

BULGARGAZ EAD

**INTERIM MANAGEMENT REPORT
INTERIM CONDENSED FINANCIAL STATEMENTS**

30 SEPTEMBER 2019

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This Company Management Report as of 30 September 2019 presents financial statements' comments and analysis and other important information as regards to the financial position and results of Bulgargaz EAD's activity, comprising the period 1 January 2019 – 30 September 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 100(н), Paragraph 7, item 2 of the Public Offering of Securities Act.

I. COMPANY OVERVIEW

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

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

Bulgargaz EAD carries out its activities as regards to public supply of natural gas for the territory of the Republic of Bulgaria, in compliance with License No JI-214-14/29.11.2006, issued by the State Energy and Water Regulatory Commission (SEWRC), for a period of 35 years. With an Amendment Act to the Energy Act (amended, State Gazette, 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 in 231 698 584 ordinary, registered, non-preferred shares, with a face value of BGN 1 and voting right. The entire amount of the capital of the Company is subscribed and fully paid in by the sole owner of the capital Bulgarian Energy Holding EAD. In BEH EAD the state holds 100% of the registered capital 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 referred to the competence of the General Meeting;
- Board of Directors (BoD).

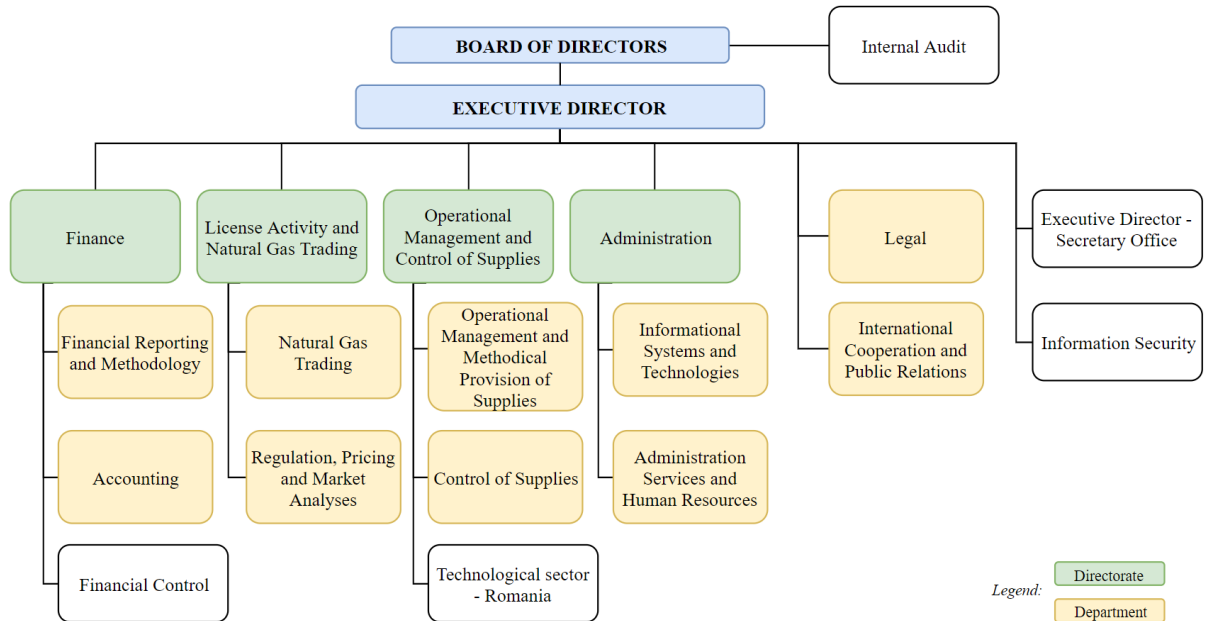
On 22 May 2017 an entry was made in the Commercial Register in accordance with the decision of the Board of Directors of Bulgarian Energy Holding EAD for the election of a new Executive Director. As of that date, the composition of the Board of Directors is the following:

| | |
|------------------------|--|
| Botyo Tomov Velinov | Chairman of the BoD; |
| Iliyan Kirilov Dukov | Member of the BoD; |
| Nikolay Angelov Pavlov | Member of the BoD and Executive Director |

On 1 September 2018 an entry was made in the Commercial Register in accordance with a decision of the Board of Directors of Bulgarian Energy Holding EAD to elect a new member of the Board of Directors. As of the said date, as well as of 30.09.2019, the composition of the Board of Directors is the following:

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

BULGARGAZ EAD'S ORGANISATIONAL STRUCTURE



COMPANY'S MANAGEMENT RESPONSIBILITY

The management confirms that in the preparation of the financial statements as of 30.09.2019, adequate accounting policies were applied and they were prepared on the going concern basis.

Management is responsible for the proper keeping of accounting records, for the proper management of assets and for taking the necessary measures to avoid and detect possible fraud and other irregularities.

INFORMATION ABOUT BOD REMUNERATION UNDER MANAGEMENT AND CONTROL CONTRACTS

As of 30.09.2019 and 30.09.2018 the members of the Board of Directors received the following remuneration:

BGN thousands

| | 30.09.2019 | 30.09.2018 |
|--------------------------|------------|------------|
| BoD remunerations | 132 | 134 |
| Social security expenses | 13 | 14 |
| Total: | 145 | 148 |

INFORMATION ABOUT COMPANY SHARES' ACQUISITION AND OWNERSHIP BY BOD MEMBERS

The members of the Board of Directors do not hold shares in the Company. They do not have any privileges or exclusive rights to acquire shares and bonds of the Company. All shares are the property of Bulgarian Energy Holding EAD.

Following is information about 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):

Botyo Tomov Velinov – Member of the BoD from 03.10.2013 to 01.09.2018; Chairman of BoD from 12.12.2013 to 01.09.2018:

- Does not participate as an unlimited liability partner in trade companies;
- Owns more than 25% of the equity of Svargaz OOD, Everfresh EOOD, Friyagas OOD;
- Participates in the management of Everfresh EOOD and Friyagas OOD as a Manager.

Petyo Angelov Ivanov – Chairman of the Board of Directors, Member of the Board of Directors 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;
- Participates in the management of South Stream Bulgaria AD;
- Participated in the management of Contour Global Operations Bulgaria AD as a member of the Board of Directors until 30.09.2019.

Iliyan Kirilov Dukov – 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 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.

INFORMATION ABOUT CONTRACTS UNDER ARTICLE 2406 OF THE COMMERCIAL ACT CONCLUDED DURING THE NINE-MONTH PERIOD OF 2019.

As of 30.09.2019, the Board of Directors or other related persons did not conclude contracts under Art.240B of the Commercial Law on behalf of the Company which go beyond its normal activity or substantially deviate from market conditions.

II. COMPANY ACTIVITY RESULTS AS OF 30.09.2019

As of 30.09.2019 Bulgargaz EAD has been operating as it has been, complying with all regulations. The result of the Company's activity is profit after taxation in the amount of BGN 35 811 thousand (as of September 30, 2018: profit in the amount of BGN 17 123 thousand).

As of 31 December 2018, the registered share capital of Bulgargaz EAD amounted to BGN 231 698 thousand, which exceeds the net assets of the Company as of that date by BGN 26 455 thousand, which is thus in the hypothesis of Art. 252, paragraph 1, item 5 of the Commercial Act.

For 2018, the Company reports a net loss of BGN 31 978 thousand as a result of accrued provision for a fine in Case COMP/B1/AT.39849 - BEH gas, amounting to BGN 50 244 thousand, based on of the Decision of the European Commission of 17.12.2018. The Company recognized expense for provision amounting to 1/3 (one third) of the amount of the fine imposed on BEH EAD, Bulgargaz EAD and Bulgartransgaz EAD, with a total amount of EUR 77 068 thousand. The Decision of the European Commission sets out **alleged violations on the part of BEH EAD, Bulgargaz EAD and Bulgartransgaz EAD for the reporting periods from 2010 to 2014.**

Prior to accrual of the provision for the fine, as of December 31, 2018, Bulgargaz EAD had an operating profit of BGN 25 421 thousand and a pre-tax profit of BGN 20 296 thousand.

Since the beginning of 2019, the management of Bulgargaz EAD has taken actions to bring the activity of the Company in compliance with Article 252 of the Commercial Act. As a result, the net profit as of 30.09.2019 in the amount of BGN 35 811 thousand covers the difference of BGN 26 455 thousand formed as of 31.12.2018 between the value of the subscribed shareholder's capital and the net assets of the Company.

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, Natural Gas Trading Rules and Natural Gas Price Regulation Ordinance.

Natural gas public supply is regulated by EWRC. The prices at which Bulgargaz EAD buys natural gas are market prices and the prices at which the Company sells natural gas are regulated. Bulgargaz EAD does not have a branch network and does not carry out research and development activity.

1. QUANTITATIVE INDICATORS IMPLEMENTATION

Delivered and sold natural gas volumes

Natural gas deliveries that meet the needs of the Company's clients are secured through long-term contracts, mainly with Gazprom Export LLC.

During the review period of 2019, Bulgargaz EAD concluded alternative gas supply contracts.

In February 2019, as a result of a financially economically advantageous commercial offer from Dexia Bulgaria OOD, Bulgargaz EAD concluded a contract for the alternative natural gas supply at a virtual trading point of the national gas transmission network and a contract for supply at GMS Dolni Dabnik for a total 16 901 MWh. Quantities were supplied in Q2 2019.

In March 2019 Bulgargaz EAD conducted an open tender procedure for the supply of natural gas for the second quarter of 2019 with a view to pumping and storage at UGS Chiren. As a result of the tender, in April 2019, a contract was concluded with the first-ranked bidder in the tender – DEPA – for the supply of 1 532 000 MWh of natural gas at a virtual trading point of the national gas transmission network. The assessment was based on the most economically advantageous price criterion.

In April and May 2019, as a result of the two economically advantageous commercial offers from the Kolmar Group for the sale of imported natural gas, Bulgargaz EAD concluded contracts for the supply of 1 459 220 MWh of liquefied natural gas at a virtual trading point of the national gas transmission network for the second and third quarters of 2019. The deliveries for the second quarter of 2019 are 959 220 MWh, and in the third quarter of 2019 there were delivered 500 000 MWh.

In June 2019, as a result of a financially and economically advantageous commercial offer for the supply of natural gas, Bulgargaz EAD concluded a contract with Dexia Bulgaria OOD for the supply in the third quarter of 2019 of 144 000 MWh of liquefied natural gas at a virtual trading point of the national gas transmission network.

The transmission of natural gas through the territory of Romania is carried out by Transgaz S.A. Medias - Romania.

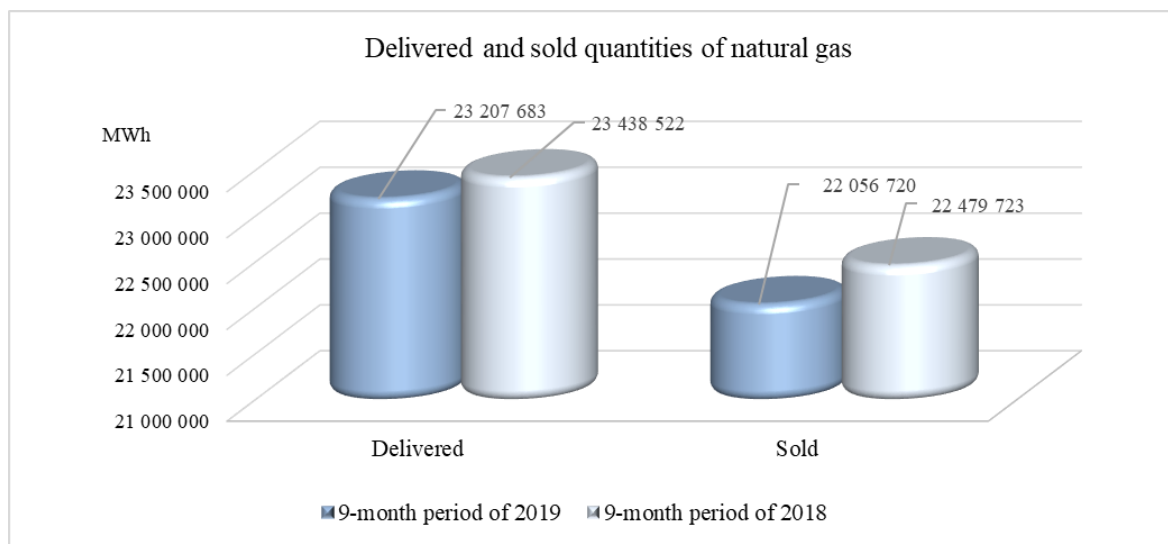
The transmission of natural gas through the territory of the Republic of Bulgaria is carried out by the combined operator Bulgartransgaz EAD.

In order to carry the transmission through the territory of Romania and Bulgaria, Bulgargaz EAD participates in auctions for the purchase of capacity through the RBP platform.

The natural gas volumes delivered and sold as of 30.09.2019 compared to 30.09.2018, are presented in the following Table 1:

Table No. 1:

| Type of delivery | Unit | 30.09.2019 | 30.09.2018 | Volume change | % change |
|------------------|------|------------|------------|---------------|----------|
| Delivered | MWh | 23 207 683 | 23 438 522 | (230 839) | (0.98%) |
| Sold | MWh | 22 056 720 | 22 479 723 | (423 003) | (1.88%) |



During the reporting period a total of 23 207 683 MWh (30.09.2018: 23 438 522 MWh) were delivered, which is a decrease of 230 839MWh or 0.98%.

The quantities of natural gas sold as of 30.09.2019 are 22 056 720 MWh (30.09.2018: 22 479 723 MWh), which is a decrease of 423 003 MWh or 1.88%. The decrease is mainly due to the consumption of customers in the industrial sector.

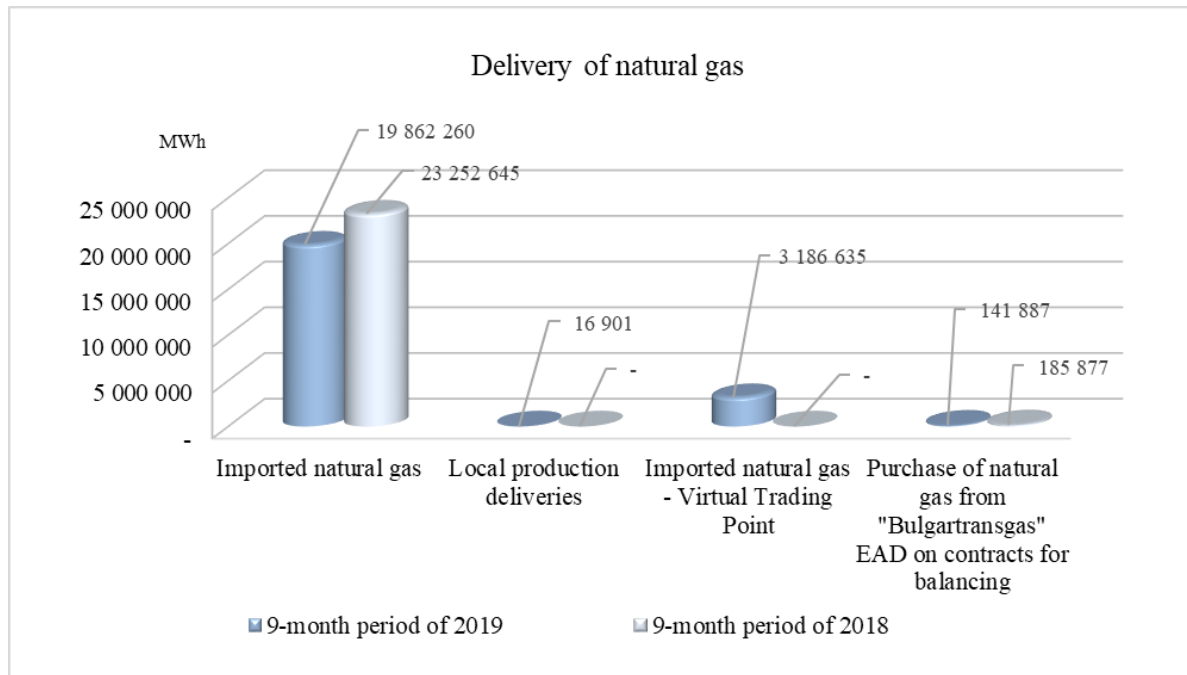
1.1. DELIVERED NATURAL GAS VOLUMES

The delivered natural gas volumes as of 30.09.2019 compared to 30.09.2018 are presented in Table 2.

Table No. 2:

MWh

| No | Type of delivery | 30.09.2019 | 30.09.2018 | Relative Share | | % Change |
|----|--|-------------------|-------------------|----------------|----------------|----------------|
| | | | | 30.09.2019 | 30.09.2018 | |
| 1 | Imported natural gas | 19 862 260 | 23 252 645 | 85.58% | 99.21% | (14.58%) |
| 2 | Local production deliveries | 16 901 | - | 0.07% | 0.00% | - |
| 3 | Delivered Natural gas – virtual trading point | 3 186 635 | - | 13.74% | 0.00% | - |
| 4 | Purchase of natural gas from Bulgartransgaz EAD on contracts for balancing | 141 887 | 185 877 | 0.61% | 0.79% | (23.67%) |
| | Total: | 23 207 683 | 23 438 522 | 100.00% | 100.00% | (0.98%) |



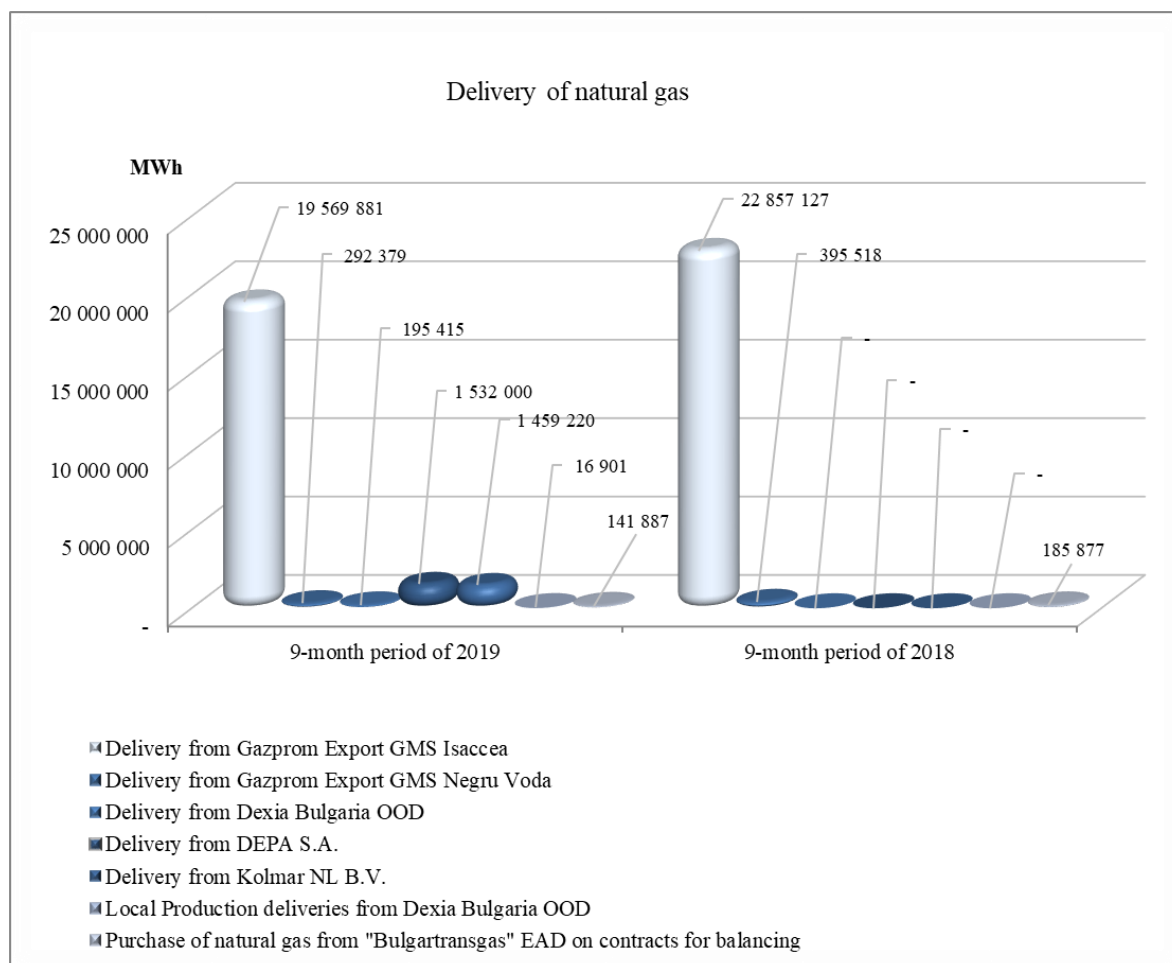
To ensure the needs of natural gas to its customers, as of 30.09.2019, Bulgargaz EAD delivered 19 862 260 MWh of imported natural gas, which is 85.58% of the total delivery, 16 901 MWh representing local deliveries, 3 186 635 MWh purchase of natural gas at a virtual trading point of the national gas transmission network, as well as from Bulgartransgaz EAD under contracts for balancing of the system amounting to 141 887 MWh.

Delivered natural gas volumes, allocated by sources, are indicated in Table 3 below.

Table No. 3

MWh

| № | Type of delivery | 30.09.2019 | 30.09.2018 | Relative share | | % Change |
|----------|---|-------------------|-------------------|----------------|----------------|-----------------|
| | | | | 30.09.2019 | 30.09.2018 | |
| 1 | Imported natural gas | 19 862 260 | 23 252 645 | 85.59% | 99.21% | (14.58%) |
| 1.1. | Gazprom Export: | 19 862 260 | 23 252 645 | 85.59% | 99.21% | (14.58%) |
| 1.1.1 | GMS Issaccea | 19 569 881 | 22 857 127 | 84.33% | 97.52% | (14.38%) |
| 1.1.2 | GMS Negru Voda | 292 379 | 395 518 | 1.26% | 1.69% | (26.08%) |
| 2 | Local production delivery | 16 901 | - | 0.07% | 0.00% | 100% |
| 2.1. | Dexia Bulgaria OOD | 16 901 | - | 0.07% | 0.00% | 100% |
| 3 | Delivered Natural gas – virtual trading point | 3 186 635 | - | 13.73% | 0.00% | 100% |
| 3.1. | Dexia Bulgaria OOD | 195 415 | - | 0.84% | 0.00% | 100% |
| 3.2. | DEPA S.A. | 1 532 000 | - | 6.60% | 0.00% | 100% |
| 3.3. | KOLMAR NL B.V. | 1 459 220 | - | 6.29% | 0.00% | 100% |
| 4 | Purchase of natural gas by Bulgartransgaz EAD on contracts for balancing | 141 887 | 185 877 | 0.61% | 0.79% | (23.67%) |
| | Total | 23 207 683 | 23 438 522 | 100.00% | 100.00% | (0.98%) |



1.2 NATURAL GAS PRODUCTION AND INJECTION

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

Natural gas volumes produced in UGS Chiren as of 30.09.2019 and as of 30.09.2018 are represented in Table No. 4.

Table No. 4:

MWh

| Period | 30.09.2019 | | | 30.09.2018 | | Change in production | | Change in injection | |
|--------------|------------------|-----------------------------------|------------------|------------------|------------------|----------------------|--------------|---------------------|--------------|
| | Production | Difference from conversion in MWh | Injection | Production | Injection | | | | |
| January | 978 927 | - | - | 955 710 | - | 23 217 | 2.43% | - | - |
| February | 810 785 | - | - | 764 090 | - | 46 695 | 6.11% | - | - |
| March | 446 427 | (88) | - | 510 190 | - | (63 763) | (12.50%) | - | - |
| April | - | - | 194 779 | - | 263 225 | - | - | (68 446) | (26%) |
| May | - | - | 787 316 | - | 547 508 | - | - | 239 808 | 43.80% |
| June | - | - | 832 257 | - | 875 899 | - | - | (43 642) | (4.98%) |
| July | - | - | 839 961 | - | 574 344 | - | - | 265 617 | 46.25% |
| August | - | - | 545 607 | - | 567 666 | - | - | (22 059) | (3.89)% |
| September | - | - | 249 453 | - | 452 279 | - | - | (202 826) | (44.85)% |
| Total | 2 236 139 | (88) | 3 449 373 | 2 229 990 | 3 280 921 | 6 149 | 0.28% | 168 452 | 5.13% |

Natural gas production as of 30.09.2019 is 2 236 139 MWh, which is an increase of 6 149 MWh (0.28%) compared to 30.09.2018: 2 229 990 MWh due to the contemplated in the Bulgargaz EAD's program increased quantity for production in the first quarter of 2019.

The injected natural gas volumes as of 30.09.2019 are 3 449 373 MWh, which is more by 168 452 MWh (5.13%), compared to 30.09.2018 when they were 3 280 921 MWh. The increase in injected quantities in 2019 is due to Bulgargaz EAD's higher injection volumes at UGS Chiren, in order to minimize the risk of sanctions being paid to the main supplier for exceeding the maximum daily allowances in the winter of 2019/2020.

2. NATURAL GAS SALES

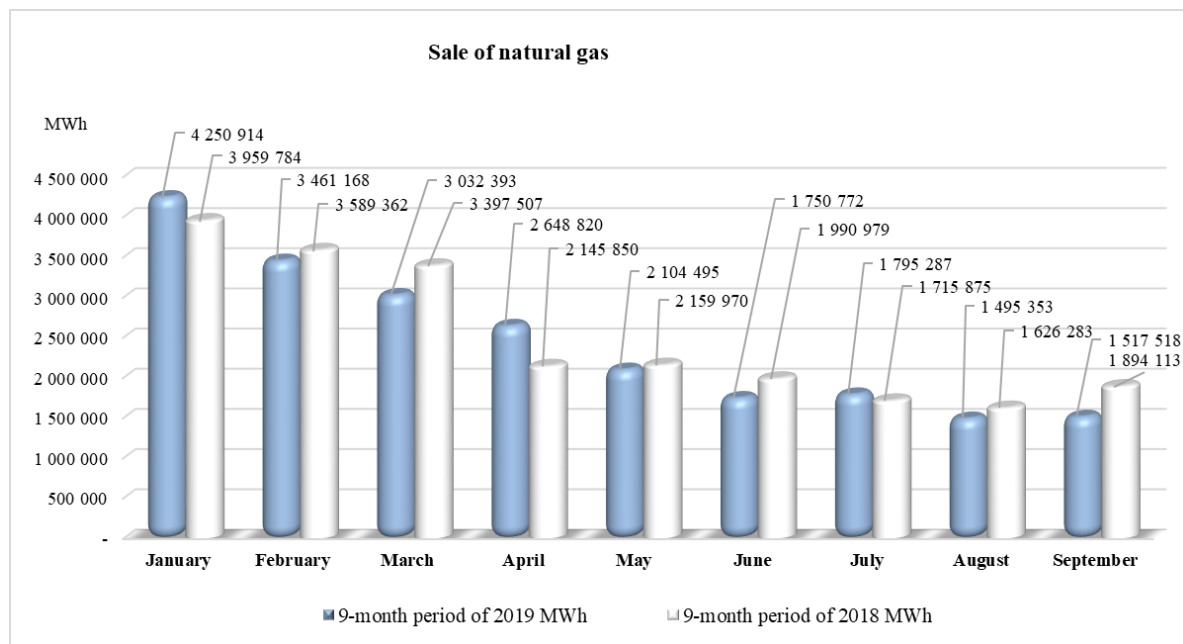
2.1. GENERAL CONSUMPTION

Bulgargaz EAD's ensures reliable supply of natural gas to its customers, in accordance with the quantity and quality contractual requirements. As of 30.09.2019, 22 056 720 MWh of natural gas were sold, which is a decrease of 423 004 MWh or 1.88%, compared to the quantities sold as of 30.09.2018 - 22 479 723 MWh.

Sales per months to the total sold volumes for the period are represented in Table No. 5.

Table No. 5:

| Reporting period | 30.09.2019 | | 30.09.2018 | | Change | |
|------------------|-------------------|----------------|-------------------|----------------|-------------------|----------------|
| | MWh | Share in % | MWh | Share in % | MWh | % |
| January | 4 250 914 | 19.27% | 3 959 784 | 17.61% | 291 130 | 7.35% |
| February | 3 461 168 | 15.69% | 3 589 362 | 15.97% | (128 194) | (3.57%) |
| March | 3 032 393 | 13.75% | 3 397 507 | 15.11% | (365 114) | (10.75%) |
| April | 2 648 820 | 12.01% | 2 145 850 | 9.55% | 502 970 | 23.44% |
| May | 2 104 495 | 9.54% | 2 159 970 | 9.61% | (55 475) | (2.57%) |
| June | 1 750 772 | 7.94% | 1 990 979 | 8.86% | (240 207) | (12.06%) |
| July | 1 795 287 | 8.14% | 1 715 875 | 7.63% | 79 412 | 4.63% |
| August | 1 495 353 | 6.78% | 1 626 283 | 7.23% | (130 930) | (8.05%) |
| September | 1 517 518 | 6.88% | 1 894 113 | 8.43% | (376 595) | (19.88%) |
| Total | 22 056 720 | 100.00% | 22 479 723 | 100.00% | (423 003) | (1.88%) |



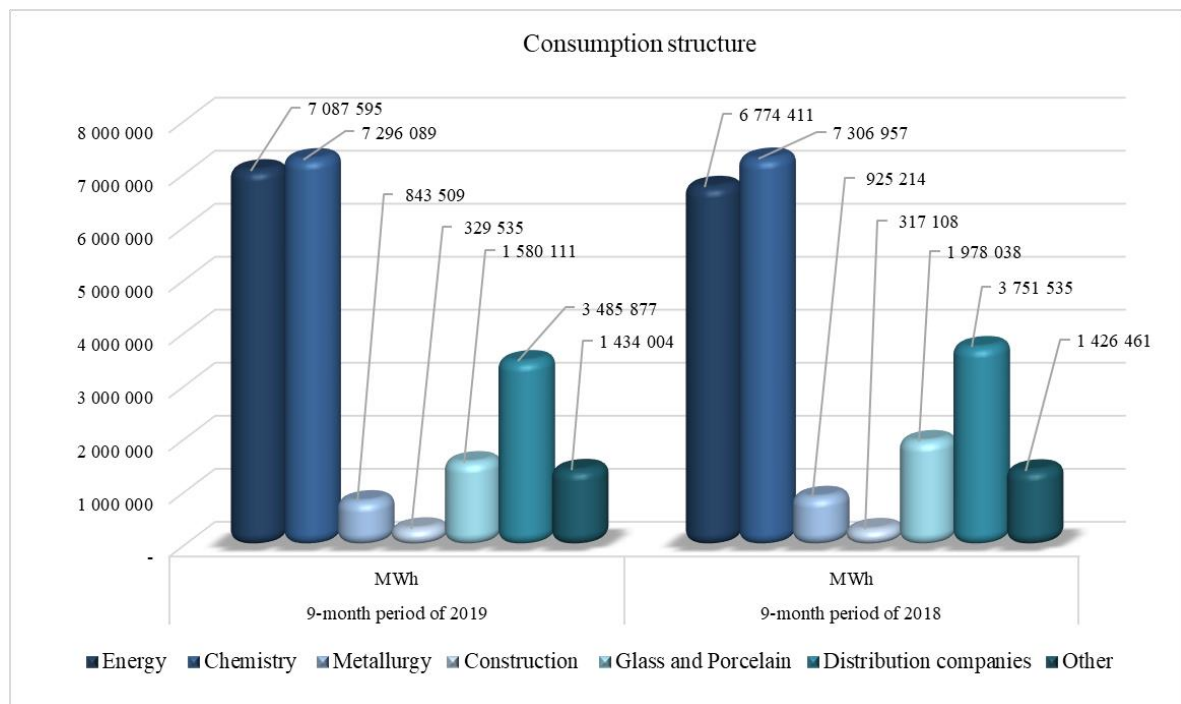
2.2. CONSUMPTION STRUCTURE

A comparison of the natural gas sales by main economic sectors as of 30.09.2019 and 30.09.2018, allocated by main industry sectors, is presented in Table No. 6.

Table No. 6:

| Sector | 30.09.2019 | | 30.09.2018 | | Change | |
|------------------------|-------------------|----------------|-------------------|----------------|------------------|----------------|
| | MWh | % Share | MWh | % Share | MWh | % |
| Energy | 7 087 595 | 32.13% | 6 774 412 | 30.14% | 313 183 | 4.62% |
| Chemistry | 7 296 089 | 33.08% | 7 306 956 | 32.50% | (10 867) | (0.15%) |
| Metallurgy | 843 509 | 3.82% | 925 214 | 4.12% | (81 705) | (8.83%) |
| Construction | 329 535 | 1.51% | 317 108 | 1.40% | 12 427 | 3.92% |
| Glass and Porcelain | 1 580 111 | 7.16% | 1 978 038 | 8.80% | (397 927) | (20.12%) |
| Distribution companies | 3 485 877 | 15.80% | 3 751 535 | 16.69% | (265 658) | (7.08%) |
| Other | 1 434 004 | 6.50% | 1 426 460 | 6.35% | 7 544 | 0.53% |
| Total | 22 056 720 | 100.00% | 22 479 723 | 100.00% | (423 003) | (1.88%) |

As of 30.09.2019, the sales compared to the same period of 2018 decreased by 423 003 MWh or by 1.88%. This is a result of lower consumption of customers mainly from the Glass and Porcelain and Metallurgy sectors, and from the Distribution companies.



The data disclosed in Table No. 6, and illustrated in the chart above, outline the tendency in the consumption structure of natural gas, as follows:

- ✓ The major consumers of natural gas remain the companies in the field of chemical and energy industries;
- ✓ There is an increase in the consumption of natural gas in the enterprises in the fields of energy and construction;
- ✓ All other sectors mark a decrease in consumption.

III. RISK FACTORS

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

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

1. REGULATORY/ PRICE RISK

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

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

2. CURRENCY RISK

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

The main risk for Bulgargaz EAD arises out from the necessity to purchase natural gas in USD and sell it in BGN. Thus, the Company is exposed at risk of exchange rate fluctuations. The approved by EWRC marginal price 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 at 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 of 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 settle their current liabilities. As an extreme measure the Company resorts to the suspension of natural gas delivery and protecting the interests of Bulgargaz EAD 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 endeavors to provide alternative sources and routes for the supply of natural gas that will increase the geographic supply portfolio and help to increase the security and reliability of gas supply. For the nine-month period of 2019, for the first time in its history, Bulgargaz EAD purchased natural gas from imports from alternative suppliers at economically cheaper prices compared to the current long-term contract. The main import supply continues to be made from a single point of entry;
- Maintaining stable financial stability and increasing the economic efficiency of the Company's activity;
- Entering the gas market of neighboring countries.

2. OPERATIONAL OBJECTIVES:

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

In the short-run, Company's major objective is securing the Company's financial stability in a situation of market uncertainty in Bulgaria and higher inter-company indebtedness. Bulgargaz EAD is optimising its cash flow position by increasing Company's receivables collection from clients, receivables' sale to third parties, as well as funds securing in the form of loan.

V. FINANCIAL AND ECONOMIC STATUS

The financial and economic status 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 30.09.2019 compared to the same period in 2018, as well as a condensed statement of the financial position of the Company as of 30.09.2019 compared to the previous period as of 30.09.2018.

MAIN FINANCIAL INDICATORS

The main financial and economic results from the activity of the Company as of 30.09.2019 and as of 30.09.2018 are presented below:

BGN thousands

| Indicators | 30.09.2019 | 30.09.2018 | Change | Change (%) |
|----------------|---------------|---------------|---------------|---------------|
| Total revenues | 1 054 863 | 853 489 | 201 374 | 23.59% |
| Total expenses | (1 017 879) | (828 100) | (189 779) | 22.92% |
| EBITDA | 37 304 | 25 522 | 11 782 | 46.16% |
| EBIT | 36 984 | 25 389 | 11 595 | 45.67% |
| EBT | 35 876 | 21 261 | 14 615 | 68.74% |

BGN thousands

| Indicators | 30.09.2019 | 31.12.2018 | Change | Change (%) |
|------------------------------------|----------------|----------------|---------------|-----------------|
| Non-current fixed assets | 94 | 100 | (6) | (6.00%) |
| Total assets | 403 611 | 339 742 | 63 869 | 18.80% |
| Current assets | 378 233 | 325 711 | 52 522 | 16.13% |
| Current liabilities | 111 928 | 84 183 | 27 745 | 32.96% |
| Cash | 16 | 100 | (84) | (84.00%) |
| Working capital | 266 305 | 241 528 | 24 777 | 10.26% |
| Equity | 241 054 | 205 243 | 35 811 | 17.45% |
| Share capital | 231 698 | 231 698 | - | - |
| Reserves | 7 412 | 7 412 | - | - |
| Retained profit (accumulated loss) | (33 867) | (1 889) | (31 978) | 1692.85% |
| Profit/ (loss) for the period | 35 811 | (31 978) | 67 789 | 211.99% |
| Number of personnel | 54 | 54 | - | - |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

BGN thousands

| | Nine-month period 2019 | | Nine-month period 2018 | | Change | |
|---|------------------------|----------------|------------------------|----------------|------------------|-----------------|
| | BGN thousands | % of the total | BGN thousands | % of the total | BGN thousands | % of the total |
| Revenues | 1 054 863 | 100.00% | 853 489 | 100.00% | 201 374 | 23.59% |
| Revenues from sale of natural gas | 1 042 164 | 98.80% | 839 233 | 98.33% | 202 931 | 24.18% |
| Other income | 12 699 | 1.20% | 14 256 | 1.67% | (1 557) | (10.92%) |
| - penalties under overdue receivables/liabilities | 8 938 | 0.84% | 12 478 | 1.46% | (3 540) | (28.37%) |
| - sanctions for 105% volume | 1 904 | 0.18% | 1 140 | 0.13% | 764 | 67.02% |
| - penalties for volumes not taken under Art.7.4 and 7.5 | 1 754 | 0.17% | 585 | 0.07% | 1 169 | 199.83% |
| - income from unregulated activity | 0 | 0.00% | 51 | 0.01% | (51) | (100.00%) |
| - other income | 103 | 0.01% | 2 | 0.00% | 101 | 5050% |
| Expenses as per economic elements | (1 017 879) | 100.00% | (828 100) | 100.00% | (189 779) | 22.92% |
| Cost of sold natural gas | (1 010 309) | 99.26% | (830 894) | 100.34% | (179 415) | 21.59% |
| Recovered/ (accrued) impairment | (165) | 0.02% | 9 501 | (1.15%) | (9 666) | (101.74%) |
| Recovered/ (accrued) impairment of receivables, net | (90) | 0.01% | 9 501 | (1.15%) | (9 591) | (100.96%) |
| Recovered/ (accrued) impairment of cash | (58) | 0.01% | - | 0.00% | (58) | - |
| Recovered/ (accrued) impairment of natural gas | (17) | 0.00% | - | 0.00% | (17) | - |
| Costs of materials | (35) | 0.00% | (50) | 0.01% | 15 | (30.00%) |
| - fuel gas | 0 | 0.00% | (14) | 0.00% | 14 | (100.00%) |
| - main materials | (4) | 0.00% | (3) | 0.00% | (1) | 33.33% |
| - fuels and lubricants | (18) | 0.00% | (16) | 0.00% | (2) | 12.50% |
| - stationary and consumables | (8) | 0.00% | (8) | 0.00% | - | 0.00% |
| - sanitary materials | (3) | 0.00% | (4) | 0.00% | 1 | (25.00%) |
| - advertising materials | (1) | 0.00% | 0 | 0.00% | (1) | - |
| - other materials | (1) | 0.00% | (5) | 0.00% | 4 | (80.00%) |
| Hired services costs | (4 971) | 0.48% | (4 442) | 0.54% | (529) | 11.91% |
| - natural gas storage costs | (3 235) | 0.32% | (2 900) | 0.35% | (335) | 11.55% |
| - expenses on management contracts | (89) | 0.01% | (73) | 0.01% | (16) | 21.92% |
| - license fees | (505) | 0.05% | (438) | 0.05% | (67) | 15.30% |
| - insurances | (83) | 0.01% | (78) | 0.01% | (5) | 6.41% |
| - rents | (10) | 0.00% | (191) | 0.02% | 181 | (94.76%) |
| - court charges and expenditures | (714) | 0.07% | (471) | 0.06% | (243) | 51.59% |
| - communications | (80) | 0.01% | (69) | 0.01% | (11) | 15.94% |
| - audit committee remuneration | (61) | 0.01% | (56) | 0.01% | (5) | 8.93% |
| - consulting and audit services | (57) | 0.00% | (43) | 0.01% | (14) | 32.56% |
| - repair and technical maintenance | (14) | 0.00% | (10) | 0.00% | (4) | 40.00% |
| - building maintenance | (1) | 0.00% | (3) | 0.00% | 2 | (66.67%) |
| - public utilities | (18) | 0.00% | (16) | 0.00% | (2) | 12.50% |
| - subscription service | (10) | 0.00% | (18) | 0.00% | 8 | (44.44%) |
| - parking expenses | (15) | 0.00% | (15) | 0.00% | - | 0.00% |
| - translation services | (10) | 0.00% | (3) | 0.00% | (7) | 233.33% |
| - security | (52) | 0.00% | (45) | 0.01% | (7) | 15.56% |
| - labour medicine service | (2) | 0.00% | (2) | 0.00% | - | 0.00% |
| - EWRC's fee – price approval | (4) | 0.00% | (3) | 0.00% | (1) | 33.33% |
| - other charges | (11) | 0.00% | (8) | 0.00% | (3) | 37.50% |

| | Nine-month period 2019 | | Nine-month period 2018 | | Change | |
|---|---------------------------|-------------------|---------------------------|-------------------|------------------|-----------------------|
| | BGN thousands | % of the total | BGN thousands | % of the total | BGN thousands | % of the total |
| Depreciation/amortization expenses | (320) | 0.03% | (133) | 0.02% | (187) | 140.60% |
| Employee benefit expenses | (1 986) | 0.20% | (1 926) | 0.23% | (60) | 3.12% |
| - remuneration and social expenses | (1 720) | 0.17% | (1 674) | 0.20% | (46) | 2.74% |
| - social security expenses | (266) | 0.03% | (252) | 0.03% | (14) | 5.56% |
| Other expenses | (93) | 0.01% | (156) | 0.01% | 63 | (40.38%) |
| - penalties for overdue payments | (22) | 0.00% | (106) | 0.01% | 84 | (79.25%) |
| - business trips and representation expenses | (39) | 0.00% | (25) | 0.00% | (14) | 56.00% |
| - training | (3) | 0.00% | (3) | 0.00% | - | - |
| - one-off taxes | (8) | 0.00% | (10) | 0.00% | 2 | (20.00%) |
| - donations | (10) | 0.00% | (3) | 0.00% | (7) | 233.33% |
| - membership fees | (3) | 0.00% | (4) | 0.00% | 1 | (25.00%) |
| - others | (8) | 0.00% | (5) | 0.00% | (3) | 60.00% |
| Profit/ (loss) from operating activity | 36 984 | | 25 389 | | 11 595 | 45.67% |
| Net financial income / (costs) | (1 108) | | (4 128) | | 3 020 | 73.16% |
| Financial income | 2 350 | 100.00% | 13 | 100.00% | 2 337 | 17 976.92% |
| - interest income on long-term receivables | 2 350 | 100.00% | 13 | 100.00% | 2 337 | 17 976.92% |
| Financial costs | (3 458) | 100.00% | (4 141) | 100.00% | 683 | (16.49%) |
| - expenses for trade payables - related parties | (63) | (1.83%) | (521) | (12.59%) | 458 | (87.91%) |
| - interest expense on loans with banks | (19) | (0.55%) | (5) | (0.12%) | (14) | 280.00% |
| - interest expenses under repurchase agreements | 0 | 0.00% | (61) | (1.47%) | 61 | (100.00%) |
| - interest expenses on overdue tax liabilities | (52) | (1.50%) | 0 | 0.00% | (52) | - |
| - other interest expenses | (16) | (0.46%) | 0 | 0.00% | (16) | - |
| - loss from foreign exchange rate differences | (2.959) | (85.57%) | (3.484) | (84.13%) | 525 | (15.07%) |
| - bank charges | (349) | (10.09%) | (70) | (1.69%) | (279) | 398.57% |
| Profit/ (loss) before tax | 35 876 | | 21 261 | | 14 615 | 68.74% |
| Income Tax (expense)/ revenue | (65) | (0.01%) | (4 138) | (0.48%) | 4 073 | (98.43%) |
| Net profit/ (loss) for the period | 35 811 | | 17 123 | | 18 688 | 109.14% |

REVENUE

The Company sold 22 056 720 MWh of natural gas worth BGN 1 042 164 thousand as of 30.09.2019 (30.09.2018: 22 479 723 MWh worth BGN 839 233 thousand). The net result from the sale of natural gas as of 30.09.2019 amounts to BGN 31 855 thousand (30.09.2018: BGN 8 339 thousand), which is an increase of BGN 23 516 thousand.

EXPENSES

Expenses by economic elements include: cost of natural gas sold, impairment costs, material costs, hired services costs, depreciation/amortization expenses, labour remunerations expenses, social security and allowance costs, expenses for provisions, etc. As of 30.09.2019 they amount to BGN 1 017 879 thousand (30.09.2018 – recalculated at BGN 828 100 thousand), which represents an increase of BGN 189 779 thousand or 22.92%.

The largest relative share - 99.26% of the total expenses is the cost of the natural gas sold as of 30.09.2019 amounting to BGN 1 010 309 thousand (30.09.2018: BGN 830 894 thousand or 100.34 %). For the reporting period of 2019, compared to the previous one in 2018, the cost of gas sold is 21.59% higher.

As of 30.09.2019, the net amount of the accrued impairment of:

- receivables in the amount of BGN 91 thousand (30.09.2018: recovered at BGN 9 501 thousand);
- cash and cash equivalents of BGN 57 thousand (30.09.2018: no impairment has been accrued);

- natural gas of BGN 17 thousand (30.09.2018: no impairment has been accrued:).

Hired services costs as of 30.09.2019 amounted to BGN 4 971 thousand (30.09.2018: BGN 4 442 thousand), which represents an increase of BGN 529 thousand or 11.91%. This is due to the increase in court fees and expenses, as well as the cost of gas storage.

Other expenses as of 30.09.2019 amount to BGN 93 thousand (30.09.2018: BGN 156 thousand), which is a decrease of BGN 63 thousand or 40.38% compared to the previous reporting period.

The operating result is a profit in the amount of BGN 36 984 thousand as of 30.09.2019 (30.09.2018: profit of BGN 25 389 thousand), which is an increase of BGN 11 595 thousand, or 45.67%.

The net result of financial income and expenses as of 30.09.2019 is negative amounting to BGN 1 108 thousand (30.09.2018: negative BGN 4 128 thousand), which represents a decrease by BGN 3 020 thousand. For the reporting period the loss from exchange rate changes amounted to BGN 2 959 thousand (30.09.2018: loss of BGN 3 484 thousand).

During the reporting period, interest expense on trade payables to related parties amounted to BGN 63 thousand (30.09.2018 - BGN 521 thousand), which is a decrease of BGN 458 thousand due to paid trade payables.

After reflecting the financial revenues and expenditures as of 30.09.2019, the financial result before taxes is a profit of BGN 35 876 thousand (30.09.2018: profit of BGN 21 261 thousand), which represents an increase of BGN 14 615 thousand.

STATEMENT ON FINANCIAL POSITION

As of 30.09.2019 the assets of the Company amount to BGN 403 611 thousand (31.12.2018: BGN 339 742 thousand). Changes in the structure of assets for the two periods are shown in the table below:

BGN thousands

| | 30.09.2019 | | 31.12.2018 | | Change | |
|---|----------------|----------------|----------------|----------------|-----------------|-----------------|
| | BGN thousands | % of the total | BGN thousands | % of the total | BGN thousands | % of the total |
| <i>Assets</i> | | | | | | |
| Non-current assets | | | | | | |
| Plant and equipment | 94 | 0.35% | 100 | 0.71% | (6) | (6.00%) |
| Intangible assets | 647 | 2.55% | 117 | 0.84% | 530 | 452.99% |
| Trade and other receivables | 10 766 | 42.42% | - | 0.00% | 10 766 | - |
| - trade receivables from natural gas sales | 10 766 | 42.42% | - | 0.00% | 10 766 | - |
| Deferred tax assets | 13 871 | 54.66% | 13 814 | 98.45% | 57 | 0.41% |
| Total non-current assets | 25 378 | 100.00% | 14 031 | 100.00% | 11 347 | 80.87% |
| Current assets | | | | | | |
| Inventories | 156 224 | 41.31% | 90 943 | 27.93% | 65 281 | 71.78% |
| - natural gas | 156 201 | 41.30% | 90 923 | 27.92% | 65 278 | 71.79% |
| - materials | 23 | 0.01% | 20 | 0.01% | 3 | 15.00% |
| Trade and other receivables | 221 993 | 58.69% | 234 668 | 72.04% | (12 675) | (5.40%) |
| - trade receivables from natural gas sales | 114 978 | 30.40% | 143 292 | 43.99% | (28 314) | (19.76%) |
| - court and awarded receivables | 1 137 | 0.30% | - | 0.00% | 1 137 | - |
| - prepaid advances for supply of natural gas | 91 391 | 24.16% | 75 030 | 23.03% | 16 361 | 21.81% |
| - court Corporate Commercial Bank AD | - | - | 365 | 0.11% | (365) | (100.00%) |
| - receivables from related parties (natural gas, deposits and guarantees) | 6 699 | 1.77% | 11 865 | 3.64% | (5 166) | (43.54%) |
| - other receivables | 7 788 | 2.06% | 4 116 | 1.26% | 3 672 | 89.21% |
| Cash and cash equivalents | 16 | 0.00% | 100 | 0.03% | (84) | (84.00%) |
| Total current assets | 378 233 | 100.00% | 325 711 | 100.00% | 52 522 | 16.13% |
| Total assets | 403 611 | | 339 742 | | 63 869 | 18.80% |

NON-CURRENT ASSETS

Non-current assets as of 30.09.2019 amount to BGN 235 378 thousand (31.12.2018: BGN 14 031 thousand), which is an increase of BGN 11 347 thousand or 80.87%. Non-current assets during the reporting period are formed by trade receivables from the sale of natural gas in the amount of BGN 10 766 thousand, non-current tangible and intangible assets in the amount of BGN 741 thousand and deferred tax assets for BGN 13 871 thousand.

As of 1 January 2019, in accordance with IFRS 16, a one-model accounting treatment of a contract for a leased asset - office building – has been applied. A “right-of-use” asset is recognized, amounting to BGN 546 thousand, which will be amortized over the period of the contract and the lease payable under this contract reported, respectively. As of 30.09.2019, the lease payable is BGN 374 thousand, total current and non-current portion.

CURRENT ASSETS

The current assets of the Company as of 30.09.2019 amount to BGN 378 233 thousand (31.12.2018: BGN 325 711 thousand), which is an increase of BGN 52 522 thousand or 16.13% as a result of an increase in natural gas inventories, prepaid advances for the supply of natural gas and other receivables.

Inventories as of 30.09.2019 amount to BGN 156 224 thousand (31.12.2018: BGN 90 943 thousand), which is an increase of BGN 65 281 thousand or 71.78%.

Trade and other receivables as of 30.09.2019 amount to BGN 221 993 thousand (31.12.2018: BGN 234 668 thousand), which represents a decrease of BGN 12 675 thousand or 5.40% compared to 2018.

The prepaid advance for the supply of natural gas as of 30.09.2019 amounts to BGN 91 390 thousand (31.12.2018: BGN 75 030 thousand), which is an increase of BGN 16 360 thousand or 21.80%.

The largest trade receivables for delivered but unpaid natural gas as of 30 September 2019 are from the following companies:

| Counterparty | Receivables on deferred payment agreements | Receivables not fallen due | Overdue receivables | Total |
|-------------------------|--|----------------------------|---------------------|----------------|
| Toplofikacia Sofia EAD | - | - | 104 722 | 104 722 |
| Toplofikacia Pleven EAD | 24 087 | - | - | 24 087 |
| Other | 336 | 6 302 | 3 956 | 10 594 |
| Total | 24 423 | 6 302 | 108 678 | 139 403 |

Long-term receivables include receivables from clients under concluded deferred payment agreements against financial collateral provided to Bulgargaz EAD.

Not fallen due receivables are from customers who have chosen a payment method after the month of delivery against a collateral provided - a bank guarantee opened in favor of Bulgargaz EAD or another form of liquidity collateral.

The Company's cash in current accounts and cash on hand at the end of the reporting period amounted to BGN 16 thousand (31.12.2018: BGN 100 thousand), which represents a decrease of BGN 84 thousand.

CHANGES IN THE EQUITY AND LIABILITIES STRUCTURE:

BGN thousands

| | 30.09.2019 | | 31.12.2018 | | Change | |
|--|----------------|----------------|----------------|----------------|-----------------|-----------------|
| | BGN thousands | % of the total | BGN thousands | % of the total | BGN thousands | % of the total |
| Equity and liabilities | | | | | | |
| Equity | | | | | | |
| Share capital | 231 698 | 96.12% | 231 698 | 112.89% | - | - |
| Statutory reserves | 7 366 | 3.06% | 7 367 | 3.59% | (1) | (0.01%) |
| Other reserves | 46 | 0.01% | 45 | 0.02% | 1 | 2.22% |
| Retained earnings /(accumulated loss) | 1 944 | 0.81% | (33 867) | (16.50%) | 35 811 | 105.74% |
| Total equity | 241 054 | 100.00% | 205 243 | 100.00% | 35 811 | 17.45% |
| Liabilities | | | | | | |
| Non-current liabilities | | | | | | |
| Lease payables | 313 | 0.62% | - | 0.00% | 313 | - |
| Provisions | 50 244 | 99.24% | 50 244 | 99.86% | - | - |
| Liabilities for retirement employee benefits | 72 | 0.14% | 72 | 0.14% | - | - |
| Total non-current liabilities | 50 629 | 100.00% | 50 316 | 100.00% | 313 | 0.62% |
| Current liabilities | | | | | | |
| Loans | 44 009 | 39.32% | 3 687 | 4.38% | 40 322 | 1093.63% |
| - liabilities on received bank loans | 44 009 | 39.32% | 3 687 | 4.38% | 40 322 | 1093.63% |
| Lease payables, current portion | 61 | 0.05% | 0 | 0.00% | 61 | |
| Trade and other payables | 67 657 | 60.45% | 80 197 | 95.27% | (12 540) | (15.64%) |
| - Trade payables | 20 418 | 18.24% | 11 957 | 14.20% | 8 461 | 70.76% |
| - Payables to related parties | 2 900 | 2.59% | 13 469 | 16.00% | (10 569) | (78.47%) |
| - Received advances from clients for sale of natural gas | 28 240 | 25.23% | 15 113 | 17.95% | 13 127 | 86.86% |
| - VAT to be paid | 15 002 | 13.40% | 37 599 | 44.66% | (22 597) | (60.10%) |
| - Excise duty to be paid | 479 | 0.43% | 1 762 | 2.09% | (1 283) | (72.81%) |
| - Payables to personnel | 78 | 0.07% | 131 | 0.16% | (53) | (40.46%) |
| - Liabilities to social security companies | 62 | 0.06% | 74 | 0.09% | (12) | (16.22%) |
| - Other liabilities | 478 | 0.43% | 92 | 0.11% | 386 | 419.57% |
| Corporate tax payables | 122 | 0.11% | 220 | 0.26% | (98) | (44.55%) |
| Liabilities for retirement employee benefit | 79 | 0.07% | 79 | 0.09% | - | 0.00% |
| Total current liabilities | 111 928 | 100.00% | 84 183 | 100.00% | 27 745 | 32.96% |
| Total liabilities | 162 557 | | 134 499 | | 28 058 | 20.86% |
| Total equity and liabilities | 403 611 | | 339 742 | | 63 869 | 18.80% |

SHARE CAPITAL STRUCTURE

The registered share capital as of 30.09.2019 amounts to BGN 231 698 thousand and is unchanged during the reporting period.

As of 30 September 2019, the cumulative loss amounted to BGN 1 944 thousand (31.12.2018: accumulated loss of BGN 33 867 thousand). The change as of 30 September 2019 is BGN 35 811 thousand, representing the net profit for the nine-month period of 2019.

NON-CURRENT LIABILITIES

The non-current liabilities of the Company as of 30.09.2019 amount to BGN 50 629 thousand (31.12.2018: BGN 50 316 thousand), which represents an increase of BGN 313 thousand or 0.62%, formed by lease payables, provision for court payables related to *Case COMP/BI/AT.39849 - BEH gas* and retirement employee benefit.

CURRENT LIABILITIES

As of 30.09.2019, the Company's current liabilities amount to BGN 111 928 thousand (31.12.2018: BGN 84 183 thousand), which is an increase of BGN 27 745 thousand or 32.96%.

As of 30.09.2019, the Company has utilized overdraft loans in the amount of BGN 30 000 thousand from Expressbank AD and overdrafts in the amount of BGN 13 999 thousand from D Commerce Bank AD.

As of 30.09.2019, trade and other payables decreased by BGN 12 479 thousand or by 15.56% compared to 2018, due to reduced liabilities to related parties, reduced VAT liability and excise duty, as well as payables to staff. Current VAT liabilities to the NRA amount to BGN 15 002 thousand (31.12.2018: BGN 37 599 thousand).

An increase was observed in the trade payables for received advances from natural gas customers by BGN 4 885 thousand and trade payables by BGN 16 703 thousand.

STATEMENT OF CASH FLOWS

The table presents data on changes in the cash flows as of 30.09.2019 compared to 30.09.2018.

BGN thousands

| | Nine-month period of 2019 | Nine-month period of 2018 | Change | |
|--|--------------------------------------|--------------------------------------|----------------------|------------------|
| | BGN thousands | BGN thousands | BGN thousands | % |
| Net cash flows from operating activity | (42 299) | 40 468 | (82 767) | (204.52%) |
| Net cash flows from investing activity | 2 037 | (97) | 2 134 | 2200.00% |
| Net cash flows from financing activity | (86) | (29 795) | 29 709 | 99.71% |
| Net change in cash and cash equivalents during the period | (40 348) | 10 576 | (50 924) | (481.51%) |
| Cash and cash equivalents at the beginning of the period | (3 587) | 2 145 | (5 732) | (267.23%) |
| Cash and cash equivalents at the end of the period | (43 935) | 12 721 | (56 656) | (445.37%) |

The net cash flow from operating activities of the Company as of 30.09.2019 is negative and amounts to BGN 42 299 thousand (30.09.2018: positive to BGN 40 468 thousand) – there is a decrease of BGN 82 767 thousand or 204.52%. It is formed by the difference between receipts from customers for natural gas sold and payments to suppliers for purchased natural gas.

Net cash flows from investing activities increased by BGN 2 134 thousand, which is due to interest received on deferred trade receivables.

Net cash flows from financing activities are significantly lower since, as of the first nine months of 2018, Bulgargaz EAD paid dividends to BEH EAD and made payments under financing agreements.

During the reporting period Bulgargaz EAD paid taxes other than income tax in the amount of BGN 236 143 thousand (30.09.2018: BGN 174 973 thousand).

POST-REPORTING DATE EVENTS

The events described in Note 21 “Post-Reporting Date Events” in the interim condensed financial statements as of 30.09.2019.

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 30.09.2019 the financial ratios show financial stability of the Company and are optimal compared to market levels.

PROFITABILITY

| Indicators | 30.09.2019 | 30.09.2018 |
|---------------------|-------------------|-------------------|
| Sales profitability | 3.44% | 2.04% |
| Return on equity | 14.86% | 6.75% |
| Return on assets | 8.87% | 5.90% |

SALES PROFITABILITY

The sales profitability indicator is calculated as a percentage of balance sheet profit and sales revenue. It shows a net profit of BGN 100 in revenue. As of 30.09.2019, the profitability indicator is 3.44% (30.09.2018: 2.04%).

RETURN ON EQUITY

This indicator reveals the equity profitability level. As of 30.09.2018, the return on equity ratio is 14.86% (30.09.2018: 6.75%).

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 is 8.87% (for 2018: 5.90%).

LIQUIDITY

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

| Indicators | 30.09.2019 | 31.12.2018 |
|-------------------------|-------------------|-------------------|
| Current liquidity ratio | 3.38 | 3.87 |
| Quick liquidity ratio | 1.98 | 2.79 |

As at 30.09.2019 the current liquidity ratio is 3.38, therefore, the current liabilities of the Company may be covered, more than 3 times, by the available current assets (31.12.2018: 3.87).

The quick liquidity ratio is 1.98, therefore, with the available current assets, decreased by the inventories, the current liabilities of the Company can be covered approx. 2 times.

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 | 30.09.2019 | 31.12.2018 |
|--------------------------|------------|------------|
| Financial autonomy ratio | 1.48 | 1.53 |
| Indebtedness ratio | 0.67 | 0.66 |

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 30.09.2019 the indicator for financial autonomy ratio is 1.48 (31.12.2018: 1.53).

The indebtedness ratio expresses the degree of dependence of the Company on creditors. When the ratio is greater than 1 (one), the company's dependence on external sources of funds is greater. This indicator as of 30.09.2019 is 0.67 (31.12.2018: 0.66).

The information presented and analyzed in the Management Report of Bulgargaz EAD as of 30.09.2019 shows that the Company fulfils its licensing obligations as a public supplier of natural gas in the Republic of Bulgaria in full compliance with the requirements of the legal framework. The activity is directly related to the business environment, regulatory requirements and financial security. Regardless of the dynamic market conditions during the period under review, the Company reacted promptly and adequately and significantly improved its financial performance, maintaining financial stability and increasing the cost-effectiveness of its operations.

18.10.2019



Stanimir Kostov
Head of Financial Reporting and
Methodology Department



Nikolay Pavlov
Executive director



BULGARGAZ EAD
CONDENSED STATEMENT OF FINANCIAL POSITION
30 SEPTEMBER 2019

(All amounts are in thousands BGN)

| | NOTE | AS AT 30 SEPTEMBER 2019 | AS AT 31 DECEMBER 2018 |
|--|------|-------------------------------|------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Plant and equipment | 7 | 94 | 100 |
| Intangible assets | 8 | 647 | 117 |
| Long-term trade receivables | 10 | 10 766 | - |
| Deferred tax assets | 12 | 13 871 | 13 814 |
| | | 25 378 | 14 031 |
| Current assets | | | |
| Inventories | 9 | 156 224 | 90 943 |
| Trade and other receivables | 10 | 221 993 | 234 668 |
| Cash and cash equivalents | 11 | 16 | 100 |
| | | 378 233 | 325 711 |
| TOTAL ASSETS | | 403 611 | 339 742 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 13 | 231 698 | 231 698 |
| Reserves | 14 | 7 412 | 7 412 |
| Retained earnings /(accumulated) loss | | 1 944 | (33 867) |
| | | 241 054 | 205 243 |
| Non-current liabilities | | | |
| Lease payables | 15 | 313 | - |
| Liabilities for retirement employee benefits | | 72 | 72 |
| Provisions | 19 | 50 244 | 50 244 |
| | | 50 629 | 50 316 |
| Current liabilities | | | |
| Borrowings | 15 | 44 009 | 3 687 |
| Lease payables | 15 | 61 | - |
| Trade and other payables | | 67 657 | 80 197 |
| Income tax payables | | 122 | 220 |
| Liabilities for retirement employee benefits | | 79 | 79 |
| | | 111 928 | 84 183 |
| TOTAL LIABILITIES | | 162 557 | 134 499 |
| Total equity and liabilities | | 403 611 | 339 742 |

The interim condensed financial statements were approved by the Board of Directors on 18 October 2019.


Liliya Ivanova
Head of Accounting Department


Nikolay Pavlov
Executive Director



Compiled on: 14 October 2019

BULGARGAZ EAD
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
30 SEPTEMBER 2019

(All amounts are in thousands BGN)

| | NOTE | 9-MONTH PERIOD ENDED ON 30 | |
|---|------|----------------------------|-----------------------------------|
| | | 2019 | SEPTEMBER 2018 Recalculated |
| Revenues from sale of natural gas | | 1 042 164 | 839 233 |
| Cost of natural gas as sold | | (1 010 309) | (830 894) |
| Recovered/(accrued) impairment losses | 17 | (165) | 9 501 |
| Hired services expenses | | (4 971) | (4 442) |
| Employee benefits and social security expenses | | (1 986) | (1 926) |
| Cost of materials | | (35) | (50) |
| Depreciation/amortization expenses | 7, 8 | (320) | (133) |
| Other revenues | | 12 699 | 14 256 |
| Other expenses | | (93) | (156) |
| Operating activity profit/(loss) | | 36 984 | 25 389 |
| Financial income | | 2 350 | 13 |
| Financial costs | | (3 458) | (4 141) |
| Financial income/(costs) – net | | (1 108) | (4 128) |
| Profit/(loss) before tax | | 35 876 | 21 261 |
| Income tax expense | 18 | (65) | (4 138) |
| Net profit/(loss) for the period | | 35 811 | 17 123 |
| Total comprehensive income/(loss) for the period | | 35 811 | 17 123 |

The interim condensed financial statements were approved by the Board of Directors on 18 October 2019.

Liliya Ivanova
Head of Accounting Department

Nikolay Pavlov
Executive Director



Compiled on: 14 October 2019

BULGARGAZ EAD
CONDENSED STATEMENT OF CHANGES IN EQUITY
30 SEPTEMBER 2019

(All amounts are in thousands BGN)

| | NOTE | Share capital | Reserves | Retained earnings/ accumulated loss | Total |
|--|-------|----------------|--------------|--|----------------|
| AS AT 1 JANUARY 2019 | 13,14 | 231 698 | 7 412 | (33 867) | 205 243 |
| Comprehensive income | | | | | |
| Profit for the period | | - | - | 35 811 | 35 811 |
| Total comprehensive income | | - | - | 35 811 | 35 811 |
| AS AT 30 SEPTEMBER 2019 | | 231 698 | 7 412 | 1 944 | 241 054 |
| AS AT 31 DECEMBER 2017 | | | | | |
| | | 231 698 | 6 474 | 9 468 | 247 640 |
| Adjustment on initial application of IFRS 9, net of tax | | | | | |
| | | - | - | (6 150) | (6 150) |
| AS AT 1 JANUARY 2018 (Recalculated) | | 231 698 | 6 474 | 3 318 | 241 490 |
| Comprehensive income | | | | | |
| Profit for the period (recalculated) | | - | - | 17 123 | 17 123 |
| Total comprehensive income | | - | - | 17 123 | 17 123 |
| Sole Shareholder operations | | | | | |
| Reserve Fund distribution | | - | 948 | (948) | - |
| Dividend distribution | | - | - | (4 259) | (4 259) |
| Total Sole Shareholder operations | | - | 948 | (5 207) | (4 259) |
| AS AT 30 SEPTEMBER 2018 | | 231 698 | 7 422 | 15 234 | 254 354 |

The interim condensed financial statements were approved by the Board of Directors on 18 October 2019.


Liliya Ivanova
 Head of Accounting Department


Nikolay Pavlov
 Executive Director



Compiled on: 14 October 2019

BULGARGAZ EAD
CONDENSED STATEMENT OF CASH FLOWS
30 SEPTEMBER 2019

(All amounts are in thousands BGN)

| | NOTE | 9-MONTH PERIOD ENDED ON 30 | |
|---|-----------|----------------------------|-------------------|
| | | 2019 | SEPTEMBER 2018 |
| CASH FLOWS FROM OPERATING ACTIVITY | | | |
| Proceeds from clients | | 1 307 742 | 1 117 725 |
| Payments to suppliers | | (1 108 983) | (896 110) |
| Payments to personnel and social security institutions | | (2 118) | (1 936) |
| Income tax payments | | (220) | - |
| Taxes paid, different from corporate income tax | | (236 143) | (174 973) |
| Profit/(loss) of exchange rate revaluation of cash and cash equivalents | | (2 660) | (3 459) |
| Other proceeds/payments from operating activity | | 83 | (779) |
| Net cash flow from operating activity | | (42 299) | 40 468 |
| CASH FLOWS FROM INVESTING ACTIVITY | | | |
| Payments for plant and equipment | | (26) | (27) |
| Payments for intangible assets | | (286) | (70) |
| Interest received on deferred trade receivables | | 2 349 | - |
| Net cash flow from investing activity | | 2 037 | (97) |
| CASH FLOWS FROM FINANCING ACTIVITY | | | |
| Dividends paid | | - | (19 252) |
| Repaid borrowings and payments under financing agreements | | (4) | (9 924) |
| Payments of interest on loans and financing agreements | | (19) | (98) |
| Payments of interest on deferred trade payables | | (63) | (521) |
| Net cash flow from financing activity | | (86) | (29 795) |
| Net increase/(decrease) of cash and cash equivalents during the period | | (40 348) | 10 576 |
| Cash and cash equivalents at the beginning of the period, net of overdrafts | | (3 587) | 2 145 |
| Cash and cash equivalents at the end of the period | 11 | (43 935) | 12 721 |

The interim condensed financial statements were approved by the Board of Directors on 18 October 2019.

Liliya Ivanova
Head of Accounting Department

Nikolay Pavlov
Executive Director

Compiled on: 14 October 2019

BULGARGAZ EAD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

(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 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 the supply of natural gas.

The Company operates under an individual licence for public supply of natural gas on the territory of Republic of Bulgaria – licence No. JI-214-14 of 29 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 and one technological unit in the Republic of Romania.

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 were approved for publication by the Board of Directors on 18 October 2019.

2. BASIS OF PREPARATION

These condensed interim financial statements for the nine-month period ended 30 September 2019 have been prepared in accordance with IAS 34 Interim Financial Reporting. Same do not contain all the information required for the preparation of full annual financial statements under the 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 2018 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 2018.

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

For the period ending 30 September 2019, the Company reports post-tax accounting profit in the amount of BGN 35 811 thousand and negative cash flow from operating activities in the amount of BGN 42 299 thousand, while current assets exceed current liabilities by BGN 266 305 thousand.

As of 30 September 2019, the financial statements are prepared on a going concern basis, implying that the Company will continue its operations for the foreseeable future.

As disclosed in Note 1 "General information", the Company has an individual license for public supply of natural gas in the Republic of Bulgaria, issued by the State Energy and Water Regulatory

BULGARGAZ EAD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

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 condensed interim financial statements be prepared on the going concern principle.

3. ACCOUNTING POLICIES

The present condensed interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements of the Company for the year ended 31 December 2018, except for the application of the new standards, amendments to standards and interpretations that are mandatory for application for the first time from the financial year starting 1 January 2019 described below.

The Company has not made changes in its accounting policy regarding the application of all new and/or revised IFRSs effective for the current reporting period beginning on 1 January 2019, as there were no entities or operations during the period affected by changes and amendments to IFRSs. As at the date of approval for publication of these condensed interim financial statements, amendments and improvements to existing standards have been made as described in item 3.1 below.

Recalculation of comparative information

At the date of issue of these interim condensed financial statements, the Company presents restated information as of 30.06.2018.

Classifications, presentation and disclosure of comparative information in these interim condensed statements pursuant to the policies adopted by the Company effective as of January 1 2018 on and applied to the financial statements prepared at 31 December 2018.

The Board of Directors of Bulgargaz EAD has determined that the application of the requirements for impairment of IFRS 9, effective 1 January 2018 resulted in the recognition of an initial effect and impairment at 30.06.2018 as follows: :

| Effect on: | Effect on undistributed profit as of 01.01.2018 | Effect on the statement of profit and loss as of 30.06.2018 | Effect on undistributed profit as of 30.06.2018 |
|---|--|--|--|
| | (BGN thousands) | (BGN thousands) | (BGN thousands) |
| Recognition of expected credit losses under IFRS 9 from impairment of trade receivables | (6 510) | 7 820 | 1 310 |
| Recognition of expected credit losses under IFRS 9 from impairment of other receivables | (159) | (19) | (178) |
| Recognition of expected credit losses under IFRS 9 from impairment of court and awarded receivables | (160) | (81) | (241) |
| Recognition of expected credit losses under IFRS 9 from impairment of cash and cash equivalents | (4) | 3 | (1) |
| Impairment | | | |
| Deferred taxes | 683 | (772) | (89) |
| Net effect | (6 150) | 6 951 | 801 |

BULGARGAZ EAD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

The effect on the financial result as of 1 January 2018 is presented in the following table:

| Effect on: | (BGN thousands) |
|---|----------------------------|
| Retained earnings/(uncovered loss) 31.12.2017 | 9 468 |
| Additional impairment adjustment for expected credit losses | (6 833) |
| Deferred taxes | 683 |
| Retained earnings/(uncovered loss) 01.01.2018 | 3 318 |

The effect on the financial result as of 30 June 2018 is presented in the following table:

| Effect on: | (BGN thousands) |
|--|----------------------------|
| Retained earnings/(uncovered loss) 30.06.2018 | 2 428 |
| Additional impairment adjustment for expected credit losses on initial application of IFRS 9 | 7 723 |
| Deferred taxes | (772) |
| Retained earnings/(uncovered loss) recalculated as of 30.06.2018 | (9 379) |

3.1. NEW STANDARDS, AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS IN FORCE FOR THE FIRST TIME SINCE 1 JANUARY 2019

As of the date of approval for publication of these interim condensed financial statements, amendments and improvements are made to current standards issued by the IASB and adopted by the EU, which are mandatory for the first time from 1 January 2019, as follows:

IFRS 16 "Leasing" – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);

This standard has a completely changed concept and introduces significant changes in the reporting of leases, especially on the part of lessees. It introduces new principles for the recognition, measurement and presentation of leases in order to better represent these transactions. The Standard will replace the current IAS 17 "Leases", IFRIC 4 "Determining whether an arrangement contains a lease", SIC-15 "Operating leases - incentives" and SIC-27 "Assessing the content of transactions involving the legal form of a lease". The guiding principle of the new standard is the introduction of a one-size-fits-all model of lease accounting for lessees for all lease contracts with a duration of more than 12 months, recognizing a "right of use" asset that will be amortized over the term of the contract; respectively, the obligation under these contracts will be taken into account. Under IFRS 16, a contract that is or contains a lease is deemed to be a contract that confers the right to control the use of the asset for a certain period of time against consideration. IASB has included a right of option for some short-term leases and leases of underprivileged assets, and this exception can only be applied by lessees

The Company has reviewed all agreements in the light of the new IFRS 16. The standard mainly addresses the operating leases of the company as a lessee. As of the date of the interim condensed financial statements, irrevocable commitments under operating lease contracts amount to BGN 374 thousand.

Amendment to IFRS 9 "Financial Instruments" – Prepayment Features with Negative Compensation - (adopted by the EU on 22 March 2018, effective for annual periods beginning on or after 1 January 2019);

Amends the existing requirements the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

IFRIC 23 "Uncertainty Related to Income Taxes Tax Treatment" - (effective for annual periods beginning on 1 January 2019).

Guidelines are given for applying the requirements for recognizing and evaluating IAS 12 Income Taxes when there is uncertainty related to income tax treatment (i.e. uncertainty whether the entity's tax treatment will be accepted by the tax authorities in accordance with tax legislation).

BULGARGAZ EAD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

Amendment to IAS 28 "Investments in Associates and Jointly Controlled Undertakings" - Long-term investments in associates or jointly controlled undertakings. Approved by the EU on 8 March 2019, published in the Official Journal on 11 March 2019 - (effective for annual periods beginning on 1 January 2019).

An entity shall apply IFRS 9 when accounting for a long-term investment in an associate or jointly controlled undertaking that is part of the net investment in that associate or jointly controlled undertaking and to which the equity method does not apply, however.

Amendments to Different Standards Improvements to IFRS (Cycle 2015-2017) - (effective for annual periods beginning on or after 1 January 2019);

Amendments to IAS 19 Employee Benefits - Amendment, Reducing or Settlement of the Plan - (effective for annual periods beginning on or after 1 January 2019), approved by the EU on 13 March 2019, published in the Official Journal on 15 March 2019.

3.2. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BY IASB AND ENDORSED BY THE EU THAT ARE NOT EFFECTIVE AS YET

As of the date of approval for publication of these interim condensed financial statements, new standards, revised standards and interpretations have been issued but are not yet in force (and/or not adopted by the EC) for annual periods beginning on 1 January 2019, which were not accepted for earlier application by the company. Of these, the Company's management has estimated that the following could have a potential effect in the future on changes in accounting policies and the classification and values of reporting items in the financial statements for the following periods, and it is hereunder disclosed how the disclosures, the financial position and results of operations can be expected to be affected when the Company first adopts these standards.

Changes in the Financial Framework Conceptual Framework - (effective for annual periods beginning on or after 1 January 2020);

IFRS 17 Insurance Contracts - (effective for annual periods beginning on or after 1 January 2021 not adopted by EC). In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Upon its entry into force, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4), which was published in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life insurance, non-life insurance, direct insurance and reinsurance), regardless of the type of entity that issues them, and with respect to certain guarantees and financial instruments with additional, non-guaranteed income (discretionary participation). Few exceptions to the scope will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

Amendments to IFRS 3 Business Combinations - (effective for annual periods beginning on or after 1 January 2020 not adopted by EC);

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - (effective for annual periods beginning on or after 1 January 2020 not adopted by the EC).

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 preparing the presented interim condensed financial statements, the management's significant judgments in applying 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 2018.

BULGARGAZ EAD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

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

5. FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL RISK FACTORS

The Company is exposed to various types of risks with respect to its financial instruments. The most significant financial risks to which the Company is exposed are market risk, credit risk and liquidity risk.

The interim condensed financial statements do not include all the information on risk management and disclosures required in the preparation of the annual financial statements and should be read in conjunction with the annual financial statements of the Company as of 31 December 2018. 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 customers (heat and gas distribution companies) that use natural gas for heat and electricity production or directly deliver it for heating. This is why the seasons have a significant impact on the Company's activities.

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

Natural gas sales in the first nine months of 2019 are 22 056 720 MWh (first nine months of 2018: 22 479 723 MWh).

The Company uses the possibilities of the underground gas storage in the village of Chiren owned by BULGARTRANS GAS 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 FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

7. PLANT AND EQUIPMENT

| | Plant and equipment | Vehicles | Office equipment | Total |
|---|------------------------|-----------|---------------------|--------------|
| 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 ENDED 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 has been pledged as security for the Company's liabilities.

8. INTANGIBLE ASSETS

| | License | Software | Assets with right to use, 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 ENDED 30 SEPTEMBER 2019 | | | | |
| Additions | 1 | 272 | - | 273 |
| Asset with right to use, 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 security for the Company's liabilities.

9. INVENTORIES

| | AS AT 30 SEPTEMBER 2019 | AS AT 31 DECEMBER 2018 |
|------------------------------------|-------------------------------|------------------------------|
| Natural gas at cost | 156 218 | 90 923 |
| Impairment to net realizable value | (17) | - |
| Natural gas – net realisable value | 156 201 | 90 923 |
| Materials | 23 | 20 |
| Total inventories | 156 224 | 90 943 |

BULGARGAZ EAD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

The accrued impairment movement of natural gas is the following:

| | 9-MONTH PERIOD ENDED | |
|-------------------------------------|-----------------------------|-------------|
| | 30 SEPTEMBER | |
| | 2019 | 2018 |
| At the beginning of period | - | - |
| Accrued impairment losses (Note 17) | 17 | - |
| At the end of period | 17 | - |

Reversals of impairment of inventories are recognized as an adjustment to cost of natural gas sold during the period.

Accrued new impairment losses are presented in the condensed Statement of profit or loss and other comprehensive income.

The main external source used as evidence of indications of impairment was the issued Decision of EWRC No II-31/30.09.2019.

At the date of the condensed statement of financial position, the Company has analysed the circumstances that would lead to the existence of impairment in the value of natural gas. On the basis of this assessment, it has been established that the net realizable value of natural gas is higher than its carrying amount, and therefore no impairment loss for the third quarter of 2019 was realized at 30 September 2019.

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

10. TRADE AND OTHER RECEIVABLES

| | AS AT | AS AT 31 |
|--|---------------------|-----------------|
| | 30 SEPTEMBER | DECEMBER |
| | 2019 | 2018 |
| Trade receivables | 134 378 | 151 299 |
| Accumulated impairment of trade receivables | (8 634) | (8 007) |
| Trade receivables, net | 125 744 | 143 292 |
| Court and awarded receivables | 202 196 | 201 389 |
| Accumulated impairment of court and awarded receivables | (201 059) | (201 389) |
| Court and awarded receivables, net | 1 137 | - |
| Receivable from Corporate Commercial Bank AD - insolvent | 4 503 | 5 077 |
| Accumulated impairment of receivable from Corporate Commercial Bank AD-insolvent | (4 503) | (4 712) |
| Receivable from Corporate Commercial Bank AD-insolvent, net | - | 365 |
| Prepaid advances for natural gas delivery | 91 391 | 75 030 |
| Receivables from related parties (Note 20) | 6 699 | 11 865 |
| Other receivables - prepaid expenses, guarantees and deposits | 7 788 | 4 116 |
| Total trade and other receivables | 232 759 | 234 668 |
| Less non-current portion: trade receivables | 10 766 | - |
| Current trade and other receivables | 221 993 | 234 668 |

BULGARGAZ EAD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

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

| | AS AT 30 SEPTEMBER 2019 | AS AT 31 DECEMBER 2018 |
|---|-------------------------------|------------------------------|
| At the beginning of period | 214 108 | 225 415 |
| Adjustments from initial application of IFRS 9 | - | 6 828 |
| Accrued losses from impairment of receivables | 2 502 | 58 019 |
| Written-off uncollectible receivables | (3) | (48) |
| Reversals of impairment losses | (2 204) | (63 757) |
| Accrued/(reintegrated) losses on impairment of Corporate Commercial Bank AD - insolvent | (208) | - |
| | - | (12 349) |
| At the end of period | 214 195 | 214 108 |

Impairment loss and recovery is recognized in the Statement of profit or loss 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 is no expectation that the Company will be able to obtain additional payments.

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

In 2017, a statement from a partial distribution account 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 reimbursed an amount of BGN 574 thousand.

The Company has no trade and other receivables pledged as security for its liabilities.

BULGARGAZ EAD
NOTES TO THE INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2019

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

11. CASH AND CASH EQUIVALENTS

| | AS AT 30 SEPTEMBER 2019 | AS AT 31 DECEMBER 2018 |
|---|-------------------------------|------------------------------|
| Cash on hand | 5 | 22 |
| Cash in current bank accounts | 69 | 78 |
| | (58) | - |
| Accumulated impairment of cash (Note 17) | 16 | 100 |
| Cash, net | 16 | 100 |
| Total cash and cash equivalents in the statement of financial position | (44 009) | (3 687) |
| Overdrafts | (43 935) | (3 587) |

The amount of cash and cash equivalents, which was blocked by the Company as of 30 September 2019, amounts to BGN 50 thousand.

RECONCILIATION BETWEEN INITIAL AND FINAL BALANCES IN THE BREAKDOWN OF THE FINANCIAL POSITION AS OF 30 SEPTEMBER 2019 OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES

| Liabilities arising from financial activities | On 1 January | Cash flows from financial activities | | Changes on non-cash nature - dematerialized | On 30 September |
|---|--------------|--------------------------------------|----------------|---|-----------------|
| | | Receipts | Payments | Additions (increases) | |
| Short-term bank loans | 3 687 | 44 009 | (3 707) | 20 | 44 009 |
| Commercial loans related parties | - | - | (63) | 63 | - |
| Total liabilities from financial activities: | 3 687 | - | (3 770) | 83 | 44 009 |

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% (2018: 10%), applicable for the year, when they are expected to occur retroactively.

Total movement of deferred income tax can be presented as follows:

| | 9-MONTH PERIOD ENDED 30 SEPTEMBER | |
|--|--|------------------------------|
| | 2018 | 2018 Recalculated |
| AS AT 1 JANUARY | 13 814 | 14 940 |
| Recognized as (income)/expense in the condensed statement of profit or loss and other comprehensive income (Note 18) | 57 | (2 192) |
| AS AT 30 SEPTEMBER | 13 871 | 12 748 |

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The movement of deferred tax assets and liabilities during the period by elements can be presented as follows:

| 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) |

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13. SHARE CAPITAL

| | 9-MONTH PERIOD ENDED 30 SEPTEMBER 2019 | |
|---------------------------------|---|----------------|
| | 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 ENDED 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 2019 | AS AT 31 DECEMBER 2018 |
|--|--|---------------------------------------|
| Related party payables (Note 20) | 2 900 | 13 469 |
| VAT payable | 15 002 | 37 599 |
| Advances received from clients for sale of natural gas | 28 240 | 15 113 |
| Trade payables | 20 418 | 11 957 |
| Lease payables | 374 | - |
| Excise duty | 479 | 1 762 |
| Payables to employees | 78 | 131 |
| Liabilities to insurance companies | 62 | 74 |
| Other liabilities | 478 | 92 |
| Total trade and other payables | 68 031 | 80 197 |
| Less non-current portion: lease payable | 313 | - |
| Non-current trade and other payables | 313 | - |
| Current trade and other payables | 67 718 | 80 197 |

As of 1 January 2019, in accordance with IFRS 16, a one-model accounting treatment for a contract for a leased asset - office building - has been applied. A “right-of-use” asset is recognized, amounting to BGN 545 thousand, which will be amortized over the period of the contract and, respectively, the lease liability under this contract is reported. As of 30.09.2019, the amount of the lease liability is BGN 374 thousand, total current and non-current part.

16. UNUSUAL ITEMS

There are no expenses in the condensed statement of profit or loss and other comprehensive income as at 30 September 2019 treated as unusual items.

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17. IMPAIRMENT LOSSES

| | 9-MONTH PERIOD ENDED | |
|---|-----------------------------|------------------------------|
| | 30 SEPTEMBER 2019 | |
| | 2019 | Recalculated 2018 |
| Impairment loss accrued for trade and other receivables (Note 10) | 298 | (9 501) |
| Impairment loss accrued on inventories (net) | 17 | - |
| Accrued and recovered impairment losses on receivables from Corporate Commercial Bank - insolvent (Note 10) | (208) | - |
| Accrued and reversed impairment losses on cash | 58 | - |
| Total impairment losses of assets | 165 | (9 501) |

18. INCOME TAX EXPENSES

| | 9-MONTH PERIOD ENDED | |
|--|-----------------------------|------------------------------|
| | 30 SEPTEMBER 2019 | |
| | 2019 | Recalculated 2018 |
| Current corporate tax expense | (122) | (1 946) |
| Effect of the change in deferred taxes (Note 12) | 57 | (2 192) |
| Income (expense) tax revenues | (65) | (4 138) |

Current tax expense is recognized on the basis of the Company's management's estimate of the weighted average annual profit tax expected for the full financial year, which is 10% (2018: 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 is related to an alleged infringement of Article 102 of TFUE in connection to alleged actions of BEH 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 and 10 of Regulation 1/2003).

On 23 March 2015 the European Commission (EC) 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), July 10, 2015 ("Bulgarian Energy Holding" EAD) and July 17, 2015 ("Bulgartransgaz" EAD).

On 24 November 2017, a decision was taken by the 44th National Assembly of the Republic of Bulgaria to take the necessary action for the closing of Case COMP/B1/AT.39849 – BEH Gas, by which the National Assembly 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

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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 the NA is motivated by the development of case COMP/B1/AT.39816 between the EC and Gazprom, 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.

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 28 February 2019, Bulgarian Energy Holding EAD and its subsidiaries Bulgargaz EAD and Bulgartransgaz EAD have filed an Application to the General Court of the European Union against the Decision of the European Commission dated 17 December 2018 concerning the proceedings pursuant to Article 102 of the Treaty on the Functioning of the European Union under Case AT.39849 - BEH Gas.

BEH and its subsidiaries do not accept the Commission's findings that they have abused a dominant position on the Bulgarian gas market.

The Application aims at annulment of the Decision of the European Commission and the fine imposed.

On 18 March 2019, ING Bank NV issued two unsecured bank guarantees to the EC for a total amount equal to the fine of EUR 77,068,000, as follows:

- bank guarantee in the amount of EUR 51,379 thousand, covering 2/3 of the total amount of the fine, securing the obligations of Bulgarian Energy Holding EAD and Bulgargaz EAD;
- bank guarantee in the amount of EUR 25,689 thousand, which guarantees the liability of Bulgartransgaz EAD for the imposed fine.

On 4 July 2019, the Bulgarian State, through the Ministry of Foreign Affairs, filed an application to intervene in the case.

On 18 September 2012, the European Commission presented its defense in response to the application filed to the General Court of the European Union.

Legal claims

There are no legal actions of significant material interest against the Company.

In 2018, the Company filed complaints with the Administrative Court - Sofia City, challenging the legality of the EWRC's decisions establishing the price of natural gas for the 1st and 2nd quarter of 2018.

By the Judgments of 11.10.2018 and 28.06.2019, the Administrative Court - Sofia City dismissed the Company's complaints against the decisions of EWRC.

The decision of 28.06.2019 of the Administrative Court - Sofia City was appealed with a cassation appeal before the Supreme Administrative Court. The case was initiated and scheduled for 2020.

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20. RELATED PARTY TRANSACTIONS

The Company announces the following related parties:

Sole shareholder of the Company, exercising control (Parent company)

BULGARIAN ENERGY HOLDING EAD

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)

Natsionalna Elektricheska Kompania EAD, TPP Maritsa East 2 EAD, Mini Maritsa Iztok EAD, Kozloduy NPP EAD, Kozloduy NPP – NB EAD, HPP Kozloduy EAD, Interpriborservice OOD, Bulgartel EAD, Bulgartransgaz EAD, Electricity System Operator EAD, TPP Maritsa East 2 (9 and 10) EAD, PFC Beroe – Stara Zagora EAD, Bulgartel-Skopje DOOEL, Energy Measurement and Information Technology Operator EAD (in liquidation), Independent Bulgarian Energy Exchange EAD to 15.02.2018, Energy Investment Company EAD to 26.04.2018.

Associated companies for BEH Group

Contur Global Maritsa Iztok 3 AD, Contur Global Operations Bulgaria AD, Energy Insurance JSC Allianz Bulgaria Pension AD, HEC Gorna Arda AD

Joint companies for BEH Group

ICGB AD, South Stream Bulgaria AD, Transbalkan Electric Power Trading S.A. – NECO S.A.

Others – all enterprises related to the State.

Key management of the Company

Petyo Angelov Ivanov – Chairman of the BoD
 Iliyan Kirilov Dukov – Member of the BoD
 Nikolay Angelov Pavlov – Member of the BoD and CEO

Key management of the Parent Company to 24.07.2019

Petar Asenov Iliev – Chairman of the BoD
 Zhivko Dimitrov Dinchev – Member of the BoD
 Petyo Angelov Ivanov – Member of the BoD and CEO

Key management of the Parent Company as of 25.07.2019

Andon Petrov Andonov – Chairman of the BoD
 Zhivko Dimitrov Dinchev – Member of the BoD
 Jacklen Yosif Cohen – Member of the BoD and CEO

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

(A) SALES OF GOODS AND SERVICES

| | 9-MONTH PERIOD ENDED | |
|---------------------------------------|-----------------------------|--------------|
| | 30 SEPTEMBER | |
| | 2019 | 2018 |
| Companies under common control | | |
| Bulgartransgaz EAD | 5 253 | 8 005 |
| Total | 5 253 | 8 005 |

Sales include natural gas sold for balancing.

BULGARGAZ EAD
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(B) PURCHASE OF GOODS AND SERVICES

| | 9-MONTH PERIOD ENDED | |
|---------------------------------------|-----------------------------|---------------|
| | 30 SEPTEMBER | |
| | 2019 | 2018 |
| Parent company | | |
| Bulgarian Energy Holding EAD | 358 | 102 |
| Companies under common control | | |
| Bulgartransgaz EAD | 61 803 | 64 262 |
| Bulgartel EAD | 5 | 13 |
| Total | 62 166 | 64 377 |

The purchases of services from Bulgarian Energy Holding EAD include services under a Management and Control Agreement and a commission for maintaining a bank guarantee in connection with 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.

(C) ACCRUED PENALTY CHARGES

| | 9-MONTH PERIOD ENDED | |
|---------------------------------------|-----------------------------|-------------|
| | 30 SEPTEMBER | |
| | 2019 | 2018 |
| Parent company | | |
| Bulgarian Energy Holding EAD | - | 103 |
| Companies under common control | | |
| Bulgartransgaz EAD | 85 | 524 |
| Total | 85 | 627 |

The accrued penalty charges to Bulgarian Energy Holding EAD are related to the dividend payable, and to Bulgartransgaz EAD represent interest on the Agreement and interest on arrears.

(D) RECEIVABLES FOR PURCHASES OF GOODS AND SERVICES

| | AS AT | AS AT 31 |
|---------------------------------------|---------------------|-----------------|
| | 30 SEPTEMBER | DECEMBER |
| | 2019 | 2018 |
| Companies under common control | | |
| Bulgartransgaz EAD | 6 699 | 11 865 |
| Total | 6 699 | 11 865 |

The receivables from Bulgartransgaz EAD represent financial collateral in the form of a credit limit and a guarantee provided in connection with a Contract for access and transmission of natural gas through the Bulgartransgaz EAD gas transmission network.

(E) PAYABLES FOR PURCHASES OF GOODS AND SERVICES

| | AS AT | AS AT 31 |
|---------------------------------------|---------------------|-----------------|
| | 30 SEPTEMBER | DECEMBER |
| | 2019 | 2018 |
| CURRENT | | |
| Bulgarian Energy Holding EAD | 150 | 25 |
| Companies under common control | | |
| Bulgartransgaz EAD | 2 749 | 13 443 |
| Bulgartel EAD | 1 | 1 |
| Total current | 2 900 | 13 469 |
| Total | 2 900 | 13 469 |

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

As of 30 September 2019, the company has settled an Agreement concluded on 15 July 2015, consolidating 3 previous agreements of 11 May 2012, 15 March 2013 and 1 April 2015. From the date of signing the agreement to the date of the final repayment of the debt - 30.06.2019, in accordance with the repayment schedule, the Company owes interest at the amount of 3.6 points per year, based on a year of 360 days.

The current payables to Bulgartransgaz EAD are related to the current supply of natural gas transmission and storage services in the amount of BGN 2 749 thousand..

(F) KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel includes the CEO and members of the Board of Directors.

Key management personnel remunerations are as follows:

| | 9-MONTH PERIOD ENDED | |
|---|-----------------------------|-------------|
| | 30 SEPTEMBER | |
| | 2019 | 2018 |
| Short term benefits to key management personnel | | |
| - Remunerations | 132 | 134 |
| - Social security costs | 13 | 14 |
| Total | 145 | 148 |

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

21. POST-REPORTING DATE EVENTS

No significant events have occurred after the end of the current reporting period that has effect on the condensed financial statements as at 30 September 2019, except for those mentioned below:

By decision of the Energy and Water Regulation Commission, the maximum prices for natural gas were approved, for sale by the Public Supplier to the end suppliers and customers connected to the gas transmission network for the fourth quarter of 2019 at the amount of BGN 44.85/MWh, excluding excise duty and VAT.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements as at 30 September 2019 (including comparatives) were approved and endorsed by the Board of Directors on 18 October 2019.