

BULGARGAZ EAD

**INTERIM MANAGEMENT REPORT
INTERIM CONDENSED FINANCIAL STATEMENTS**

30 SEPTEMBER 2020

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This Management Report of “Bulgargaz” EAD as at 30.09.2020 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 30.09.2020 and the data as of 30.09.2019.

This report has been made pursuant to the requirements of Article 39 of the Accountancy Act, Article 187e, Article 247, Paragraph 1, 2 and 3 of the Commercial Act and Article 100n, 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 in conformity with 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. JI-214-14/29.11.2006 issued by the State Energy and Water Regulatory Commission (SEWRC) for a period of 35 years. With an Amendment Act to the Energy Act (promulgated, State Gazette, issue 17 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

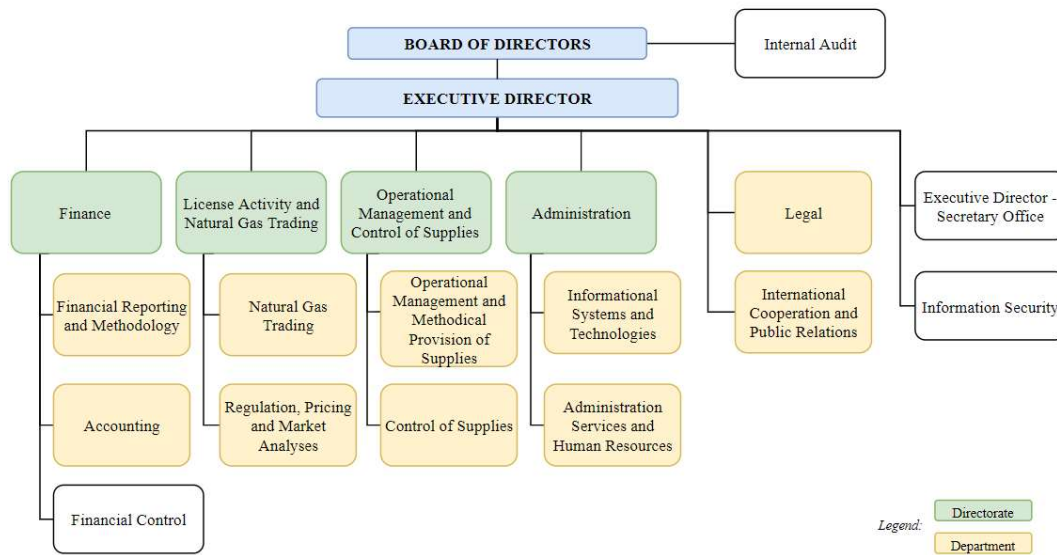
“Bulgargaz” EAD has one-tier system of management. The Company management bodies are:

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

As of 30.09.2020 the Board of Directors consists of the following members:

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 THE COMPANY’S MANAGEMENT

The Management confirms that an adequate accounting policy has been applied upon execution of the financial statements as of 30.09.2020, and that the latter have been prepared based on the principle of functioning enterprise.

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, a Member of the BoD since 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 – a Member of the BoD since 06.01.2015:

- does not participate as an unlimited liability partner in trade companies;
- owns more than 25% of the equity of “Ypi 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, a Member of the BoD since 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 30.09.2020, 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 30.09.2020

As of 30.09.2020, “Bulgargaz” EAD operates in compliance with all regulations. The result of the Company's activity is profit after taxes in the amount of BGN 28 695 thousand (as of 30.09.2019: profit in the amount of BGN 35 812 thousand).

GENERAL FACTORS AFFECTING THE 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 State Gazette Issue 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.

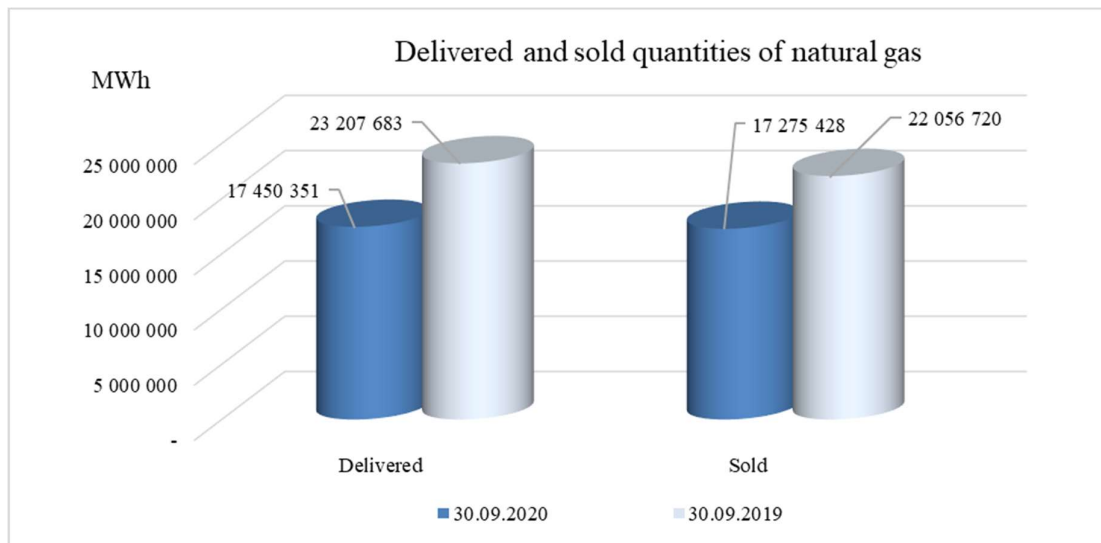
1. QUANTITATIVE INDICATORS IMPLEMENTATION

The quantities of natural gas delivered and sold as of 30.09.2020 compared to 30.09.2019 are presented in Table 1 below:

Table No.1

MWh

Type of delivery	Statement 30.09.2020	Statement 30.09.2019	Volume change	% Change
Delivered	17 450 351	23 207 683	(5 757 332)	(24.81%)
Sold	17 275 428	22 056 720	(4 781 292)	(21.68%)



During the reporting period, a total of 17 450 351 MWh were delivered (30.09.2019: 23 207 683 MWh), which is a decrease of 5 757 332 MWh, or 24.81%.

As of 30.09.2020, 17 275 428 MWh was sold, compared to 22 056 720 MWh for as of 30.09.2019, which is a decrease of 4 781 292 MWh, or 21.68%. The decrease is mainly due to lower consumption by clients in the energy, chemistry, metallurgy, and glass and porcelain sectors and of the distribution companies due to the extraordinary circumstances occurred in connection with the COVID-19 pandemic declared by the World Health Organization and the introduction of restrictive measures.

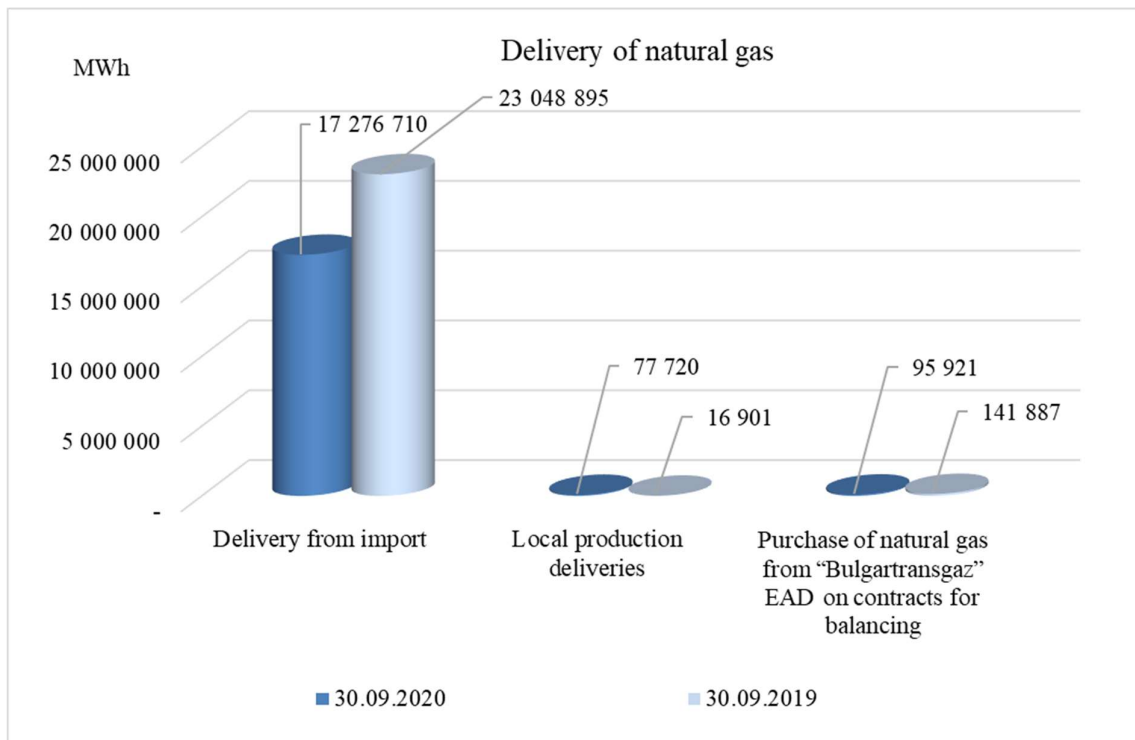
1.1. DELIVERED NATURAL GAS VOLUMES

The delivered natural gas volumes as of 30.09.2020 and 30.09.2019 are presented in Table No. 2 below:

Table No.2

MWh

Type of delivery	Statement 30.09.2020	Statement 30.09.2019	Relative share	
			30.09.2020	30.09.2019
TOTAL	17 450 351	23 207 683	100%	100%
Delivery from import	17 276 710	23 048 895	99.01%	99.31%
Local production deliveries	77 720	16 901	0.44%	0.08%
Purchase of natural gas from “Bulgartransgaz” EAD on contracts for balancing	95 921	141 887	0.55%	0.61%



To meet the natural gas needs of its customers as of 30.09.2020, “Bulgargaz” EAD delivered 17 450 351 MWh of natural gas (30.09.2019: 23 207 683 MWh). From imports at the entrance to the national gas transmission network 17 276 710 MWh (30.09.2019: 23 048 895 MWh), local production deliveries in the amount of 77 720 MWh (30.09.2019: 16 901 MWh) and purchase of natural gas from “Bulgartransgaz” EAD on contracts for balancing in the amount of 95 921 MWh (30.09.2019: 141 887 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 30.09.2020 compared to the same period of year 2019 are presented in Table No. 4 below:

Table No. 3

MWh

Production and injection	Statement 30.09.2020	Statement 30.09.2019	MWh Change	% Change
Quantities available at the beginning of the period	2 329 714	2 284 130	45 584	2.00%
Production	2 331 780	2 236 139	95 641	4.28%
Injection	2 501 067	3 449 373	(948 306)	(27.49%)
Difference in the recalculation of stocks, production and injection in UGS Chiren	(2 066)	(88)	(1 978)	2247.73%
Quantities available at the end of the period	2 501 067	3 497 452	(996 385)	(28.49%)

The quantities of natural gas produced as of 30.09.2020 amount to 2 331 780 MWh, which is an increase by 95 641 MWh, compared to 30.09.2019: 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 30.09.2020, 17 275 428 MWh of natural gas were sold, which is a decrease of 4 781 292 MWh or 21.68%, compared to the realized quantities for the same period of the previous year in the amount of 22 056 720 MWh.

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

Table No. 4

MWh

Sales	Statement 30.09.2020	Statement 30.09.2019
Regulated activity	7 631 918	21 934 948
Freely negotiated prices	9 198 451	121 772
Organized stock market	445 059	-
Total	17 275 428	22 056 720

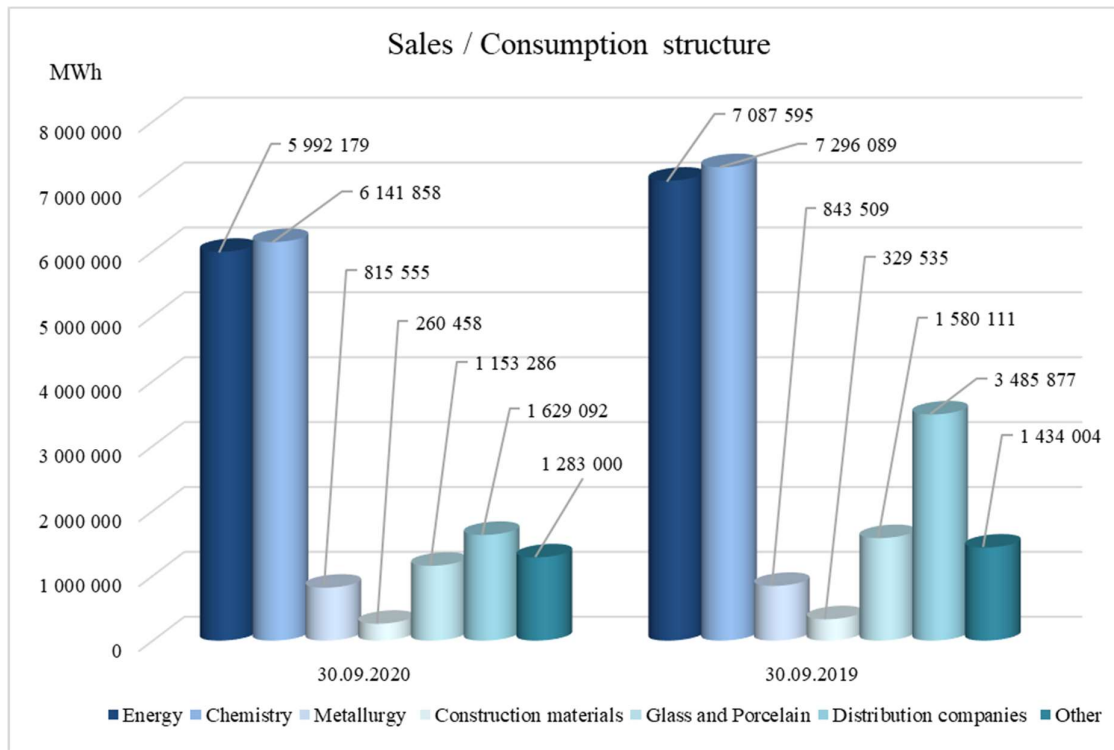
2.2. SALES / CONSUMPTION STRUCTURE

The quantities of natural gas sold by the Company's customers by main sectors of the economy as of 30.09.2020 compared to 30.09.2019 are presented in Table No. 5 below:

Table No. 5

MWh

Sector	Statement 30.09.2020	Statement 30.09.2019
Energy	5 992 179	7 087 595
Chemistry	6 141 858	7 296 089
Metallurgy	815 555	843 509
Construction materials	260 458	329 535
Glass and Porcelain	1 153 286	1 580 111
Distribution companies	1 629 092	3 485 877
Other	1 283 000	1 434 004
Total	17 275 428	22 056 720



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 30.09.2020 compared to the same period in 2019, as well as a statement of the financial position of the Company as of 30.09.2020, 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 02.06.2020, “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 30.09.2020 and as of 30.09.2019 are presented below:

In thousands BGN

Indicators	30.09.2020	30.09.2019	Change	Change (%)
Total operating income	451 069	1 054 863	(603 794)	(57.24%)
Total operating expenses	(421 261)	(1 017 559)	596 298	(58.60%)
EBITDA	29 808	37 304	(7 496)	(20.09%)
EBIT	29 447	36 984	(7 537)	(20.38%)
EBT	31 139	35 877	(4 738)	(13.21%)

In thousands BGN

Indicators	30.09.2020	31.12.2019	Change	Change (%)
Non-current fixed assets	85	88	(3)	(3.41%)
Total assets	336 543	426 723	(90 180)	(21.13%)
Current assets	322 346	405 267	(82 921)	(20.46%)
Current liabilities	16 841	136 096	(119 255)	(87.63%)
Cash	115 064	80	114 984	143 730.00%
Working capital	305 505	269 171	36 334	13.50%
Equity	268 359	239 664	28 695	11.97%
Share capital	231 698	231 698	0	0.00%
Reserves	7 396	7 404	(8)	(0.11%)
Retained earnings / (uncovered loss)	570	(33 867)	34 437	(101.68%)
Profit/loss for the period	28 695	34 429	(5 734)	(16.65%)
Number of personnel	52	54	(2)	(3.70%)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands BGN

STATEMENT OF COMPREHENSIVE INCOME	30.09.2020		30.09.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	% of the total
Revenues	451 069	100.00%	1 054 863	100.00%	(603 794)	(57.24%)
Revenues from sale of natural gas	439 874	97.52%	1 042 164	98.80%	(602 290)	(57.79%)
Adjustment due to a change in the sale price	(164 462)	(36.46%)	0	0.00%	(164 462)	-
- Sales of gas – Regulated activity	285 857	63.37%	1 042 164	98.80%	(756 307)	(72.57%)
- Sales of gas – Freely negotiated prices (Unregulated activity)	301 027	66.74%	0	0.00%	301 027	-

STATEMENT OF COMPREHENSIVE INCOME	30.09.2020		30.09.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	% of the total
- Sales of gas – Organized stock market	13 899	3.08%	0	0.00%	13 899	-
- Sales of gas – Related parties- for balancing	3 553	0.79%	0	0.00%	3 553	-
Other income	11 195	2.48%	12 699	1.20%	(1 504)	(11.84%)
- penalties for overdue receivables/ payables	7 968	1.77%	8 938	0.84%	(970)	(10.85%)
- other penalties	3 220	0.71%	3 658	0.35%	(438)	(11.97%)
- other income	7	0.00%	103	0.01%	(96)	(93.20%)
Expenses as per economic elements	(421 261)	100.00%	(1 017 559)	100.00%	596 298	(58.60%)
Cost of sold natural gas	(414 661)	98.44%	(1 010 309)	99.29%	595 648	(58.96%)
Adjustment due to a change in the sale price	137 243	(32.58%)	-	0.00%	137 243	-
- Regulated activity	(258 264)	61.31%	(1 010 309)	99.29%	752 045	(74.44%)
- Freely negotiated prices (Unregulated activity)	(276 580)	65.66%	-	0.00%	(276 580)	-
- Organized stock market	(13 498)	3.20%	-	0.00%	(13 498)	-
- Related parties – cost of natural gas for balancing	(3 562)	0.85%	-	0.00%	(3 562)	-
Accrued/(reversed) impairment	319	(0.07%)	(165)	0.01%	484	(293.33%)
- Reversed / (accrued) impairment of receivables, net	3 595	(0.85%)	(91)	0.01%	(285)	313.19%
- Reversed / (accrued) impairment on cash	(168)	0.04%	(57)	0.00%	14	(24.56%)
- Reversed / (accrued) impairment of natural gas	(3 108)	0.74%	(17)	0.00%	10	(58.82%)
Recognized (accrued) expenses for provisions	(376)	0.09%	0	0.00%	(376)	-
Cost of materials	(43)	0.01%	(35)	0.00%	22	(62.86%)
- main materials	(7)	0.00%	(4)	0.00%	(1)	25.00%
- fuels and lubricants	(15)	0.01%	(18)	0.00%	17	(94.44%)
- stationary and consumables	(13)	0.00%	(8)	0.00%	6	(75.00%)
- sanitary materials	(5)	0.00%	(3)	0.00%	(2)	66.67%
- advertising materials	(1)	0.00%	(1)	0.00%	-	0.00%
- other materials	(2)	0.00%	(1)	0.00%	(1)	100.00%
Cost of hired services	(4 345)	1.02%	(4 971)	0.50%	626	(12.59%)
- natural gas storage costs	(2 262)	0.54%	(3 235)	0.32%	973	(30.08%)
- expenses on management contracts	(65)	0.02%	(89)	0.01%	24	(26.97%)
- license fees	(915)	0.22%	(505)	0.05%	(410)	81.19%
- Balkan Gas Hub fees	(24)	0.01%	-	0.00%	(24)	-
- insurances	(82)	0.02%	(83)	0.01%	1	(1.20%)
- rents	(1)	0.00%	(10)	0.00%	9	(90.00%)
- court charges and expenditures	(344)	0.08%	(93)	0.01%	(251)	269.89%
- consulting and audit services	(310)	0.07%	(678)	0.07%	368	(54.28%)
- communications	(97)	0.02%	(80)	0.01%	(17)	21.25%
- audit committee remuneration	(66)	0.02%	(61)	0.01%	(5)	8.20%
- building maintenances	(1)	0.00%	(1)	0.00%	-	0.00%
- public utilities	(19)	0.00%	(18)	0.00%	(1)	5.56%
- subscription service	(11)	0.00%	(10)	0.00%	(1)	10.00%
- repair and technical maintenance	(16)	0.00%	(14)	0.00%	(2)	14.29%
- parking spaces and other costs for motor vehicles	(12)	0.00%	(15)	0.00%	3	(20.00%)
- visa services	(1)	0.00%	-	0.00%	(1)	-
- translation services	(13)	0.00%	(10)	0.00%	(3)	30.00%
- security	(52)	0.01%	(52)	0.01%	-	0.00%
- occupational medicine	0	0.00%	(2)	0.00%	2	(100.00%)
- publication costs	(1)	0.00%	-	0.00%	(1)	-
- EWRC's fee - price approval	(17)	0.00%	(4)	0.00%	(13)	325.00%

STATEMENT OF COMPREHENSIVE INCOME	30.09.2020		30.09.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	% of the total
- other services	(36)	0.01%	(11)	0.00%	(25)	227.27%
Remuneration and social security expenses	(2 117)	0.50%	(1 986)	0.20%	(131)	6.60%
- remuneration expenses	(1 859)	0.44%	(1 720)	0.17%	(139)	8.08%
- social security expenses	(258)	0.06%	(266)	0.03%	8	(3.01%)
Other expenses	(38)	0.01%	(93)	0.00%	55	(59.14%)
- penalties for late payments	29	(0.01%)	(22)	0.00%	51	(231.82%)
- business trips and representation expenses	(33)	0.01%	(39)	0.00%	6	(15.38%)
- training	(1)	0.00%	(3)	0.00%	2	(66.67%)
- one-off taxes	(7)	0.00%	(8)	0.00%	1	(12.50%)
- membership in organizations	(1)	0.00%	(3)	0.00%	2	(66.67%)
- donations	(24)	0.01%	(10)	0.00%	(14)	140.00%
- other	(1)	0.00%	(8)	0.00%	7	(87.50%)
Profit before interest, taxes, depreciation/amortization)	29 808		37 304		(7 496)	(20.09%)
Depreciation/ amortization expenses	(361)	0.09%	(320)	0.03%	(41)	12.81%
Profit/ (loss) from operating activity	29 447		36 984		(7 537)	(20.38%)
Financial income/(costs)-net	1 692		(1 107)		2 799	252.85%
Financial income	947	100.00%	2 350	100.00%	(1 403)	(59.70%)
- interest income on long-term receivables	947	100.00%	2 350	100.00%	(1 403)	(59.70%)
Financial expenses	(756)	100.00%	(498)	100.00%	(258)	51.81%
- interest expenses on trade payables to related parties	0	0.00%	(63)	12.65%	63	(100.00%)
- interest expenses on loans to banks	(20)	2.65%	(19)	3.82%	(1)	5.26%
- bank loans interests liabilities	(20)	2.65%	0	0.00%	-	-
- interest expenses overdue tax liabilities	0	0.00%	(52)	10.44%	44	(84.62%)
- other interest expense	(8)	1.06%	(16)	3.21%	8	(50.00%)
- expenses on bank guarantees	(383)	50.65%	(126)	25.30%	(257)	203.97%
- bank charges	(325)	42.99%	(222)	44.58%	(103)	46.40%
Other financial income/ costs – foreign exchange rate differences	1 501	100.00%	(2 959)	100.00%	4 460	(150.73%)
Foreign exchange gain/ loss	1 501	100.00%	(2 959)	100.00%	4 460	(150.73%)
Profit/loss before tax	31 139		35 877		(4 738)	(13.21%)
Income tax revenue/expense	(2 444)		(65)		(2 379)	3 660.00%
Net profit/loss for the period	28 695		35 812		(7 117)	(19.87%)

REVENUE

The company sold 17 275 428 MWh of natural gas worth BGN 439 874 thousand as of 30.09.2020 (30.09.2019): 22 056 720 MWh worth BGN 1 042 164 thousand). The net result from the sale of natural gas for the reporting period amounts to BGN 25 213 thousand (30.09.2019: BGN 31 855 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 30.09.2020, they amount to BGN 421 261 thousand (30.09.2019: 1 017 559 thousand), which is a decrease of BGN 596 298 thousand, or 58.60%.

The largest relative share (98.44%) of the total costs is the cost of natural gas sold, which as of 30.09.2020 amounts to BGN 414 661 thousand (30.09.2019: BGN 1 010 309 thousand). As of 30.09.2020 compared to the same period of 2019 the cost of gas sold is 58.96% lower.

The cost of hired services for the reporting period amount to BGN 4 345 thousand (30.09.2019: BGN 4 971 thousand), which is a decrease of BGN 626 thousand or 12.59%. This is due to the decrease of costs for storage of natural gas, the costs under the contracts for management, consulting and audit services.

The other expenses as of 30.09.2020 amount to BGN 38 thousand (30.09.2019: BGN 93 thousand), which is a decrease of BGN 55 thousand or 59.14%.

The operating result is a profit of BGN 29 447 thousand as of 30.09.2020 (30.09.2019: BGN 36 984 thousand), which is a decrease of BGN 7 537 thousand or 20.38% due to mainly on the reduced consumption of natural gas.

The net result of financial income and expenses as of 30.09.2020 is positive in the amount of BGN 1 692 thousand (30.09.2019: negative BGN 1 107 thousand).

After reflecting the financial revenues and expenditures as of 30.09.2020, the financial result before taxes is profit in the amount of BGN 31 139 thousand (30.09.2019: BGN 35 877 thousand), which is a decrease of BGN 4 738 thousand or 13.21%.

STATEMENT OF FINANCIAL POSITION

As of 30.09.2020 the assets of the Company amount to BGN 336 543 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

	As of 30.09.2020		As of 31.12.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	%
Assets						
Non-current assets						
Plant and equipment	85	0.60%	88	0.41%	(3)	(3.41%)
Intangible assets	378	2.66%	548	2.55%	(170)	(31.02%)
Trade and other receivables	0	0.00%	7 046	32.84%	(7 046)	(100.00%)
- trade receivables from sale of natural gas	0	0.00%	7 046	32.84%	(7 046)	(100.00%)
Deferred tax assets	13 734	96.74%	13 774	64.20%	(40)	(0.29%)
Total non-current assets	14 197	100.00%	21 456	100.00%	(7 259)	(33.83%)
Current assets						
Inventories	49 710	15.42%	106 201	26.21%	(56 492)	(53.19%)
- natural gas	49 690	15.41%	106 179	26.20%	(56 489)	(53.20%)
- materials	19	0.01%	22	0.01%	(3)	(13.64%)
Trade and other receivables	157 572	48.88%	298 986	73.77%	(141 413)	(47.30%)
- trade receivables from natural gas sales	124 515	38.62%	183 381	45.24%	(58 866)	(32.10%)
- court and awarded receivables	516	0.16%	2 586	0.64%	(2 070)	(80.05%)
- prepaid advances for supply of natural gas	22 396	6.95%	104 285	25.73%	(81 889)	(78.52%)
- prepaid advances for delivery of tangible fixed assets	1	0.00%	-	0.00%	1	-
- VAT receivables due to adjusted prices	498	0.15%	-	0.00%	498	-
- receivables from related parties (natural gas, deposits and guarantees)	9 082	2.82%	476	0.12%	8 606	1 807.98%
- other receivables	564	0.18%	8 258	2.04%	(7 693)	(93.16%)
Cash and cash equivalents	115 064	35.70%	80	0.02%	114 984	143 730.00%
Total current assets	322 346	100.00%	405 267	100.00%	(82 921)	(20.46%)
Total assets	336 543		426 723		(90 180)	(21.13%)

NON-CURRENT ASSETS

The non-current assets as of 30.09.2020 amount to BGN 14 197 thousand (31.12.2019: BGN 21 456 thousand), which is a decrease of BGN 7 259 thousand or 33.83%. Non-current assets during the reporting period are formed by non-current tangible and intangible fixed assets in the amount of BGN 463 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 30.09.2020 amount to BGN 322 346 thousand (31.12.2019: BGN 405 267 thousand), which is a decrease of BGN 82 921 thousand or 20.46%, as a result of reduction of inventories, receivables for natural gas, prepaid advances for the supply of natural gas.

Inventories as of 30.09.2020 amount to BGN 49 710 thousand (31.12.2019: BGN 106 201 thousand), which is a decrease of BGN 56 491 thousand, or 53.19%.

Trade and other receivables as of 30.09.2020 amount to BGN 157 573 thousand (31.12.2019: BGN 298 986 thousand), which is a decrease of BGN 141 413 thousand, or 47.30%.

The prepaid advance for the supply of natural gas as of 30.09.2020 amounts to BGN 22 396 thousand (31.12.2019: BGN 104 285 thousand), which is a decrease of BGN 81 889 thousand, or 78.52%.

The largest gross trade receivables as of 30.09.2020 are from the following companies:

In thousands BGN

Counterparty	Receivables on deferred payment agreements	Overdue trade receivables	Total
“Toplofikatsia Sofia” EAD	-	111 743	111 743
“Toplofikatsia Pleven” EAD	8 119	-	8 119
“Gimel Greenhouses” AD	-	895	895
“Atanasov Group” EOOD	-	655	655
“Gimel Greenhouses 2” EOOD	-	249	249
Other	-	356	356
Total	8 119	113 898	122 017

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 115 064 thousand (as of 31.12.2019: BGN 80 thousand), which is an increase of BGN 114 984 thousand.

CHANGES IN THE STRUCTURE OF EQUITY AND LIABILITIES

In thousands BGN

	30.09.2020		31.12.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	% of the total
Equity and liabilities						
Equity						
Share capital	231 698	86.34%	231 698	96.67%	-	0.00%
Reserves, of which:	7 396	2.76%	7 404	3.09%	(8)	(0.11%)
Statutory reserves	7 367	2.75%	7 366	3.07%	1	0.01%
Other reserves	29	0.01%	38	0.02%	(9)	(23.68%)
Retained earnings /(accumulated loss)	570	0.21%	(33 867)	(14.13%)	34 437	101.68%
Profit/ loss for the current period	28 695	10.69%	34 429	14.37%	(5 734)	(16.65%)
Total equity	268 359	100%	239 664	100%	28 695	11.97%
Liabilities						
Non-current liabilities						
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	62	0.12%	62	0.12%	0	0.00%

	30.09.2020		31.12.2019		Change	
	thousands BGN	% of the total	thousands BGN	% of the total	thousands BGN	% of the total
Total non-current liabilities	51 343	100%	50 963	100%	380	0.75%
Current liabilities						
Loans	0	0.00%	52 386	38.49%	(52 386)	(100.00%)
- Payables on received bank loans	0	0.00%	52 386	38.49%	(52 386)	(100.00%)
Trade and other payables	14 290	84.86%	82 475	60.61%	(68 185)	(82.67%)
- Trade payables	4 675	27.76%	35 940	26.42%	(31 265)	(86.99%)
- Payables to related parties	1 413	8.39%	3 159	2.32%	(1 746)	(55.27%)
- Received advances from clients for sale of natural gas	613	3.64%	17 654	12.97%	(17 041)	(96.53%)
- VAT payable	6 145	36.49%	24 048	17.67%	(17 903)	(74.45%)
- Excise duty payable	493	2.93%	1 211	0.89%	(718)	(59.29%)
- Payables to personnel	74	0.44%	134	0.10%	(60)	(44.78%)
- Payables to social security companies	60	0.36%	82	0.06%	(22)	(26.83%)
-other payables	817	4.85%	247	0.18%	570	230.77%
Lease payable – rent agreement	66	0.39%	249	0.18%	(183)	(73.49%)
Corporate income tax payable	2 404	14.27%	875	0.64%	1 529	174.74%
Liabilities for retirement employee benefits	81	0.48%	111	0.08%	(30)	(27.03%)
Total current liabilities	16 841	100.00%	136 096	100.00%	(119 255)	(87.63%)
Total liabilities	68 184		187 059		(118 875)	(63.55%)
Total equity and liabilities	336 543		426 723		(90 180)	(21.13%)

SHARE CAPITAL STRUCTURE

The registered share capital as of 30.09.2020 amounts to BGN 231 698 thousand and is unchanged compared to the previous reporting period.

As of 30.09.2020, the retained earnings amounted to BGN 29 265 thousand (31.12.2019: accumulated profit of BGN 562 thousand). The change is BGN 28 703 thousand.

NON-CURRENT LIABILITIES

The non-current liabilities of the Company as of 30.09.2020 amount to BGN 51 343 thousand (31.12.2019: BGN 50 963 thousand), which is an increase of BGN 380 thousand or 0.75%, formed from a lease payable, provision for a litigation liability related to *Case COMP/B1/AT.39849 - BEH gas* and compensation for retirement.

CURRENT LIABILITIES

As of 30.09.2020, the current liabilities of the Company amount to BGN 16 841 thousand (31.12.2019: BGN 136 096 thousand), which is a decrease of BGN 119 255 thousand, or 87.63%.

As of 30.09.2020, the Company has not utilized any loans.

As of 30.09.2020, the Company has VAT liabilities to the National Revenue Agency to the amount of BGN 6 145 thousand (31.12.2019: BGN 24 048 thousand), which is a decrease of BGN 17 903 thousand (74.45%).

STATEMENT OF CASH FLOWS

The table provides data of changes in cash flows for 30.09.2020, compared to 30.09.2019:

In thousands BGN

	30.09.2020	30.09.2019	Change	
	thousands BGN	thousands BGN	thousands BGN	%
Net cash flows from operating activity	167 318	(42 299)	209 617	495.56%
Net cash flows from investing activity	739	2 037	(1 298)	(63.72%)
Net cash flows from financing activity	(52 905)	(86)	(52 819)	(61 417.44%)
Net change in cash and cash equivalents during the period	115 152	(40 348)	155 500	385.40%
Cash and cash equivalents at the beginning of the period	80	(3 587)	3 667	102.23%
Impairment of cash in accordance with IFRS 9	(168)	(57)	(111)	(194.74%)
Cash and cash equivalents at the end of the period	115 064	(43 992)	159 056	361.56%

The net cash flow from operating activities of the Company as of 30.09.2020 is positive in the amount of BGN 167 318 thousand (30.09.2019: positive in the amount of BGN 42 299 thousand) - there is an increase of BGN 209 617 thousand, or 495.56%, 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.

The net cash flows from investing activities are positive, amounting to BGN 739 thousand, which is a decrease of BGN 1 298 thousand compared to 30.09.2019. The decrease is mainly due to interest received on deferred trade receivables.

The net cash flows from financial activities as of 30.09.2020 are negative, amounting to BGN 52 905 thousand (30.09.2019 - negative amounting to BGN 86 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 30.09.2020.

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 30.09.2020, the financial ratios show the financial stability of the Company, as they are optimal compared to the market levels.

PROFITABILITY

Indicators	30.09.2020	31.12.2019
Return on sales	6.52%	3.30%
Return on equity	10.69%	8.50%
Return on assets	8.53%	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 30.09.2020, the return of sales is 6.52% (as of 31.12.2019: 3.30%).

RETURN ON EQUITY

This indicator reveals the equity profitability level. As of 30.09.2020 the return on equity ratio was 10.69% (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 8.53% (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	30.09.2020	31.12.2019
Current liquidity ratio	19.14	2.98
Quick liquidity ratio	16.19	2.20
Immediate liquidity ratio	6.83	0.00

The current liquidity ratio as of 30.09.2020 is 19.14, indicating that current assets can cover approx. 19 times the current liabilities of the Company (31.12.2019: 2.98).

The quick liquidity ratio is 16.19, which shows that the available current assets reduced by inventories can cover almost 16 times the current liabilities of the Company.

FINANCIAL INDEPENDENCE

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

Indicators	30.09.2020	31.12.2019
Financial autonomy ratio	3.94	1.28
Indebtedness ratio	0.25	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 30.09.2020 the indicator for financial autonomy ratio was 3.94 (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 30.09.2020 this indicator was 0.25 (31.12.2019: 0.78).

The information presented and analyzed in the Activity Report of “Bulgargaz” EAD as of 30.09.2020 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: 19.10.2020

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2016/679

Stanimir Kostov

Head of Financial Accountability and
Methodology Department

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Nikolay Pavlov

Executive Director

BULGARGAZ EAD

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

(All amounts are in thousands BGN)

	NOTE	AS AT 30 SEPTEMBER 2020	AS AT 31 DECEMBER 2019
ASSETS			
Non-current assets			
Plant and equipment	7	85	88
Intangible assets	8	378	548
Long-term trade receivables	10	-	7 046
Deferred tax assets	12	13 734	13 774
		14 197	21 456
Current assets			
Inventories	9	49 710	106 201
Trade and other receivables	10	157 572	298 986
Cash and cash equivalents	11	115 064	80
		322 346	405 267
TOTAL ASSETS		336 543	426 723
EQUITY AND LIABILITIES			
Equity			
Share capital	13	231 698	231 698
Reserves	14	7 396	7 404
Retained earnings /(accumulated) loss		29 265	562
		268 359	239 664
Non-current liabilities			
Lease payable	15	69	64
Liabilities for retirement employee benefits		62	62
Provisions	19	51 212	50 837
		51 343	50 963
Current liabilities			
Borrowings		-	52 386
Trade and other payables	15	14 290	82 475
Lease payable	15	66	249
Profit tax liabilities		2 404	875
Liabilities for retirement employee benefits		81	111
		16 841	136 096
TOTAL LIABILITIES		68 184	187 059
TOTAL EQUITY AND LIABILITIES		336 543	426 723

The interim condensed financial statements were approved by the Board of Directors on 26 October 2020.

Compiled on: 19 October 2020

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Head of Accounting Department

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Executive Director

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 SEPTEMBER 2020**

(All amounts are in thousands BGN)

	NOTE	9-MONTH PERIOD ENDED ON 30 SEPTEMBER	
		2020	2019 Recalculated
Revenues from sale of natural gas		439 874	1 042 164
Cost of natural gas as sold		(414 661)	(1 010 309)
Accrued/ reversed impairment loss on financial assets	17	3 428	(148)
Accrued impairment loss on non-financial assets	17	(3 108)	(17)
Cost of hired services		(4 345)	(4 971)
Employee benefits and social security expenses		(2 117)	(1 986)
Cost of materials		(44)	(35)
Depreciation/amortization expenses	7, 8	(361)	(320)
Other revenues		11 195	12 699
Provision costs		(376)	-
Other expenses		(38)	(93)
Operating activity profit/(loss)		29 447	36 984
Financial income		947	2 350
Financial costs		(756)	(499)
Other financial income/(costs) – net		1 501	(2 959)
Financial income/(costs) – net		1 692	(1 108)
Profit/(loss) before tax		31 139	35 876
Income tax expense	18	(2 444)	(2 866)*
Net profit/(loss) for the period		28 695	33 010
Total comprehensive income/(loss) for the period		28 695	33 010

* 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 26 October 2020.

Compiled on: 19 October 2020

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BULGARGAZ EAD**CONDENSED STATEMENT OF CHANGES IN EQUITY
30 SEPTEMBER 2020***(All amounts are in thousands BGN)*

	Share capital	Reserves	Retained earnings / Accumulated loss	Total
AS AT 1 JANUARY 2020	231 698	7 404	562	239 664
Comprehensive income				
Profit for the period	-	-	28 695	28 695
Total comprehensive income	-	-	28 695	28 695
Transfer of revaluation reserve of non-financial assets to retained earnings	-	(8)	8	-
AS AT 30 SEPTEMBER 2020	231 698	7 396	29 265	268 359
AS AT 1 JANUARY 2019	231 698	7 412	(33 867)	205 243
Comprehensive income				
Profit for the period	-	-	33 010*	33 010
Total comprehensive income	-	-	33 010	33 010
AS AT 30 SEPTEMBER 2019	231 698	7 412	(857)*	238 253

* 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 26 October 2020.

Compiled on: 19 October 2020

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2016/679

Nikolay Pavlov

Executive Director

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

BULGARGAZ EAD**CONDENSED STATEMENT OF CASH FLOWS
30 SEPTEMBER 2020***(All amounts are in thousands BGN)*

	NOTE	9-MONTH PERIOD ENDED ON 30 SEPTEMBER	
		2020	2019
CASH FLOWS FROM OPERATING ACTIVITY			
Proceeds from clients		616 883	1 307 742
Payments to suppliers		(340 423)	(1 108 983)
Payments to personnel and social security institutions		(2 435)	(2 118)
Income tax payments		(875)	(220)
Taxes paid, different from corporate income tax		(104 880)	(236 143)
Profit/(loss) of exchange rate revaluation of cash and cash equivalents, net		(826)	(2 660)
Other proceeds/(payments), net		(126)	83
Net cash flows from operating activity		167 318	(42 299)
CASH FLOWS FROM INVESTING ACTIVITY			
Payments for plant and equipment		(21)	(26)
Payments for intangible assets		(187)	(286)
Interest received on deferred trade receivables		947	2 349
Net cash flow from investing activity		739	2 037
CASH FLOWS FROM FINANCING ACTIVITY			
Payments of principal under a lease agreement		(185)	-
Payments of interest under a lease agreement		(8)	-
Receipts and payments on overdraft, net		(52 372)	44 009
Receipts and payments of granted loans		-	(4)
Payments of interest and commissions under granted loans		(340)	(19)
Payments of interest under deferred trade payables		-	(63)
Net cash flow from financing activity		(52 905)	43 923
Net increase/(decrease) of cash and cash equivalents during the period		115 152	3 661
Cash and cash equivalents at the beginning of the period		80	(3 587)
Impairment under IFRS 9		(168)	(58)
Cash and cash equivalents at the end of the period	11	115 064	16

The interim condensed financial statements were approved by the Board of Directors on 26 October 2020.

Compiled on: 19 October 2020

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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2020

(All amounts are in thousands BGN, unless otherwise stated)

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 for the purposes of its storage in 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 analyzes the opportunities for providing alternative sources and routes for natural gas supply.

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 generate any reporting 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 26 October 2020.

2. BASIS OF PREPARATION

The current condensed interim financial statements for the 9-month period ended 30 September 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 the comparative information for year 2019).

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

For the period ending 30 September 2020, the Company reported a profit after tax in the amount of BGN 28 695 thousand, a positive cash flow from operating activities in the amount of BGN 167 318 thousand and a net increase in cash and cash equivalents for the period in the amount of BGN 115 152 thousand.

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As of 30 September 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 principle of functioning enterprise.

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 was 17 275 428 MWh (first nine months of 2019: 22 056 720 MWh).

BULGARGAZ EAD**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****30 SEPTEMBER 2020***(All amounts are in thousands BGN, unless otherwise stated)*

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.

7. PLANT AND EQUIPMENT

	Plant and equipment	Vehicles	Office equipment	Total
AS AT 1 JANUARY 2020				
Gross carrying amount	91	468	334	893
Depreciation	(57)	(444)	(304)	(805)
Carrying amount	34	24	30	88
9-MONTH PERIOD TO 30 SEPTEMBER 2020				
Additions	10	-	18	28
Disposals	(12)	-	(23)	(35)
Written-off depreciation	12	-	23	35
Depreciation	(5)	(10)	(16)	(31)
Ending carrying amount	39	14	32	85
AS AT 30 SEPTEMBER 2020				
Gross carrying amount	89	468	329	886
Depreciation	(50)	(454)	(297)	(801)
Carrying amount	39	14	32	85
AS AT 1 JANUARY 2019				
Gross carrying amount	91	468	304	863
Depreciation	(52)	(429)	(282)	(763)
Carrying amount	39	39	22	100
9-MONTH PERIOD TO 30 SEPTEMBER 2019				
Additions	-	-	25	25
Depreciation	(4)	(11)	(16)	(31)
Ending carrying amount	35	28	31	94
AS AT 30 SEPTEMBER 2019				
Gross carrying amount	91	468	329	888
Depreciation	(56)	(440)	(298)	(794)
Carrying amount	35	28	31	94

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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(All amounts are in thousands BGN, unless otherwise stated)

8. INTANGIBLE ASSETS

	Licenses	Software	Right to use assets, IFRS 16	Total
AS AT 1 JANUARY 2020				
Gross carrying amount	41	1 159	546	1 746
Amortization	(10)	(945)	(243)	(1 198)
Carrying amount	31	214	303	548
9-MONTH PERIOD TO 30 SEPTEMBER 2020				
Additions	-	160	-	160
Disposals	-	(2)	-	(2)
Amortization	(3)	(145)	(182)	(330)
Written-off amortization	-	2	-	2
Ending carrying amount	28	229	121	378
AS AT 30 SEPTEMBER 2020				
Gross carrying amount	41	1 319	546	1 904
Amortization	(13)	(1 090)	(425)	(1 526)
Carrying amount	28	229	121	378

	Licenses	Software	Right to use assets, IFRS 16	Total
AS AT 1 JANUARY 2019				
Gross carrying amount	40	887	-	927
Amortization	(7)	(803)	-	(810)
Carrying amount	33	84	-	117
9-MONTH PERIOD TO 30 SEPTEMBER 2019				
Additions	1	272	-	273
Right to use assets, IFRS 16	-	-	546	546
Amortization	(3)	(104)	(182)	(289)
Ending carrying amount	31	252	364	647
AS AT 30 SEPTEMBER 2019				
Gross carrying amount	41	1 159	546	1 746
Amortization	(10)	(907)	(182)	(1 099)
Carrying amount	31	252	364	647

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

9. INVENTORIES

	AS AT 30 SEPTEMBER 2020	AS AT 31 DECEMBER 2019
Natural gas at cost	52 799	106 179
Impairment to net realizable value	(3 108)	-
Natural gas, net realizable value	49 691	106 179
Materials	19	22
Total inventories	49 710	106 201

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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The assessed losses from depreciation are presented as such in the profit or loss condensed statement and the other comprehensive income. The restoration of loss from depreciation of inventories is reported as a correction of the prime cost of the natural gas sold during the period. The main external source used as evidence for the presence of indications for depreciation is the EWRC decision No. II-37/01.10.2020. As at the date of the financial statement of financial position – 30.09.2020, the Company has analyzed the circumstances that would result in the presence of any indications for depreciation of the natural gas value. Based on this assessment, it has been established that the net realizable value of the natural gas is higher than its balance value and therefore no loss from depreciation was realized for the third quarter of 2020.

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

10. TRADE AND OTHER RECEIVABLES

	AS AT 30 SEPTEMBER 2020	AS AT 31 DECEMBER 2019
Trade receivables	126 085	218 104
Accumulated impairment of trade receivables	(1 570)	(7 165)
Trade receivables, net	124 515	210 939
Court and awarded receivables	203 775	202 335
Accumulated impairment of court and awarded receivables	(203 258)	(201 809)
Court and awarded receivables, net	517	526
Receivable from Corporate Commercial Bank AD - insolvent	4 064	4 503
Accumulated impairment of receivable from Corporate Commercial Bank AD-insolvent	(4 064)	(4 503)
Receivable from Corporate Commercial Bank AD-insolvent, net	-	-
Prepaid advances for natural gas delivery	22 397	80 263
Receivables from related parties (Note 20)	9 081	10 728
Other receivables - prepaid expenses, guarantees and deposits	1 062	3 576
Total trade and other receivables	157 572	306 032
Less current portion: trade receivables	-	7 046
Current trade and other receivables	157 572	298 986

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

	AS AT 30 SEPTEMBER 2020	AS AT 31 DECEMBER 2019
At the beginning of period	213 477	214 108
Accrued losses from impairment of receivables	2 399	6 928
Written-off uncollectible receivables	(1 023)	(3)
Reversals of impairment losses	(5 522)	(7 348)
Reversals of impairment losses of Corporate Commercial Bank AD-insolvent	(440)	(208)
At the end of period	208 891	213 477

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

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(All amounts are in thousands BGN, unless otherwise stated)

The assessment of losses from depreciation and the recovery of assessed ones are presented as such in the condensed profit or loss statement and other comprehensive income (Note 17).

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 are no expectations 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. 3BH66-8, 3BH66-39 of 28.12.2015 of the syndics of CCB AD (insolvent), entered in the Commercial Register, the amount of the recognized 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.

On 09.07.2020, a new partial account was registered in the Trade Register for allocation of available amounts among the creditors of Corporate Commercial Bank AD-insolvent, and in September 2020, the amount allocated for BGN 440 thousand was reimbursed to “Bulgargaz” EAD.

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 SEPTEMBER 2020	AS AT 31 DECEMBER 2019
Cash on hand	12	4
Cash in current bank accounts	115 220	76
Accumulated impairment of cash	(168)	-
Total cash and cash equivalents in the statement of financial position	115 064	80

In connection with a claim filed by a third party against a counterparty of the Company, a lien was imposed on the receivables of the counterparty from the Company in the amount of BGN 50 thousand (31.12.2019: BGN 50 thousand).

BULGARGAZ EAD**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****30 SEPTEMBER 2020***(All amounts are in thousands BGN, unless otherwise stated)*

Pursuant to a concluded bank loan agreement, in connection with the issuance of a bank guarantee in favor of a natural gas supplier, the Company has provided a cash deposit as collateral under the loan agreement. The collateral has the character of a contingent liability.

RECONCILIATION OF INITIAL AND FINAL BALANCES IN THE CONDENSED STATEMENT OF FINANCIAL POSITION AS OF 30 SEPTEMBER 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 September
			Acquired (increases)	Other changes	
Short-term bank loans	52 372	(52 372)	-	-	-
Lease payables	313	(193)		15	135
Interests under granted loans	14	(34)	-	20	-
Commissions under granted loans	-	(306)	-	(204)	(102)
Total liabilities of financial activities:	52 699	(52 905)	-	239	33

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:

	9-MONTH PERIOD TO 30 SEPTEMBER	
	2020	2019
AS AT 1 JANUARY	13 774	13 814
Reported as (expense)/ income in the condensed statement of profit or loss and other comprehensive income (Note 18)	(40)	57
AS AT 30 SEPTEMBER	13 734	13 871

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 SEPTEMBER 2020

(All amounts are in thousands BGN, unless otherwise stated)

The total movement of deferred tax assets and liabilities during the period by elements is as follows:

DEFERRED TAX ASSETS	Impairment of inventories	Impairment of trade and other receivables	Pension provisions	Unused paid leaves	Plant and Equipment	Lease, IFRS 16	Total
AS AT 1 JANUARY 2020	-	(13 744)	(17)	(16)	-	(1)	(13 778)
Expense (income) in profit or loss	(311)	351	-	-	-	-	40
AS AT 30 SEPTEMBER 2020	(311)	(13 393)	(17)	(16)	-	(1)	(13 738)
DEFERRED TAX LIABILITIES							
AS AT 1 JANUARY 2020	-	-	-	-	4	-	4
AS AT 30 SEPTEMBER 2020	-	-	-	-	4	-	4
DEFERRED TAX ASSETS, NET	(311)	(13 393)	(17)	(16)	4	(1)	(13 734)
DEFERRED TAX ASSETS							
	Impairment of inventories	Impairment of trade and other receivables	Pension provisions	Unused paid leaves	Plant and Equipment		Total
AS AT 1 JANUARY 2019	-	(13 786)	(15)	(16)	-		(13 817)
Expense (income) in profit or loss	(2)	(55)	-	-	-		(57)
AS AT 30 SEPTEMBER 2019	(2)	(13 841)	(15)	(16)	-		(13 874)
DEFERRED TAX LIABILITIES							
AS AT 1 JANUARY 2019	-	-	-	-	-	3	3
Expense (income) in profit or loss	-	-	-	-	-	-	-
AS AT 30 SEPTEMBER 2019	-	-	-	-	-	3	3
DEFERRED TAX ASSETS, NET	(2)	(13 841)	(15)	(16)	3		(13 871)

BULGARGAZ EAD**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS****30 SEPTEMBER 2020***(All amounts are in thousands BGN, unless otherwise stated)***13. SHARE CAPITAL**

	9-MONTH PERIOD TO 30 SEPTEMBER 2020	
	Number of shares	Amount
At the beginning of period	231 698 584	231 698
At the end of the period	231 698 584	231 698

14. RESERVES

	9-MONTH PERIOD TO 30 SEPTEMBER 2020			
	Statutory reserves	Revaluation reserves of non-financial assets	Reserve of revaluations of defined benefit plans	Total
At the beginning of period	7 367	53	(16)	7 404
Reserves from revaluation of property, plant and equipment	-	(8)	-	(8)
At the end of the period	7 367	45	(16)	7 396

	9-MONTH PERIOD TO 30 SEPTEMBER 2019			
	Statutory reserves	Revaluation reserves of non-financial assets	Reserve of revaluations of defined benefit plans	Total
At the beginning of period	7 367	53	(8)	7 412
At the end of the period	7 367	53	(8)	7 412

15. TRADE AND OTHER PAYABLES

	AS AT 30 SEPTEMBER 2020	AS AT 31 DECEMBER 2019
	Related party payables (Note 20)	1 413
VAT payable	6 145	24 048
Advances received from clients for sale of natural gas	610	17 654
Trade payables	4 678	35 940
Excise duty	493	1 211
Payables to employees	74	134
Liabilities to social security institutions	60	82
Other liabilities	817	247
Total trade and other payables	14 290	82 475
Current trade and other payables	14 290	82 475

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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 30.09.2020, the amount of the lease payables is BGN 135 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 September 2020 treated as unusual items.

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

	9-MONTH PERIOD TO 30 SEPTEMBER	
	2020	2019
Accrued and reversed impairment losses on trade and other receivables (Note 10)	(3 156)	298
Accrued impairment loss on inventories (Note 9)	3 108	17
Reversed losses from impairment of receivables from Corporate Commercial Bank (insolvent) (Note 10)	(440)	(208)
Accrued and reversed impairment losses on cash in Banks	168	58
Total loss on asset impairment	(320)	165

18. INCOME TAX EXPENSE

	9-MONTH PERIOD TO 30 SEPTEMBER	
	2020	2019
		Recalculated
Current corporate tax expenses	(2 404)	(2 923)*
Effect of change in deferred taxes (Note 12)	(40)	57
Income Tax Expense	(2 444)	(2 866)*

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 17.12.2018, 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 18.03.2019, 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

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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 30.09.2020, 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 Asset

“Bulgargaz” EAD initiated the International Arbitration Case No. 78/2019 of the International Commercial Arbitration Tribunal of the Romanian Chamber of Commerce and Industry, against “Transgaz” National Gas Company SA, Romania. “Bulgargaz” EAD expects a positive outcome of the case and a full refund.

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. 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.

20. RELATED PARTY TRANSACTIONS

The Company discloses the following related parties:

Entity	Country of incorporation	Main objects
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Sole shareholder of the Company exercising control (Parent company)

“Bulgarian Energy Holding” EAD (BEH)

Sole shareholder of the Parent company

The Bulgarian State through the Minister of Energy

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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2020

(All amounts are in thousands BGN, unless otherwise stated)

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
<i>Jointly controlled entities</i>		
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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2020

(All amounts are in thousands BGN, unless otherwise stated)

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

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

	9-MONTH PERIOD TO 30 SEPTEMBER	
	2020	2019
Companies under common control		
"Bulgartransgaz" EAD	2 807	5 253
Total	2 807	5 253

Sales include natural gas sold for balancing.

(B) PURCHASE OF GOODS AND SERVICES

	9-MONTH PERIOD TO 30 SEPTEMBER	
	2020	2019
Parent company		
"Bulgarian Energy Holding" EAD	447	358
Companies under common control		
"Bulgartransgaz" EAD	39 988	61 803
"Bulgartel" EAD	5	5
"Balkan Gas Hub" EAD	24	-
Total	40 464	62 166

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2020

(All amounts are in thousands BGN, unless otherwise stated)

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

	9-MONTH PERIOD TO 30 SEPTEMBER	
	2020	2019
Companies under common control		
“Bulgartransgaz” EAD	-	85
Total	-	85

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

(D) RECEIVABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 30 SEPTEMBER 2020	AS AT 31 DECEMBER 2019
Companies under common control		
Bulgartransgaz EAD	9 081	10 728
Total	9 081	10 728

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

(E) PAYABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 30 SEPTEMBER 2020	AS AT 31 DECEMBER 2019
Parent company		
“Bulgarian Energy Holding” EAD	12	32
Companies under common control		
“Bulgartransgaz” EAD	1 400	3 126
“Bulgartel” EAD	1	1
Total current	1 413	3 159
Total	1 413	3 159

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

30 SEPTEMBER 2020

(All amounts are in thousands BGN, unless otherwise stated)

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 11.05.2012, 15.03.2013, and 01.04.2015. As at the signing date of the agreement until the date of final payment of the debt – 30.06.2019.

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

21. ERROR CORECTION

As of the date of issue of the interim condensed financial statements as of 30 September 2019, the Company has not correctly calculated the income tax expenses for the six-month period ending on 30.09.2019.

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 30 September 2019 is presented in the following table:

Effect on:	<u>(thousand BGN)</u>
Uncovered loss as of 30.06.2019	1 944
Adjustment of tax expenses	(2 801)
Uncovered loss, recalculated as of 30.06.2019	<u>(857)</u>

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.

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 30 SEPTEMBER 2020

(All amounts are in thousands BGN, unless otherwise stated)

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 September 2020, except for the following:

With a decision of the Energy and Water Regulatory Commission, a limit price of natural gas for October 2020 has been approved, according to which the Public Supplier sells to the final suppliers of natural gas and to the persons to whom a license for production and transmission of heat has been issued energy, amounting to BGN 24.72 MWh without excise duty and VAT.

24. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements as at 30 September 2020 (including comparative information) were approved and endorsed by the Board of Directors on 26 October 2020.