<b>28.49%</b>	<b>80</b>	<b>0.02%</b>	<b>88 157</b>	<b>110196.25%</b>
<b>Total current assets</b>	<b>309 704</b>	<b>100.00%</b>	<b>405 267</b>	<b>100.00%</b>	<b>(95 563)</b>	<b>(23.58%)</b>
<b>Total assets</b>	<b>323 947</b>		<b>426 723</b>		<b>(102 776)</b>	<b>(24.08%)</b>

### NON-CURRENT ASSETS

The non-current assets as of 30.06.2020 amount to BGN 14 243 thousand (31.12.2019: BGN 21 456 thousand), which is a decrease of BGN 7 213 thousand or 33.62%. Non-current assets during the reporting period are formed by non-current tangible and intangible fixed assets in the amount of BGN 509 thousand and deferred tax assets of BGN 13 734 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' 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 30.06.2020 amount to BGN 309 704 thousand (31.12.2019: BGN 405 267 thousand), which is a decrease of BGN 95 563 thousand or 23.58%, as a result of reduction of inventories, receivables for natural gas, prepaid advances for the supply of natural gas and receivables from related parties (guarantees and deposits).

Inventories as of 30.06.2020 amount to BGN 23 923 thousand (31.12.2019: BGN 106 201 thousand), which is a decrease of BGN 82 278 thousand, or 77.47%.

Trade and other receivables as of 30.06.2020 amount to BGN 197 544 thousand (31.12.2019: BGN 298 986 thousand), which is a decrease of BGN 101 442 thousand, or 33.93%.

The prepaid advance for the supply of natural gas as of 30.06.2020 amounts to BGN 22 136 thousand (31.12.2019: BGN 104 285 thousand), which is a decrease of BGN 82 149 thousand, or 78.77%.

The largest gross trade receivables as of 30.06.2020 are from the following companies:

*In thousands BGN*

Counterparty	Receivables on deferred payment agreements	Overdue trade receivables	Total
Toplofikatsia Sofia EAD	-	120 962	<b>120 962</b>
Toplofikatsia Pleven EAD	10 347	-	<b>10 347</b>
Gimel Greenhouses AD	-	867	<b>867</b>
Atanasov Group EOOD	-	598	<b>598</b>
Other	-	377	<b>377</b>
<b>Total</b>	<b>10 347</b>	<b>122 804</b>	<b>133 151</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 88 237 thousand (as of 31.03.2019: BGN 80 thousand), which is an increase of BGN 88 157 thousand.

### CHANGES IN THE STRUCTURE OF EQUITY AND LIABILITIES

*In thousands BGN*

	30.06.2020		31.12.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	% of the total
<b>Equity and liabilities</b>						
<b>Equity</b>						
Share capital	231 698	88.68%	231 698	97.82%	-	0.00%
<b>Reserves, of which:</b>	<b>7 397</b>	<b>2.83%</b>	<b>7 404</b>	<b>0.00%</b>	<b>(7)</b>	<b>(0.09%)</b>
Statutory reserves	7 366	2.82%	7 366	3.11%	-	0.00%
Other reserves	31	0.01%	38	0.02%	(7)	(18.42%)
Retained earnings /(accumulated loss)	569	0.22%	(33 867)	(14.13%)	34 429	(101.66%)
Profit/ loss for the current period	21 611	8.27%	34 429	14.37%	(12 818)	(37.23%)
<b>Total equity</b>	<b>261 275</b>	<b>100%</b>	<b>239 664</b>	<b>100%</b>	<b>21 611</b>	<b>9.02%</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Lease payable	69	0.13%	64	0.13%	5	7.81%
Provisions	51 212	99.75%	50 837	99.75%	375	0.74%
Liabilities for retirement employee benefits	61	0.12%	62	0.12%	(1)	(1.61%)
<b>Total non-current liabilities</b>	<b>51 342</b>	<b>100%</b>	<b>50 963</b>	<b>100%</b>	<b>379</b>	<b>0.74%</b>
<b>Current liabilities</b>						
<b>Loans</b>	<b>0</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	0	0.00%	52 386	38.49%	(52 386)	(100.00%)
<b>Trade and other payables</b>	<b>8 698</b>	<b>76.77%</b>	<b>82 475</b>	<b>60.60%</b>	<b>(73 777)</b>	<b>(89.45%)</b>
- Trade payables	4 814	42.49%	35 940	26.41%	(31 126)	(86.61%)
- Payables to related parties	1 649	14.55%	3 159	2.32%	(1 510)	(47.80%)
- Received advances from clients for sale of natural gas	770	6.80%	17 654	12.97%	(16 884)	(95.64%)
- VAT payable	0	0.00%	24 048	17.67%	(24 048)	(100.00%)
- Excise duty payable	453	4.00%	1 211	0.89%	(758)	(62.59%)
- Payables to personnel	93	0.82%	134	0.10%	(41)	(30.60%)
- Payables to social security companies	71	0.63%	82	0.06%	(11)	(13.41%)
-other payables	848	7.48%	247	0.18%	601	243.32%
Lease payable – rent agreement	130	1.15%	249	0.18%	(119)	(47.79%)
Corporate income tax payable	2 404	21.22%	875	0.64%	1 529	174.74%
Liabilities for retirement employee benefits	98	0.86%	111	0.08%	(13)	(11.71%)
<b>Total current liabilities</b>	<b>11 330</b>	<b>100.00%</b>	<b>136 096</b>	<b>100.00%</b>	<b>(124 766)</b>	<b>(91.67%)</b>
<b>Total liabilities</b>	<b>62 672</b>		<b>187 059</b>		<b>(124 387)</b>	<b>(66.50%)</b>
<b>Total equity and liabilities</b>	<b>323 947</b>		<b>426 723</b>		<b>(102 776)</b>	<b>(24.08%)</b>

### SHARE CAPITAL STRUCTURE

The registered share capital as of 30.06.2020 amounts to BGN 231 698 thousand and is unchanged compared to the previous reporting period.

As of 30.06.2020, the retained earnings amounted to BGN 22 180 thousand (31.12.2019: accumulated profit of BGN 562 thousand). The change is BGN 21 618 thousand.

### NON-CURRENT LIABILITIES

The non-current liabilities of the Company as of 30.06.2020 amount to BGN 51 342 thousand (31.12.2019: BGN 50 963 thousand), which is an increase of BGN 379 thousand or 0.74%, formed from a lease payable, provision for a litigation liability related to *Case COMP/BI/AT.39849 - BEH gas* and compensation for retirement.

### CURRENT LIABILITIES

As of 30.06.2020, the current liabilities of the Company amount to BGN 11 330 thousand (31.12.2019: BGN 136 096 thousand), which is a decrease of BGN 124 766 thousand, or 91.67%.

As of 30.06.2020, the Company has not utilized any loans.

As of 30.06.2020, the Company has no VAT liabilities to the National Revenue Agency (31.12.2019: BGN 24 048 thousand), after adjusting the price of natural gas it reports a receivable of BGN 26 903 thousand.

### **STATEMENT OF CASH FLOWS**

The table provides data of changes in cash flows for 30.06.2020, compared to 30.06.2019:

*In thousands BGN*

	30.06.2020	30.06.2019	Change	
	thousands BGN	thousands BGN	thousands BGN	%
Net cash flows from operating activity	140 388	12 289	128 099	1042.39%
Net cash flows from investing activity	472	1 294	(822)	(63.52%)
Net cash flows from financing activity	(52 535)	(64)	(52 471)	(81985.94%)
<b>Net change in cash and cash equivalents during the period</b>	<b>88 325</b>	<b>13 519</b>	<b>74 806</b>	<b>553.34%</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>80</b>	<b>(3 587)</b>	<b>3 667</b>	<b>102.23%</b>
<b>Impairment of cash in accordance with IFRS 9</b>	<b>(168)</b>	<b>(58)</b>	<b>(110)</b>	<b>189.66%</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>88 237</b>	<b>9 874</b>	<b>78 363</b>	<b>793.63%</b>

The net cash flow from operating activities of the Company as of 30.06.2020 is positive in the amount of BGN 140 388 thousand (30.06.2019: positive in the amount of BGN 12 289 thousand) - there is an increase of BGN 128 099 thousand, or 1,042.39%, including refunds from Gazprom Export LLC. It is formed by the difference between receipts from customers for sold natural gas, paid natural gas, paid taxes, other than income tax and other expenses.

During the reporting period, taxes other than income tax in the amount of BGN 120 817 thousand were paid (30.06.2019: BGN 191 019 thousand).

The net cash flows from investing activities are positive, amounting to BGN 472 thousand, which is a decrease of BGN 822 thousand compared to 30.06.2019. The decrease is mainly due to interest received on deferred trade receivables.

The net cash flows from financial activities as of 30.06.2020 are negative, amounting to BGN 52 535 thousand (30.06.2019 - negative amounting to BGN 64 thousand), which is due to overdraft payments.

### **EVENTS AFTER REPORTING PERIOD**

The events are described in Note 23 "Events after reporting period" of the interim financial statements as of 30.06.2020.

### **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.

As of 30.06.2020, the financial ratios show the financial stability of the Company, as they are optimal compared to the market levels.

### **PROFITABILITY**

Indicators	30.06.2020	31.12.2019
Return on sales	6.19%	4.22%
Return on equity	8.27%	8.50%
Return on assets	6.67%	8.07%

### **RETURN ON SALES**

The return on sales ratio is calculated as a percentage of the balance sheet profit and sales revenue. It shows the net profit per revenue of BGN 100. For 30.06.2020, the return of sales is 6.19% (as of 31.12.2019: 4.22%).

## RETURN ON EQUITY

This indicator reveals the equity profitability level. As of 30.06.2020 the return on equity ratio was 8.27% (31.12.2019: 8.50%).

## 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 6.67% (31.12.2019: 8.07%).

## LIQUIDITY

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

Indicators	30.06.2020	31.12.2019
Current liquidity ratio	27.33	2.98
Quick liquidity ratio	25.22	2.20
Immediate liquidity ratio	7.79	0.00

The current liquidity ratio as of 30.06.2020 is 27.33, indicating that current assets can cover approx. 30 times the current liabilities of the Company (31.12.2019: 2.98).

The quick liquidity ratio is 25.22, which shows that the available current assets reduced by inventories can cover almost 25 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	30.06.2020	31.12.2019
Financial autonomy ratio	4.17	1.28
Indebtedness ratio	0.24	0.78

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. As of 30.06.2020 the indicator for financial autonomy ratio was 4.17 (31.12.2019: 1.28).

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. As of 30.06.2020 this indicator was 0.24 (31.12.2019: 0.78).

The information presented and analyzed in the Activity Report of Bulgargaz EAD as of 30.06.2020 shows that the Company fulfills its licensing obligations as a public supplier of natural gas on the territory of the Republic of Bulgaria, in full compliance with the requirements of the legal framework. The activity is in direct dependence on the business environment, the regulatory requirements and the financial security of the Company. Regardless of the dynamic market conditions during the period under review, Bulgargaz EAD responded adequately to market challenges, while maintaining financial stability and increasing the cost-effectiveness of its activities.

Date: 31.07.2020

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2016/679

Stanimir Kostov

Head of Financial Accountability and  
Methodology Department

5, §1,  
2016/679

Nikolay Pavlov

Executive Director



**BULGARGAZ EAD**

**CONDENSED STATEMENT OF FINANCIAL POSITION  
30 JUNE 2020**

*(All amounts are in thousands BGN)*

	NOTE	AS AT 30 JUNE 2020	AS AT 31 DECEMBER 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment	7	91	88
Intangible assets	8	418	548
Long-term trade receivables	10	-	7 046
Deferred tax assets	12	13 734	13 774
		<b>14 243</b>	<b>21 456</b>
<b>Current assets</b>			
Inventories	9	23 923	106 201
Trade and other receivables	10	197 544	298 986
Cash and cash equivalents	11	88 237	80
		<b>309 704</b>	<b>405 267</b>
<b>TOTAL ASSETS</b>		<b>323 947</b>	<b>426 723</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	13	231 698	231 698
Reserves	14	7 397	7 404
Retained earnings /(accumulated) loss		22 180	562
		<b>261 275</b>	<b>239 664</b>
<b>Non-current liabilities</b>			
Lease payable	15	69	64
Liabilities for retirement employee benefits		61	62
Provisions	19	51 212	50 837
		<b>51 342</b>	<b>50 963</b>
<b>Current liabilities</b>			
Borrowings		-	52 386
Trade and other payables	15	8 698	82 475
Lease payable	15	130	249
Profit tax liabilities		2 404	875
Liabilities for retirement employee benefits		98	111
		<b>11 330</b>	<b>136 096</b>
<b>TOTAL LIABILITIES</b>		<b>62 672</b>	<b>187 059</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>323 947</b>	<b>426 723</b>

The interim condensed financial statements were approved by the Board of Directors on 31 July 2020.

Compiled on **5, \$1, 2016/679**

**5, \$1, 2016/679**  
Nikolay Pavlov

Head of Accounting Department

Executive Director



Финансов отчет,  
върху който сме издали одиторски доклад с дата:  
**31. 07. 2020**  
„Ем Ел Ви България“ ООД  
ia Ltd.  
триран одитор:...

**5, \$1, 2016/679**

**5, \$1, 2016/679**

The notes on pages 5 to 22 form an integral part of these interim condensed financial statements.

**BULGARGAZ EAD**

**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME  
30 JUNE 2020**

*(All amounts are in thousands BGN)*

	NOTE	6-MONTH PERIOD ENDED ON 30	
		JUNE	
		2020	2019 Recalculated
Revenues from sale of natural gas		349 018	816 066
Cost of natural gas as sold		(329 902)	(790 134)
Accrued/ reversed impairment loss on financial assets	17	2 989	(600)
Accrued impairment loss on non-financial assets		(3 108)	(17)
Cost of hired services	17	(2 549)	(2 482)
Employee benefits and social security expenses		(1 414)	(1 339)
Cost of materials		(34)	(25)
Depreciation/amortization expenses	7, 8	(226)	(207)
Other revenues		7 960	9 442
Provision costs		(376)	-
Other expenses		(34)	(46)
<b>Operating activity profit/(loss)</b>		<b>22 324</b>	<b>30 658</b>
Financial income		620	1 595
Financial costs		(387)	(283)
Other financial income/(costs) – net		1 498	(3 960)
<b>Financial income/(costs) – net</b>		<b>1 731</b>	<b>(2 648)</b>
<b>Profit/(loss) before tax</b>		<b>24 055</b>	<b>28 010</b>
<b>Income tax expense</b>	18	(2 444)	(2 821)*
<b>Net profit/(loss) for the period</b>		<b>21 611</b>	<b>25 189</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>21 611</b>	<b>25 189</b>

\* Some of the amounts disclosed in this interim condensed statement of profit or loss and other comprehensive income do not correspond to the amounts disclosed in the interim condensed statement of profit or loss and other comprehensive income for the period ended 30.06.2019 in connection with the adjustment of error disclosed in *Note 21*.

The interim condensed financial statements were approved by the Board of Directors on 31 July 2020.

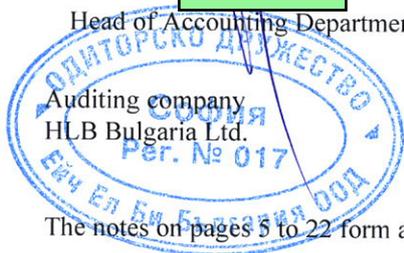
Compiled on:

5, \$1,  
2016/679

Lili

Head of Accounting Department

Auditing company  
HLB Bulgaria Ltd.



5, \$1,  
2016/679

Nikolay Pavlov

Executive Director



Финансов отчет,  
Бъруху който сме издали одиторски  
доклад с дата:

31. 07. 2020

5, \$1,  
2016/679

5, \$1,  
2016/679

The notes on pages 5 to 22 form an integral part of these interim condensed financial statements.

**BULGARGAZ EAD**

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

**30 JUNE 2020**

*(All amounts are in thousands BGN)*

	Share capital	Reserves	Retained earnings / Accumulated loss	Total
<b>AS AT 1 JANUARY 2020</b>	<b>231 698</b>	<b>7 404</b>	<b>562</b>	<b>239 664</b>
<b>Comprehensive income</b>				
Profit for the period	-	-	21 611	21 611
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>21 611</b>	<b>21 611</b>
Transfer of revaluation reserve of non-financial assets to retained earnings	-	(7)	7	-
<b>AS AT 30 JUNE 2020</b>	<b>231 698</b>	<b>7 397</b>	<b>22 180</b>	<b>261 275</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	-	-	25 189*	25 189
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>25 189*</b>	<b>25 189</b>
<b>AS AT 30 JUNE 2019</b>	<b>231 698</b>	<b>7 412</b>	<b>(8 678)*</b>	<b>230 432</b>

\* Some of the amounts disclosed in this interim condensed statement of profit or loss and other comprehensive income do not correspond to the amounts disclosed in the interim condensed statement of profit or loss and other comprehensive income for the period ended 30.06.2019 in connection with the adjustment of error disclosed in *Note 21*.

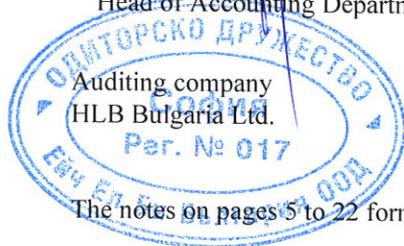
The interim condensed financial statements were approved by the Board of Directors on 31 July 2020.

Compiled on: 23 July 2020

5, \$1,  
2016/679

Liliya Ivanova

Head of Accounting Department



Auditing company  
HLB Bulgaria Ltd.

Reg. № 017

The notes on pages 5 to 22 form an integral part of these interim condensed financial statements.

5, \$1,  
2016/679

Nikolay Pavlov

Executive Director



5, \$1,  
2016/679

5, \$1,  
2016/679

# BULGARGAZ EAD

## CONDENSED STATEMENT OF CASH FLOWS 30 JUNE 2020

(All amounts are in thousands BGN)

	NOTE	6-MONTH PERIOD ENDED ON 30 JUNE	
		2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>			
Proceeds from clients		492 338	1 004 067
Payments to suppliers		(227 574)	(796 955)
Payments to personnel and social security institutions		(1 650)	(1 433)
Income tax payments		(875)	(220)
Taxes paid, different from corporate income tax		(120 817)	(191 019)
Profit/(loss) of exchange rate revaluation of cash and cash equivalents, net		(915)	(2 382)
Other proceeds/(payments), net		(119)	231
<b>Net cash flows from operating activity</b>		<b>140 388</b>	<b>12 289</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Payments for plant and equipment		(17)	(26)
Payments for intangible assets		(130)	(274)
Interest received on deferred trade receivables		619	1 594
<b>Net cash flow from investing activity</b>		<b>472</b>	<b>1 294</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Payments of principal under a lease agreement		(124)	-
Payments of interest under a lease agreement		(6)	-
Receipts and payments on overdraft, net		(52 372)	-
Payments of interest under loans and financing agreements		(33)	(1)
Payments of interest under deferred trade payables		-	(63)
<b>Net cash flow from financing activity</b>		<b>(52 535)</b>	<b>(64)</b>
<b>Net increase/(decrease) of cash and cash equivalents during the period</b>		<b>88 325</b>	<b>13 519</b>
Cash and cash equivalents at the beginning of the period		80	(3 587)
Impairment under IFRS 9		(168)	(58)
<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>88 237</b>	<b>9 874</b>

The interim condensed financial statements were approved by the Board of Directors on 31 July 2020.

Compiled on:

5, §1,  
2016/679

Liliya Ivanova

Head of Accounting Department

Auditing company  
HLB Bulgaria Ltd.

5, §1,  
2016/679

Nikolay Pavlov

Executive Director

Финансов отчет,  
върху който сме издали одиторски  
доклад с дата:

31. 07. 2020

Енч Ел Би България" ООД  
HLB (Bulgaria) Ltd.

The notes on pages 5 to 22 form an integral part of these interim condensed financial statements

5, §1,  
2016/679

5, §1,  
2016/679

## **BULGARGAZ EAD**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 JUNE 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. Bulgargaz EAD is considering and assessing the opportunities for providing alternative sources and routes for natural gas.

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

Bulgargaz EAD is a sole shareholder 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 31 July 2020.

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

The current condensed interim financial statements for the six-month period ended 30 June 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 30 June 2020, the Company reported a profit after tax in the amount of BGN 21 611 thousand, a positive cash flow from operating activities in the amount of BGN 140 388 thousand and a net increase in cash and cash equivalents for the period in the amount of BGN 88 325 thousand.

As of 30 June 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. General provisions and new standards, amendments to standards and interpretations that have entered into force for the financial year beginning on 1 January 2020**

These interim condensed financial statements have been prepared in accordance with the adopted accounting policy in the last annual financial statements of the Company as of 31 December 2019, except for the application of the new standards, amendments and interpretations to IFRS, which are mandatory for the first time starting on 1 January 2020, namely:

- Amendments to the Conceptual Framework for Financial Reporting – effective for annual periods from 1 January 2020;
- Amendments to IFRS 3 Business Combinations – issued on 22 October 2018, effective from 1 January 2020.
- Amendments to IAS 1 and IAS 8 Definition of Material – issued on 31 October 2018, effective from 1 January 2020.
- Amended Standards – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – Interest Rate Reform – issued on 26 September 2019, effective from 1 January 2020.

#### **3.2. Standards, amendments and interpretations that have not yet entered into force and are not applied from an earlier date by the Company**

As of the date of approval of these financial statements, *new standards, amendments and interpretations to existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial year beginning on 1 January 2020 and have not been applied from an earlier date 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:

- IFRS 17 Insurance Contracts – issued on 18 May 2017, effective for annual periods beginning on or after 1 January 2021.
- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current – issued on 23 January 2020, effective from 1 January 2022.

### **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.

For the purposes of presenting these interim condensed financial statements, the Company recognizes and estimates the expected credit losses of debt instruments measured at amortized cost, reviews impairment to net realizable value of inventories and does not review impairment to net realizable value of property, plant and equipment.

## **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.

## **6. SEASONALITY OF OPERATIONS**

The activity of the Company is characterized by seasonal fluctuation as part of the Company's clients (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 six months of year 2020 is 13 229 268 MWh (first six months of 2019: 17 248 562 MWh).

The Company uses the possibilities of the underground gas storage in the village of Chiren owned by Bulgartransgas 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.

**BULGARGAZ EAD****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
30 JUNE 2020****7. PLANT AND EQUIPMENT**

	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Total</b>
<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>6-MONTH PERIOD TO 30 JUNE 2020</b>				
Additions	10	-	14	<b>24</b>
Disposals	(12)	-	(17)	<b>(29)</b>
Written-off depreciation	12	-	17	<b>29</b>
Depreciation	(2)	(7)	(12)	<b>(21)</b>
<b>Ending carrying amount</b>	<b>42</b>	<b>17</b>	<b>32</b>	<b>91</b>
<b>AS AT 30 JUNE 2020</b>				
Gross carrying amount	89	468	331	<b>888</b>
Depreciation	(47)	(451)	(299)	<b>(797)</b>
<b>Carrying amount</b>	<b>42</b>	<b>17</b>	<b>32</b>	<b>91</b>

	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Total</b>
<b>AS AT 1 JANUARY 2019</b>				
Gross carrying amount	91	468	304	<b>863</b>
Depreciation	(52)	(429)	(282)	<b>(763)</b>
<b>Carrying amount</b>	<b>39</b>	<b>39</b>	<b>22</b>	<b>100</b>
<b>6-MONTH PERIOD TO 30 JUNE 2019</b>				
Additions	-	-	25	<b>25</b>
Depreciation	(3)	(7)	(11)	<b>(21)</b>
<b>Ending carrying amount</b>	<b>36</b>	<b>32</b>	<b>36</b>	<b>104</b>
<b>AS AT 30 JUNE 2019</b>				
Gross carrying amount	91	468	329	<b>888</b>
Depreciation	(55)	(436)	(293)	<b>(784)</b>
<b>Carrying amount</b>	<b>36</b>	<b>32</b>	<b>36</b>	<b>104</b>

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

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

#### 8. INTANGIBLE ASSETS

	Licenses	Software	Right to use assets, 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>6-MONTH PERIOD TO 30 JUNE 2020</b>				
Additions	-	75	-	<b>75</b>
Disposals	-	(2)	-	<b>(2)</b>
Amortization	(2)	(82)	(121)	<b>(205)</b>
Written-off amortization	-	2	-	<b>2</b>
<b>Ending carrying amount</b>	<b>29</b>	<b>207</b>	<b>182</b>	<b>418</b>
<b>AS AT 30 JUNE 2020</b>				
Gross carrying amount	41	1 232	546	<b>1 819</b>
Amortization	(12)	(1 025)	(364)	<b>(1 401)</b>
<b>Carrying amount</b>	<b>29</b>	<b>207</b>	<b>182</b>	<b>418</b>

	Licenses	Software	Right to use assets, IFRS 16	Total
<b>AS AT 1 JANUARY 2019</b>				
Gross carrying amount	40	887	-	<b>927</b>
Amortization	(7)	(803)	-	<b>(810)</b>
<b>Carrying amount</b>	<b>33</b>	<b>84</b>	<b>-</b>	<b>117</b>
<b>6-MONTH PERIOD TO 30 JUNE 2019</b>				
Additions	1	262	-	<b>263</b>
Right to use assets, IFRS 16	-	-	545	<b>545</b>
Amortization	(2)	(63)	(121)	<b>(186)</b>
<b>Ending carrying amount</b>	<b>32</b>	<b>283</b>	<b>424</b>	<b>739</b>
<b>AS AT 30 JUNE 2019</b>				
Gross carrying amount	41	1 149	545	<b>1 735</b>
Amortization	(9)	(866)	(121)	<b>(996)</b>
<b>Carrying amount</b>	<b>32</b>	<b>283</b>	<b>424</b>	<b>739</b>

No intangible assets have been pledged as collateral for the Company's liabilities.

#### 9. INVENTORIES

	AS AT 30 JUNE 2020	AS AT 31 DECEMBER 2019
Natural gas at cost	27 012	106 179
Impairment to net realizable value	(3 108)	-
Natural gas – net realisable value	23 904	106 179
Materials	19	22
<b>Total inventories</b>	<b>23 923</b>	<b>106 201</b>

**BULGARGAZ EAD****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****30 JUNE 2020**

The reversal of impairment loss on inventories is reported as an adjustment to the cost of natural gas sold during the period. Accrued new impairment losses are presented as such in the condensed statement of profit or loss and other comprehensive income.

As of the date of the statement of financial position, the Company has analyzed the circumstances that would lead to indications of impairment of the value of natural gas.

The main external source used as evidence of impairment indications is the EWRC decision No. II-26 / 01.07.2020. Based on this, the value of the available natural gas in the gas pipeline in Romania is estimated to its net realizable value and an impairment loss in the amount of BGN 764 thousand is recognized. The available quantity of natural gas in the Chiren UGS is estimated to net realizable value, and the recognized impairment expense is in the amount of BGN 2 344 thousand.

No inventories have been pledged as collateral for the Company's liabilities.

**10. TRADE AND OTHER RECEIVABLES**

	<b>AS AT 30 JUNE 2020</b>	<b>AS AT 31 DECEMBER 2019</b>
Trade receivables	137 281	218 104
Accumulated impairment of trade receivables	(1 582)	(7 165)
<b>Trade receivables, net</b>	<b>135 699</b>	<b>210 939</b>
Court and awarded receivables	204 231	202 335
Accumulated impairment of court and awarded receivables	(203 720)	(201 809)
<b>Court and awarded receivables, net</b>	<b>511</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	22 174	80 263
VAT subject to recovery	26 903	-
Receivables from related parties (Note 20)	10 469	10 728
Other receivables - prepaid expenses, guarantees and deposits	1 788	3 576
<b>Total trade and other receivables</b>	<b>197 544</b>	<b>306 032</b>
Less current portion: trade receivables	-	7 046
<b>Current trade and other receivables</b>	<b>197 544</b>	<b>298 986</b>

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

	<b>AS AT 30 JUNE 2020</b>	<b>AS AT 31 DECEMBER 2019</b>
<b>At the beginning of period</b>	<b>213 477</b>	<b>214 108</b>
Accrued losses from impairment of receivables	2 398	6 928
Written-off uncollectible receivables	(548)	(3)
Reversals of impairment losses	(5 522)	(7 348)
Reversals of impairment losses of Corporate Commercial Bank AD-insolvent	-	(208)
<b>At the end of period</b>	<b>209 805</b>	<b>213 477</b>

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

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 (insolvent) (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. ЗБН66-8, ЗБН66-39 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 (insolvent) 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 of 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 have been pledged as collateral for the Company's liabilities.

#### 11. CASH AND CASH EQUIVALENTS

	AS AT 30 JUNE 2020	AS AT 31 DECEMBER 2019
Cash on hand	22	4
Cash in current bank accounts	88 383	76
Accumulated impairment of cash	(168)	-
<b>Total cash and cash equivalents in the statement of financial position</b>	<b>88 237</b>	<b>80</b>

The amount of cash seized in connection with a claim against a counterparty of the Company as of 30 June 2020 amounts to BGN 50 thousand (31.12.2019: BGN 50 thousand).

**BULGARGAZ EAD****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
30 JUNE 2020****RECONCILIATION OF INITIAL AND FINAL BALANCES IN THE CONDENSED  
STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 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 30 June
			Acquired (increases)	Other changes	
Short-term bank loans	52 372	(52 372)	-	-	-
Lease payables	313	(130)		16	<b>199</b>
Interest on loans and deferred trade payables	14	(33)	-	19	-
<b>Total liabilities of financial activities:</b>	<b>52 699</b>	<b>(52 535)</b>	<b>-</b>	<b>35</b>	<b>199</b>

**12. 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.

The total movement of deferred income taxes is as follows:

	<b>6-MONTH PERIOD TO 30 JUNE</b>	
	<b>2020</b>	<b>2019</b>
<b>AS AT 1 JANUARY</b>	<b>13 774</b>	<b>13 814</b>
Reported as (expense)/ income in the condensed statement of profit or loss and other comprehensive income (Note 18)	(40)	102
<b>AS AT 30 JUNE</b>	<b>13 734</b>	<b>13 916</b>

**BULGARGAZ EAD**

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
30 JUNE 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>
<b>AS AT 1 JANUARY 2020</b>	-	(13 744)	(17)	(16)	-	(1)	(13 778)
Expense (income) in profit or loss	(311)	351	-	-	-	-	40
<b>AS AT 30 JUNE 2020</b>	<b>(311)</b>	<b>(13 393)</b>	<b>(17)</b>	<b>(16)</b>	<b>-</b>	<b>(1)</b>	<b>(13 738)</b>
<b>DEFERRED TAX LIABILITIES</b>							
<b>AS AT 1 JANUARY 2020</b>	-	-	-	-	4	-	4
<b>AS AT 30 JUNE 2020</b>	-	-	-	-	4	-	4
<b>DEFERRED TAX ASSETS, NET</b>	<b>(311)</b>	<b>(13 393)</b>	<b>(17)</b>	<b>(16)</b>	<b>4</b>	<b>(1)</b>	<b>(13 734)</b>
<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>Total</b>
<b>AS AT 1 JANUARY 2019</b>	-	(13 786)	(15)	(16)	-	-	(13 817)
Expense (income) in profit or loss	(2)	(100)	-	-	-	-	(102)
<b>AS AT 30 JUNE 2019</b>	<b>(2)</b>	<b>(13 886)</b>	<b>(15)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>(13 919)</b>
<b>DEFERRED TAX LIABILITIES</b>							
<b>AS AT 1 JANUARY 2019</b>	-	-	-	-	3	-	3
Expense (income) in profit or loss	-	-	-	-	-	-	-
<b>AS AT 30 JUNE 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>
<b>DEFERRED TAX ASSETS, NET</b>	<b>(2)</b>	<b>(13 886)</b>	<b>(15)</b>	<b>(16)</b>	<b>3</b>	<b>-</b>	<b>(13 916)</b>

**BULGARGAZ EAD****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****30 JUNE 2020****13. SHARE CAPITAL**

	<b>6-MONTH PERIOD TO 30 JUNE 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>

**14. RESERVES**

	<b>6-MONTH PERIOD TO 30 JUNE 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
Reserves from revaluation of property, plant and equipment	-	(7)	-	(7)
<b>At the end of the period</b>	<b>7 367</b>	<b>46</b>	<b>(16)</b>	<b>7 397</b>

	<b>6-MONTH PERIOD TO 30 JUNE 2019</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	(8)	7 412
<b>At the end of the period</b>	<b>7 367</b>	<b>53</b>	<b>(8)</b>	<b>7 412</b>

**15. TRADE AND OTHER PAYABLES**

	<b>AS AT 30 JUNE 2020</b>	<b>AS AT 31 DECEMBER 2019</b>
Related party payables (Note 20)	1 649	3 159
VAT payable	-	24 048
Advances received from clients for sale of natural gas	755	17 654
Trade payables	4 829	35 940
Excise duty	453	1 211
Payables to employees	93	134
Liabilities to social security institutions	71	82
Other liabilities	848	247
<b>Total trade and other payables</b>	<b>8 698</b>	<b>82 475</b>
<b>Current trade and other payables</b>	<b>8 698</b>	<b>82 475</b>

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

As of 01.01.2019, according to IFRS 16, a uniform model of accounting treatment of a contract for a leased asset - office building has been applied. An asset with right to use has been recognized, amounting to BGN 546 thousand, which will be depreciated for the period of the contract and respectively a lease payable under this contract has been reported.

As of 30.06.2020, the amount of the lease payables is BGN 199 thousand, total current and non-current portion.

#### 16. UNUSUAL ITEMS

There are no expenses in the condensed statement of profit or loss and other comprehensive income as at 30 June 2020 treated as unusual items.

#### 17. ACCRUED/ (REVERSED) LOSSES FROM IMPAIRMENT OF FINANCIAL ASSETS, NET

	6-MONTH PERIOD TO 30 JUNE	
	2020	2019
Accrued and reversed impairment losses on trade and other receivables (Note 10)	(3 157)	750
Accrued impairment loss on inventories (net)	3 108	17
Accrued and reversed losses from impairment of receivables from Corporate Commercial Bank (insolvent) (Note 10)	-	(208)
Accrued and reversed impairment losses on cash	168	58
<b>Total loss on asset impairment</b>	<b>119</b>	<b>617</b>

#### 18. INCOME TAX EXPENSE

	6-MONTH PERIOD TO 30 JUNE	
	2020	2019
		Recalculated
Current corporate tax expenses	(2 404)	(2 923)*
Effect of change in deferred taxes (Note 12)	(40)	102
<b>INCOME TAX EXPENSE</b>	<b>(2 444)</b>	<b>(2 821)*</b>

Current tax expense is recognized based on the Company's management's assessment of the weighted average annual income tax rate expected for the full financial year, which is 10% (2019: 10%).

**19. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES****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 Bulgarian 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.

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.

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

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 30 June 2020, the Company has accrued a provision in the amount of BGN 51 212 thousand, representing 1/3 of the total amount of the imposed fine and interest thereon in the amount of BGN 968 thousand, with the estimate being that the settlement is expected to occur after more than 12 months.

#### **Contingent assets**

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 Company discloses the following related parties:

<b>Entity</b>	<b>Country of incorporation</b>	<b>Main objects</b>
<b><i>Sole shareholder of the Company exercising control (Parent company)</i></b>		
Bulgarian Energy Holding EAD (BEH)		
<b><i>Sole shareholder of the Parent company</i></b>		
The Bulgarian State through the Minister of Energy		

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

#### *Companies under mutual joint control with the Company (entities within the group)*

Kozloduy NPP EAD	Bulgaria	production of electricity and heat
HPP Kozloduy EAD	Bulgaria	generation and distribution of electricity from hydropower
Interpriborservice OOD	Bulgaria	installation and maintenance of automated systems
Kozloduy NPP – NB EAD	Bulgaria	operation of a nuclear power plant
Bulgargaz EAD	Bulgaria	public supply of natural gas
Bulgartransgaz EAD	Bulgaria	storage and transmission of natural gas
Balkan Gas Hub EAD	Bulgaria	building and operating an electronic platform for natural gas trading, energy products, green and white certificates, carbon emissions
Electricity System Operator EAD	Bulgaria	transmission of electricity
Bulgartel EAD	Bulgaria	implementation of telecommunications
Bulgartel-Skopje DOOEL	Macedonia	implementation of telecommunications
Maritsa East Mines EAD	Bulgaria	extraction and sale of coal
Natsionalna Elektricheska Kompania EAD	Bulgaria	generation of electricity and public electricity supplier
TPP Maritsa East 2 EAD	Bulgaria	production of electricity and heat
PFC Beroe – Stara Zagora EAD	Bulgaria	soccer club
TPP Maritsa East 2 (9 and 10) EAD	Bulgaria	production and trade in electricity

#### *Jointly controlled entities*

ICGB AD	Bulgaria	construction and operation of gas transmission system
South Stream Bulgaria AD	Bulgaria	construction and operation of gas transmission system
Transbalkan Electric Power Trading S.A. – NECO S.A.	Greece	sale of electricity

#### *Associates*

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

#### *Other related parties under common control*

Public sector enterprises under common control of the Council of Ministers in the Republic of Bulgaria.

#### *Key management of the Parent Company*

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

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

Sales and purchases to related parties are carried out at agreed prices. Outstanding balances at the end of the reporting period are unsecured, interest free (excluding loans and deferred trade payables) and their settlement is done in cash. For receivables or liabilities to / from related parties guarantees were not given or received.

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

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

	6-MONTH PERIOD TO 30	
	JUNE	
	2020	2019
<b>Companies under common control</b>		
Bulgartransgaz EAD	2 203	4 565
<b>Total</b>	<b>2 203</b>	<b>4 565</b>

Sales include natural gas sold for balancing.

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

	6-MONTH PERIOD TO 30	
	JUNE	
	2020	2019
<b>Parent company</b>		
Bulgarian Energy Holding EAD	309	208
<b>Companies under common control</b>		
Bulgartransgaz EAD	31 079	46 413
Bulgartel EAD	3	3
Balkan Gas Hub EAD	20	-
<b>Total</b>	<b>31 411</b>	<b>46 624</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

	6-MONTH PERIOD TO 30	
	JUNE	
	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.

**BULGARGAZ EAD****NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS  
30 JUNE 2020****(D) RECEIVABLES FOR PURCHASES OF GOODS AND SERVICES**

	<b>AS AT 30 JUNE 2020</b>	<b>AS AT 31 DECEMBER 2019</b>
<b>Companies under common control</b>		
Bulgartransgaz EAD	10 469	10 728
<b>Total</b>	<b>10 469</b>	<b>10 728</b>

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

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

	<b>AS AT 30 JUNE 2020</b>	<b>AS AT 31 DECEMBER 2019</b>
<b>Parent company</b>		
Bulgarian Energy Holding EAD	28	32
<b>Companies under common control</b>		
Bulgartransgaz EAD	1 613	3 126
Bulgartel EAD	1	1
Balkan Gas Hub EAD	7	-
<b>Total current</b>	<b>1 649</b>	<b>3 159</b>
<b>Total</b>	<b>1 649</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 Bulgartransgaz 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:

	<b>6-MONTH PERIOD TO 30 JUNE</b>	
	<b>2020</b>	<b>2019</b>
Short term benefits to key management personnel		
- Remunerations	128	99
- Social security costs	11	8
<b>Total</b>	<b>139</b>	<b>107</b>

## BULGARGAZ EAD

### NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2020

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

#### 21. ERROR CORECTION

As of the date of issue of the interim condensed financial statements as of 30 June 2019, the Company has not correctly calculated the income tax expenses for the six-month period ending on 30 June 2019.

As of the date of issue of these interim condensed financial statements, the Company presents recalculated information for the previous comparable period. The classifications, presentation and disclosure of the comparative information in this interim condensed statement are in accordance with the policies applied by the Company and applied to its financial statements prepared as of 31 December 2019.

The effect on the financial result as of June 30, 2019 is presented in the following table:

<b>Effect on:</b>	<b>(thousand BGN)</b>
<b>Uncovered loss as of 30.06.2019</b>	<b>(5 877)</b>
Adjustment of tax expenses	(2 801)
<b>Uncovered loss, recalculated as of 30.06.2019</b>	<b>(8 678)</b>

#### 22. SIGNIFICANT EVENTS OCCURRED DURING THE REPORTING PERIOD

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.

As a result of the adopted supplement to the Energy Act, EWRC adopted decisions for approval of natural gas prices for each month from the period 05.08.2019 - 31.03.2020. The approved sale price is in accordance with the new pricing according to the supplement signed with the supplier.

Bulgargaz EAD has calculated the amounts subject to repayment to clients under natural gas supply contracts as the difference between the amounts paid for the delivered quantities at the prices approved by the decisions of the Energy and Water Regulatory Commission until the entry into force of the Act Supplementing the Energy Act and the prices approved by the respective new decisions of the EWRC.

Agreements have been concluded with the clients of the Company and the amounts of the clients have been returned.

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. In compliance with the principle of comparability a reduction /correction/ of the cost of supplied natural gas has been reflected in the current period.

#### 23. EVENTS AFTER REPORTING PERIOD

There are no significant events after the end of the reporting period that would affect the condensed financial statements as of 30 June 2020, except for the following:

With a decision of the Energy and Water Regulatory Commission, a limit price of natural gas for July 2020 has been approved, according to which the Public Supplier sells to the final suppliers of natural gas and to

## **BULGARGAZ EAD**

### **NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 JUNE 2020**

the persons to whom a license for production and transmission of heat has been issued energy, amounting to BGN 19.10 MWh without excise duty and VAT.

On 09.07.2020, a “Second partial account for distribution of available amounts between the creditors of Corporate Commercial Bank AD (insolvent)” was announced in the Commercial Register, in which the indicated amount in favor of Bulgargaz EAD amounts to BGN 439 699.64. Reimbursement of the distributed amount of the Company is expected.

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

The interim condensed financial statements as at 30 June 2020 (including comparative information) were approved and endorsed by the Board of Directors on 31 July 2020.

**INDEPENDENT AUDITOR'S REPORT  
TO THE SOLE SHAREHOLDER OF  
BULGARGAZ EAD**

**Report on the Audit of the Interim Condensed Financial Statements**

**Opinion**

We have audited the interim condensed financial statements of **BULGARGAZ EAD** (the Company), which comprise the condensed statement of financial position as at 30 June 2020, and the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the period then ended, and selected explanatory notes and information to the interim condensed financial statements.

In our opinion, the accompanying interim condensed financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2020, and its financial performance and its cash flows for the period then ended in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union (EU).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Interim Condensed Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Information Other than the Interim Condensed Financial Statements and Auditor's Report Thereon**

Management is responsible for the other information. The other information comprises the interim management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the interim condensed financial statements and our auditor's report thereon.

Our opinion on the interim condensed financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the interim condensed financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the interim condensed financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the interim condensed financial statements of the current period. These matters were addressed in the context of our audit of the interim condensed financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Impairment of financial assets according to the model of the expected credit losses under the IFRS 9 'Financial Instruments'**

IFRS 9 'Financial Instruments' (IFRS 9) became effective for annual reporting periods beginning on or after 1 January 2018. Given the fact that IFRS 9 is a complex accounting standard that requires significant judgment and interpretation in its application, we consider this matter as a key audit matter in our audit.

**Note 4, Note 10, Note 17 to the interim condensed financial statements**

Key Audit Matter	How this key audit matter was addressed in our audit
<p>We focused on this area because:</p> <ul style="list-style-type: none"> <li>the management exercises significant judgment, using subjective assumptions about the measurement of the financial assets according to the IFRS 9 requirements</li> <li>the process of estimating the expected credit losses implies multiple judgments and a higher level of uncertainty and subjectivity in the estimated assumptions as to when and how much to recognize impairment of receivables and an estimate of the amount of expected credit losses;</li> <li>as at 30 June 2020, the trade and other receivables of BULGARGAZ EAD net of impairment amounted to BGN 197,544</li> </ul>	<p>Our audit procedures include, the following procedures:</p> <ul style="list-style-type: none"> <li>Assessment and review of the accounting policies applicable as of 30 June 2020 for recognition, classification, subsequent measurement and impairment of financial assets;</li> <li>We have reviewed and assessed the existed methodology for expected credit loss provisioning, as well as for classification and measurement of financial assets in order to ensure compliance with the requirements of IFRS 9;</li> <li>We have obtained an understanding and assessed the reasonableness of the key outputs calculated by the models, as well as key judgments and assumptions used by</li> </ul>

<p>thousand, representing 64% of the current assets of the Company at that date.</p> <p>In connection with the above, we have identified this issue as a key audit matter for our audit.</p>	<p>Management for the implementation of the models;</p> <ul style="list-style-type: none"> <li>• We reviewed a sample of significant exposures for their default determination appropriateness, and we reviewed the probability of default (PD) calculation used in the expected credit losses (ECL) calculation. We also revised the mathematical correctness of models calculation as at 30 June 2020;</li> <li>• Assessment of the adequacy of the disclosures in the interim condensed financial statements related to financial assets, in order to determine whether they are in compliance with the requirements of IFRS 9.</li> </ul>
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### Responsibilities of Management and Those Charged with Governance for the Interim Condensed Financial Statements

Management is responsible for the preparation and fair presentation of the interim condensed financial statements in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of interim condensed financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim condensed financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Interim Condensed Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim condensed financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim condensed financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim condensed financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the interim condensed financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the interim condensed financial statements, including the disclosures, and whether the interim condensed financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the interim condensed financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

### *Additional Matters to be Reported under the Accountancy Act*

In addition to our responsibilities and reporting in accordance with ISAs, described above in the "Information Other than the Interim Condensed Financial Statements and Auditor's Report Thereon" section, in relation to the interim management report, we have also performed the procedures added to those required under ISAs in accordance with "Guidelines about new and expanded auditor's reports and communications from the auditor's side" of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100n, paragraph 4 (2) of the POSA), applicable in Bulgaria.

*Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act*

Based on the procedures performed, our opinion is that:

- a) The information included in the interim management report referring to the period for which the interim condensed financial statements have been prepared is consistent with those interim condensed financial statements.
- b) The interim management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(n), paragraph 4 (2) of the Public Offering of Securities Act.

**Audit firm**

**HLB BULGARIA OOD**

**Manager:**

**Veronika Revalska**

**Registered auditor, responsible for the audit:**

**Svetlana Pavlova**

**31 July 2020**

