

BULGARGAZ EAD

**INTERIM MANAGEMENT REPORT
INTERIM CONDENSED FINANCIAL STATEMENTS**

31 MARCH 2018

CONTENTS

	<u>PAGE</u>
INTERIM MANAGEMENT REPORT	-
INTERIM CONDENSED FINANCIAL STATEMENTS	
CONDENSED STATEMENT OF FINANCIAL POSITION	1
CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
CONDENSED STATEMENT OF CHANGES IN EQUITY	3
CONDENSED STATEMENT OF CASH FLOWS	4
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS	5 - 18

This Company Management Report for the first quarter of year 2018 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, 1st January, 2018 – 31st March, 2018.

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.

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 into 231 698 584 registered shares. The total amount of the Company share capital is subscribed and entirely paid in by the Bulgarian Energy Holding EAD. All shares are with a nominal value of BGN 1. The Company shares are ordinary, registered, unprivileged and voting shares. The sole owner of the Bulgargaz EAD share capital is Bulgarian Energy Holding EAD and the latter is 100% owned by the State. A share gives one voting right in the General Meeting of the Shareholders, a dividend right and a liquidation share that are equal to the nominal value of the share.

COMPANY STRUCTURE

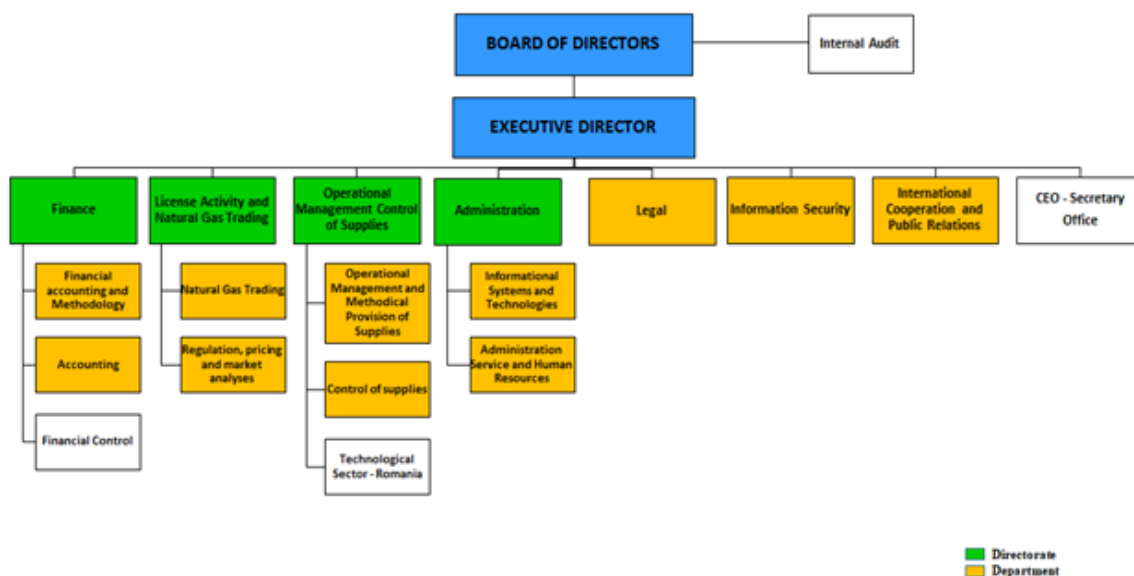
Bulgargaz EAD has one-tier system of management. The Company management bodies are:

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

On 22nd May, 2017, in the Commercial Register a Decision of BEH EAD's BoD was registered, for appointing of a new CEO of and a new BoD, respectively, comprising as follows:

Botyo Tomov Velinov	Chairman of the BoD;
Iliyan Kirilov Dukov	Member of the BoD;
Nikolay Angelov Pavlov	Member of the BoD and CEO.

BULGARGAZ EAD'S ORGANISATIONAL STRUCTURE



COMPANY'S MANAGEMENT RESPONSIBILITY

The Management confirms that adequate accounting policy is applied during preparation of the interim Financial Statements for the first quarter of year 2018, and that the latter are prepared based on a going concern principle.

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

INFORMATION ABOUT BOD REMUNERATION UNDER MANAGEMENT AND CONTROL CONTRACTS

During the first quarter 2018 and the first quarter of year 2017, the BoD members received the following remuneration:

In thousand BGN

	As at 31 st March, 2018	As at 31 st March, 2017
BoD remunerations	39	31
Social security expenses	5	4
Compensation	-	1
Total	44	36

INFORMATION ABOUT COMPANY SHARES' ACQUISITION AND OWNERSHIP BY BOD MEMBERS

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

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; Chairman of BoD as of 12.12.2013:

- 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.

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

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

Nikolay Angelov Pavlov – CEO, Member of the BoD from 19.02.2016:

- 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 PERIOD

During the first quarter of 2018, the BoD members or other related persons thereof had not concluded any contracts with the Company that were beyond its usual activity or significantly divert from the market conditions.

II. COMPANY ACTIVITY RESULTS FOR THE FIRST QUARTER OF YEAR 2018

During the first quarter of 2018, Bulgargaz EAD carries out its activities in compliance with the regulations. The Company activity results represent a financial profit after taxes amounting to BGN 9 579 thousand (as at 31st March, 2017: loss amounting to BGN 29 290 thousand).

GENERAL FACTORS AFFECTING COMPANY'S ACTIVITIES

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

Natural gas public supply is a regulated activity by EWRC. Bulgargaz EAD natural gas purchasing prices are market based, while Company's natural gas selling prices are regulated. Bulgargaz EAD, in its capacity of a natural gas trader, is not in an equal position in comparison with other natural gas traders, whose activities are not regulated in accordance with the aforementioned regulations. The Company has no branch network and does not develop research and development activity.

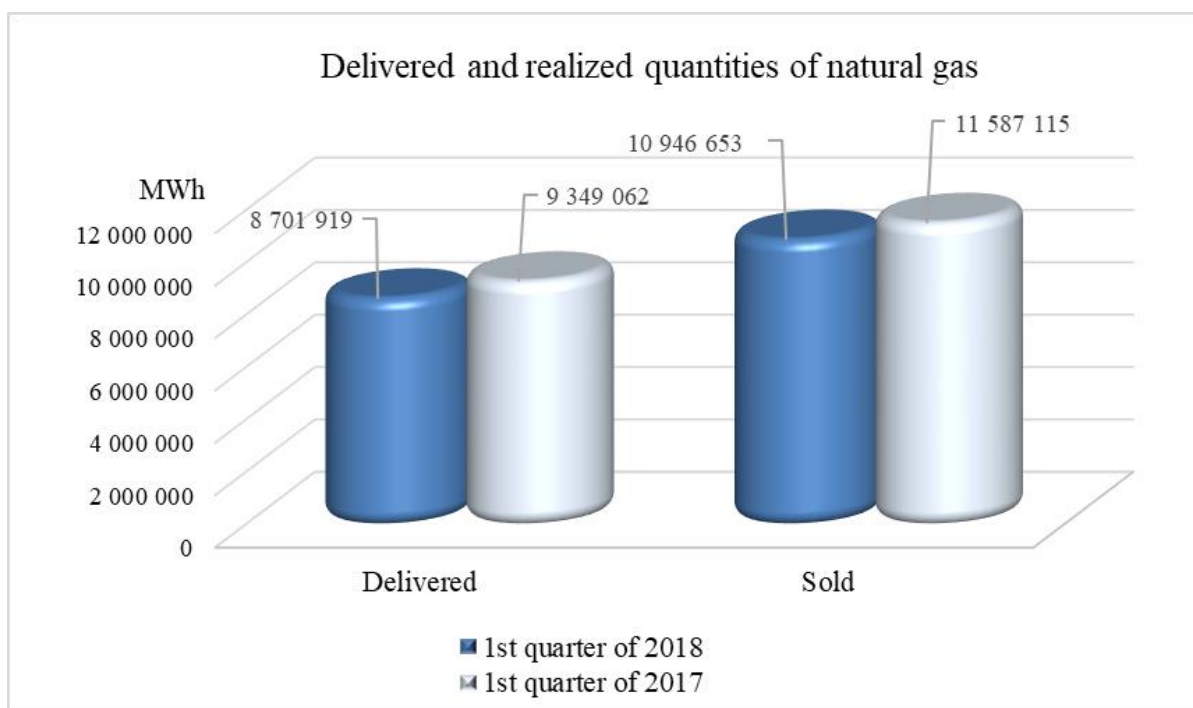
1. QUANTITATIVE INDICATORS IMPLEMENTATION

DELIVERED AND SOLD NATURAL GAS VOLUMES

The natural gas deliveries, securing needs of the Company's clients, during the reporting period, are carried out through long-term contracts. The natural gas volumes delivered and sold during the first quarter of 2018, compared to 2017 are presented in Table 1:

Table No.1

Type of delivery	Unit	1 st quarter of 2018	1 st quarter of 2017	Volume change	% Change
Delivered	MWh	8 701 919	9 349 062	(647 143)	(6,92%)
Sold	MWh	10 946 653	11 587 115	(640 462)	(5,53%)



During the reporting period, deliveries totalled 8 701 919 MWh natural gas (1st quarter of 2017: 9 349 062 MWh), which is a decrease of 647 143 MWh or 6.92%.

During the 1st quarter of year 2018, 10 946 653 MWh natural gas was sold, compared to 11 587 115 MWh during the first quarter of 2017, which is a decrease of 640 462 MWh or 5.53%. The decrease is mainly due to the lower consumption of customers in the Chemistry, Energy and Construction materials sector.

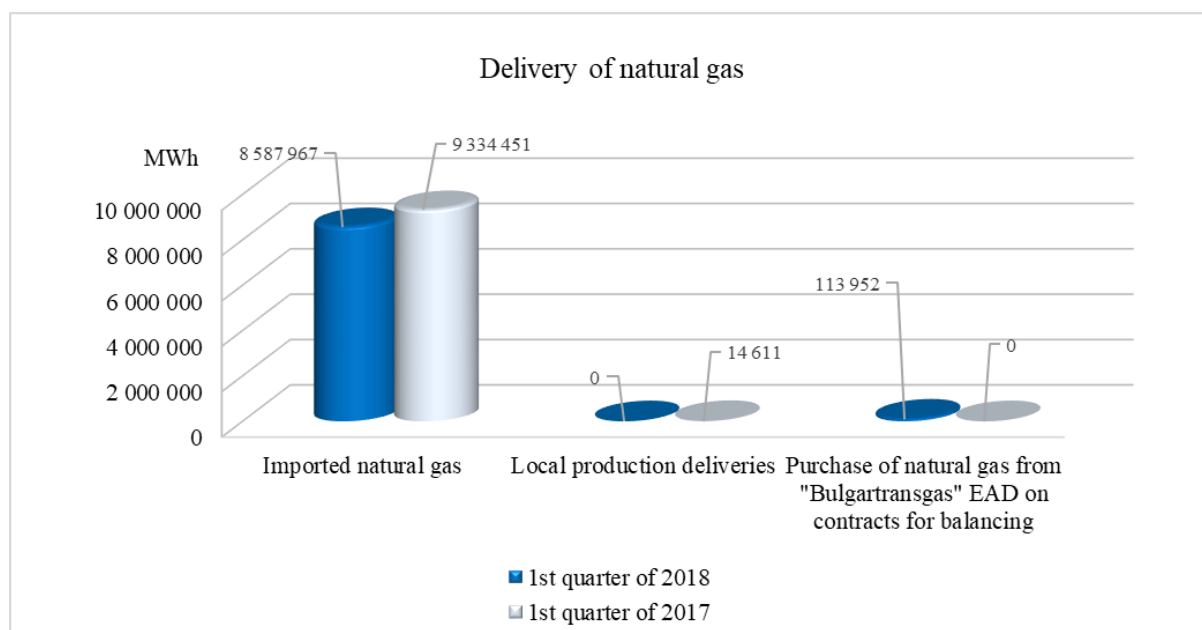
1.1. DELIVERED NATURAL GAS VOLUMES

The delivered natural gas volumes for the first quarter of 2018 and the first quarter of 2017 are presented in Table 2.

Table No.2

MWh

No	Type of delivery	1 st quarter of 2018	1 st quarter of 2017	Relative Share		% Change
				1 st quarter of 2018	1 st quarter of 2017	
1	Imported natural gas	8 587 967	9 334 451	98.69%	99.84%	(8.00%)
2	Local production deliveries	-	14 611	-	0.16%	100%
3	Purchase of natural gas from Bulgartransgaz EAD on contracts for balancing	113 952	-	1.31%	-	-
	Total	8 701 919	9 349 062	100%	100%	(6.92%)



To ensure the needs of natural gas to its customers during the first quarter of 2018 Bulgargaz EAD delivered 8 587 967 MWh of natural gas, which is 98.69% of the total supply, as well as the purchase of natural gas from Bulgartransgaz EAD under contracts for balancing the system – 113 952 MWh.

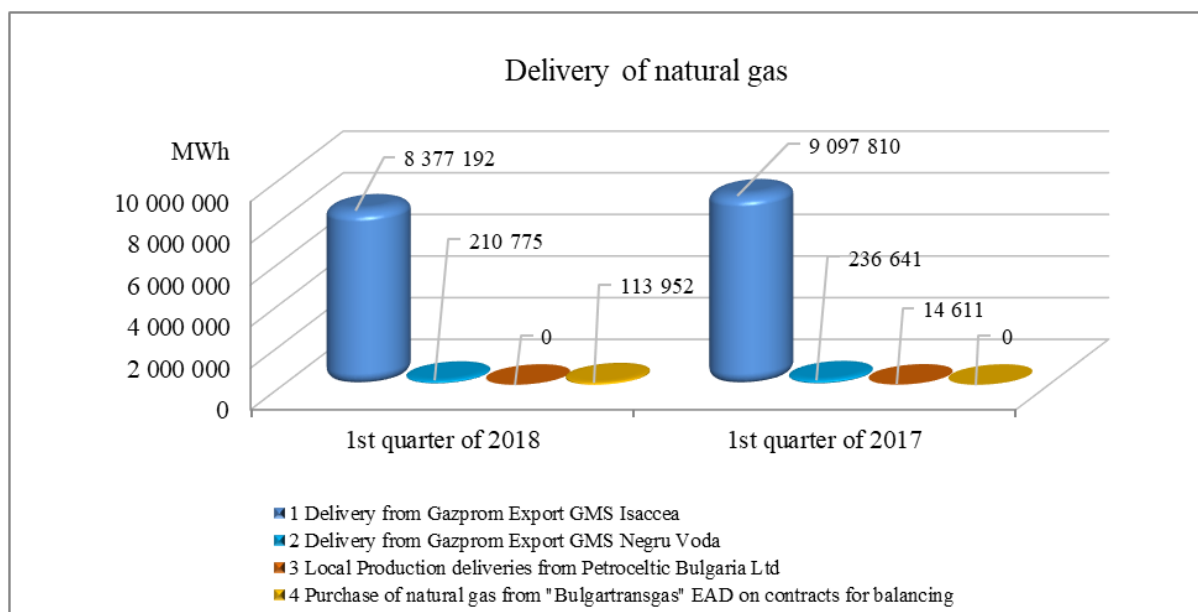
In March 2018, the amount of natural gas subject to a contract with "D Commerce Bank AD" for the purchase and sale with repurchase concluded at the end of 2017 has been repurchased.

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

Table No.3

MWh

No	Type of delivery	1 st quarter of 2018	1 st quarter of 2017	Relative share		Change (%)
				1 st quarter of 2018	1 st quarter of 2017	
1	Imported natural gas	8 587 967	9 334 451	98.69%	99.84%	(8.00%)
1.1.	Gazprom Export:	8 587 967	9 334 451	98.69%	99.84%	(8.00%)
1.1.1	GMS Isaccea	8 377 192	9 097 810	96.27%	97.31%	(7.92%)
1.1.2	GMS Negru Voda	210 775	236 641	2.42%	2.53%	(10.93%)
2	Local production deliveries	-	14 611	-	0.16%	(100%)
2.1.	Petroceltic Bulgaria EOOD	-	14 611	-	0.16%	(100%)
3	Purchase of natural gas by Bulgartransgaz EAD on contracts for balancing	113 952	-	1.31%	-	-
	Total	8 701 919	9 349 062	100%	100%	(6.92%)



During the first quarter of 2018, Bulgargaz EAD purchased the necessary natural gas volumes from import via a long term contract with OOO Gazprom Export.

During the first quarter of 2018 there are no natural gas volumes purchased from Petroceltic Bulgaria EOOD (2017: 14 611 MWh).

1.2 NATURAL GAS PRODUCTION AND INJECTION

Natural gas volumes produced in UGS Chiren during the first quarter of 2018 and 2017 are represented in Table No. 4.

Table No.4

MWh

Period	1 st quarter of 2018	1 st quarter of 2017	Change MWh	Change %
January	955 710	949 050	6 660	0.70%
February	764 090	738 150	25 940	3.51%
March	510 190	527 250	(17 060)	(3.24%)
Total	2 229 990	2 214 450	15 540	0.70%

The natural gas production in the first quarter of 2018 and 2017 in volume units is one and the same and amounts to 210 million cubic meters. The indicated difference in production, shown in energy units for the first quarter of 2018 is 2 229 990 MWh (first quarter of 2017: 2 214 450 MWh) which represents an increase of 15 540 MWh or 0.70%, is due to the applied by Bulgartransgaz EAD different coefficient for recalculation of the produced quantities from volume into energy.

2. NATURAL GAS SALES

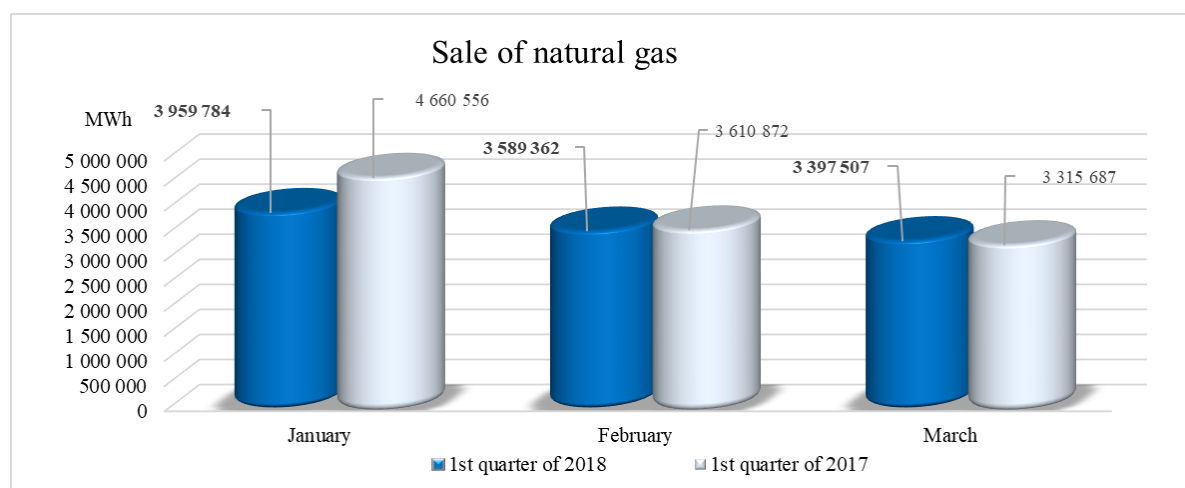
2.1. GENERAL CONSUMPTION

Bulgargaz EAD's ensures reliable supply of natural gas to its customers, in accordance with the quantity and quality contractual requirements. During the first quarter of 2018, the Company sold to its clients 10 946 653 MWh natural gas (during the first quarter of 2017: 11 587 115 MWh), which is 640 462 MWh or 5.53% less than the gas sold during the same period in the preceding year. The decrease is due to the lower consumption of companies in the Energy, Chemistry and Construction materials sector.

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

Table No.5

Reporting period	1 st quarter of 2018		1 st quarter of 2017		Change 2018/2017	
	MWh	Share in %	MWh	Share in %	MWh	%
January	3 959 784	36.17%	4 660 556	40.22%	(700 772)	(15.04%)
February	3 589 362	32.79%	3 610 872	31.16%	(21 510)	(0.60%)
March	3 397 507	31.04%	3 315 687	28.62%	81 820	2.47%
Total	10 946 653	100%	11 587 115	100%	(640 462)	(5.53%)



2.2. CONSUMPTION STRUCTURE

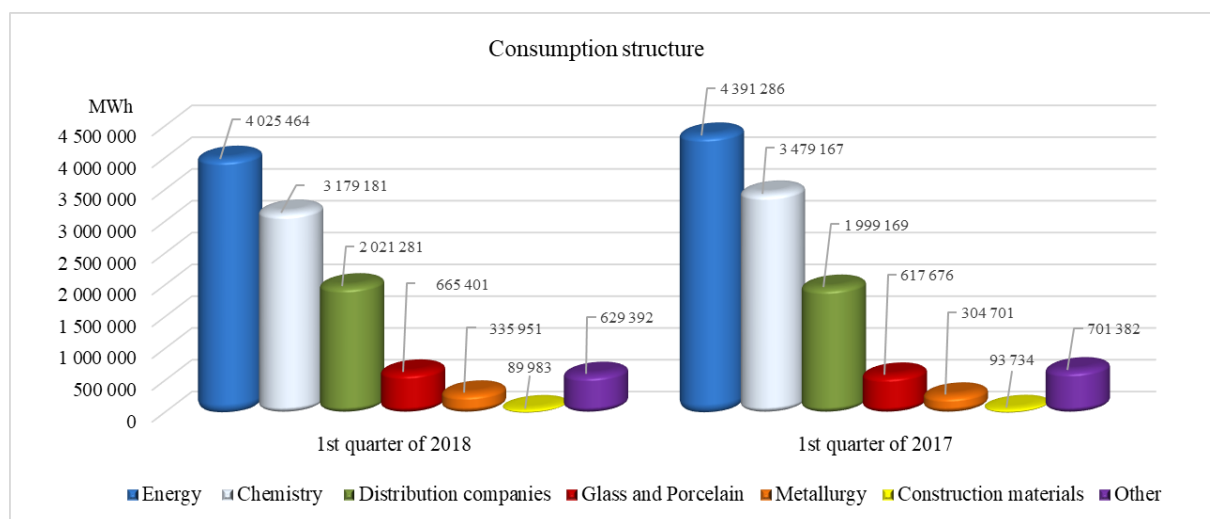
A comparison of the natural gas sales by main economic sectors in the first quarter of 2018 and 2017, allocated by main industry sectors is presented in Table No.6.

Table No.6

Sector	1 st quarter of 2018		1 st quarter of 2017		Change	
	MWh	Share in %	MWh	Share in %	MWh	Share in %
Energy	4 025 464	36.77%	4 391 286	37.90%	(365 822)	(8.33%)
Chemistry	3 179 181	29.04%	3 479 167	30.03%	(299 986)	(8.62%)
Distribution companies	2 021 281	18.47%	1 999 169	17.25%	22 112	1.11%
Glass and Porcelain	665 401	6.08%	617 676	5.33%	47 725	7.73%
Metallurgy	335 951	3.07%	304 701	2.63%	31 250	10.26%
Construction materials	89 983	0.82%	93 734	0.81%	(3 751)	(4.00%)
Other	629 392	5.75%	701 382	6.05%	(71 990)	(10.26%)
Total	10 946 653	100%	11 587 115	100%	(640 462)	(5.53%)

For the period January-March 2018 sales decreased by 640 462 MWh (or 5.53%). This is due to the lower consumption of customers from the Energy, Chemistry and Construction materials sector.

The decrease in the Energy sector during the heating season 2018 is mainly due to the decreased consumption of district heating companies as a result of the higher temperatures during the winter season compared to the same period in 2017.



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 industries and the gas distribution companies;
- the highest decrease in natural gas consumption is observed in the enterprises in the Energy and Chemistry industry.

3. NATURAL GAS PRICES FOR DELIVERY AND SALE ON THE INTERNAL MARKET

Comparison of average weighted prices for delivery and sale of natural gas in the first quarter of 2018 and the first quarter of 2017.

Table No.7

Period	Weighted average delivery price up to the entry of gas transmission system (BGN/MWh)	Weighted average sale price including access and transmission fee (BGN/MWh)	Change	
			BGN	%
First quarter of 2018	31.83	35.55	3.72	11.69%
First quarter of 2017	30.35	28.23	(2.12)	(6.99%)

The information presented in Table No. 7 shows the difference between the weighted average sale price compared to the weighted average delivery price of natural gas for the first quarter of 2018. It is the result of the normative accrued components on the price to the entry of the gas transmission network, as well as to the price for access and transmission of the gas through the gas transmission network of Bulgartransgaz EAD, approved by EWRC.

The negative difference between the weighted average sale price and the weighted average delivery price of natural gas for the first quarter of 2017 is due to a sale price approved by the EWRC, lower than the cost of natural gas delivery.

Considering the fact that the EWRC from October 1, 2017, approves gas sales prices, excluding access and transmission prices, the comparison between weighted average delivery and sales prices is as follows:

Period	Weighted average delivery price up to the entry of gas transmission system (BGN/MWh)	Weighted average sale price, excluding access and transmission fee (BGN/MWh)	Change	
			BGN	%
First quarter of 2018	31.83	33.40	1.57	4.93%
First quarter of 2017	30.35	26.58	(3.77)	(12.42%)

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 currencies exchange rates.

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

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 contract, fines and penalties for delayed payments are charged.

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.

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.

CREDIT RISK

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

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 transmission and storage liabilities, 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.

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. At present, the supply of natural gas from import is still made from a single entry point, while the extraction of gas from local deposits in the country is extremely insufficient. The same can be extremely risky, given the conflict between Ukraine and the Russian Federation;
- Maintaining stable financial stability and increasing the economic efficiency of the Company's activity;
- Entering the gas market of neighboring countries.

OPERATIONAL OBJECTIVES

- Maintaining Company's financial stability;
- Development and implementation of a uniform automatic system for operational monitoring of import, consumption and balance of natural gas;
- Providing more flexible customer services in connection with changes in the Natural Gas Trading Rules and the Balancing Rules.

In the short-run, the Company's major objective is securing its financial stability in a situation of market uncertainty in Bulgaria and higher inter-company indebtedness. The Company 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 for the first quarter of 2018 compared to the same period in 2017, as well as a statement of the financial position of the Company as at 31st March, 2018 compared with the previous period as at 31st March, 2017.

MAIN FINANCIAL INDICATORS

The main financial and economic results from the activity of the Company for the first quarter of 2018 and the first quarter of 2017 are presented below:

In thousand BGN

Indicators	First quarter of 2018	First quarter of 2017	Change	Change (%)
Total revenues	401 751	332 130	69 621	20.96%
Total expenses	(388 586)	(356 964)	(31 622)	8.86%
EBITDA	13 213	(24 798)	38 011	153.28%
EBIT	13 165	(24 834)	37 999	153.01%
EBT	8 275	(29 258)	37 533	128.28%
Indicators	First quarter of 2018	31.12.2017	Change	Change %
Non-current fixed assets	94	90	4	4.44%
Total assets	320 355	329 164	(8 809)	(2.68%)
Current assets	303 810	313 945	(10 135)	(3.23%)
Current liabilities	58 881	73 104	(14 223)	(19.46%)
Cash	86 285	2 145	84 140	3 922.61%
Working capital	244 929	240 841	4 088	1.70%
Equity	257 219	247 640	9 579	3.87%
Share capital	231 698	231 698	-	-
Reserves	6 474	6 474	-	-
Retained profit /(unrecoverable loss)	9 468	2	9 466	4 733.00%
Profit/loss for the period	9 579	9 466	113	1.19%
Number of personnel	55	54	1	1.85%

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands BGN

	First quarter of 2018		First quarter of 2017		Change	
		%		%		%
Revenues	401 751	100%	332 130	100%	69 621	20.96%
Revenues from sale of natural gas	396 315	98.65%	327 301	98.55%	69 014	21.09%
Other income	5 436	1.35%	4 829	1.45%	607	12.57%
- penalties under overdue receivables/liabilities	4 490	1.12%	3 045	0.92%	1 445	47.45%
- sanctions for 105% volume	704	0.17%	1 547	0.46%	(843)	(54.49%)
- penalties for volumes not taken under Art.7.4 and 7.5	242	0.06%	129	0.04%	113	87.60%
- other income	-	-	108	0.03%	(108)	(100%)
Expenses as per economic elements	(388 586)	100%	(356 964)	100%	(31 622)	8.86%
Cost of sold natural gas	(373 792)	96.19%	(355 217)	99.51%	(18 575)	5.23%
Recovered/ (accrued) impairment	(13 030)	3.35%	-	-	(13 030)	-
- recovered/ (accrued) impairment of receivables	(13 030)	3.35%	-	-	(13 030)	-
Costs of materials	(24)	0.01%	(25)	0.01%	1	(4.13%)
-fuel gas	(12)	0.00%	(12)	0.00%	-	-
-main materials	(1)	0.00%	(2)	0.00%	1	(50%)
- fuels and lubricants	(5)	0.00%	(5)	0.00%	-	-
- stationary and consumables	(4)	0.00%	(3)	0.00%	(1)	33.33%
- sanitary materials	(1)	0.00%	(1)	0.00%	-	-
- advertising materials	-	0.00%	(2)	0.00%	2	(100%)
- other materials	(1)	0.00%	-	0.00%	(1)	-
Hired services costs	(1 033)	0.27%	(1 151)	0.32%	118	(10.25%)
- natural gas storage costs	(667)	0.17%	(678)	0.19%	11	(1.62%)
- expenses on management contracts	(19)	0.00%	(49)	0.01%	30	(61.22%)
- license fees	(146)	0.04%	(131)	0.04%	(15)	11.45%
- insurances	(25)	0.01%	(22)	0.01%	(3)	13.64%
- rents	(64)	0.02%	(60)	0.02%	(4)	6.67%
- court charges and expenditures	(21)	0.01%	(126)	0.04%	105	(83.33%)
- communications	(22)	0.01%	(23)	0.01%	1	(4.35%)
- audit committee remuneration	(16)	0.00%	(13)	0.00%	(3)	23.08%
- consulting and audit services	(12)	0.00%	(17)	0.00%	5	(29.41%)
- repair and technical maintenance	(5)	0.00%	(3)	0.00%	(2)	66.67%
- public utility	(8)	0.00%	(6)	0.00%	(2)	33.33%
- subscription service	(6)	0.00%	(5)	0.00%	(1)	20.00%
- parking and other vehicle expenses	(5)	0.00%	(5)	0.00%	-	-
- translation services	-	0.00%	(1)	0.00%	1	(100%)
- security	(12)	0.00%	(8)	0.00%	(4)	50.00%
- labour medicine service	(1)	0.00%	(1)	0.00%	-	-
- EWRC's fee - price approval	(1)	0.00%	(1)	0.00%	-	-
- other charges	(3)	0.00%	(2)	0.00%	(1)	50.00%
Depreciation/amortization expenses	(48)	0.01%	(36)	0.01%	(12)	33.33%
Employee benefit expenses	(547)	0.14%	(517)	0.14%	(30)	5.80%
- remuneration expenses	(465)	0.12%	(438)	0.12%	(27)	6.16%
- social security expenses	(82)	0.02%	(79)	0.02%	(3)	3.80%
Other expenses	(112)	0.03%	(18)	0.01%	(94)	522.22%
- penalties for overdue payments	(103)	0.03%	-	-	(103)	-

	First quarter of 2018		First quarter of 2017		Change	
		%		%		%
- business trips and representation expenses	(2)	0.00%	(13)	0.00%	11	(84.62%)
- training	(2)	0.00%	(1)	0.00%	(1)	100%
- one-off taxes	(3)	0.00%	(3)	0.00%	-	-
- others	(2)	0.00%	(1)	0.00%	(1)	100%
Profit/ (loss) from operating activity	13 165		(24 834)		37 999	153.01%
Net financial income / (costs)	(4 890)		(4 424)		(466)	10.53%
Financial income	7	100%	-	-	7	-
- interest income on long-term receivables	7	100%	-	-	7	-
Financial costs	(4 897)	100%	(4 424)	100%	(473)	10.69%
- interest expenses under trade payables to related parties	(210)	(0.05%)	(352)	(0.11%)	142	(40.34%)
- interest expenses under repurchase agreements	(61)	(0.02%)	-	-	(61)	-
- loss from foreign exchange rate differences	(4 610)	(1.15%)	(4 070)	(1.23%)	(540)	13.27%
- bank charges	(16)	(0.00%)	(2)	(0.00%)	(14)	700%
Profit/ (loss) before tax	8 275		(29 258)		37 533	128.28%
Income Tax revenue / (expense)/	1 304	0.32%	(32)	(0.01%)	1 336	4 175.00%
Net profit / (loss) for the period	9 579		(29 290)		38 869	132.70%

Revenue

In the first quarter of 2018, the Company sold 10 946 653 MWh of natural gas, amounting to BGN 396 315 thousand (in the first quarter of 2017: 11 587 115 MWh, BGN 327 301 thousand). The net revenue from natural gas sales for the first quarter of 2018 amounts to BGN 22 523 thousand (in the first quarter of 2017: loss of BGN 27 916 thousand), which is an increase amounting to BGN 50 439 thousand. In the first quarter of 2018, there is a positive difference between natural gas average weighted sale price and average weighted delivery price, amounting to BGN 1.57, while in 2017 the difference is a negative one amounting to BGN 3.77.

Expenses

Expenses as per economic types include: cost of natural gas sold, impairment expenses, material costs, hired services expenses, depreciation/amortization expenses, labour remunerations expenses, social security and allowances expenses, etc. In the first quarter of 2018 they amount to BGN 388 586 thousand (in the first quarter of 2017: BGN 356 964 thousand), which is an increase of BGN 31 622 thousand, or 8.86%.

The largest relative share in the total expenses represents the cost of natural gas sold for the first quarter of 2018 amounting to BGN 373 792 thousand (first quarter of 2017: BGN 355 217 thousand). In the first quarter of 2018 compared to 2017, the cost of natural gas as sold is 5.23% higher.

In the first quarter of 2018, the cost of impairment of receivables amounts to BGN 13 030 thousand (first quarter of 2017: 0).

Hired services costs in the first quarter of 2018 amounted to BGN 1 033 thousand (in the first quarter of 2017: BGN 1 151 thousand), which is a decrease of BGN 118 thousand, or 10.25%. This is due to a reduction in the costs of court fees and expenses and the costs of a management agreement with Bulgarian Energy Holding EAD. There is also a reduction in the cost of the license fee, insurance costs, and the cost of repair and technical maintenance.

In the first quarter of 2018 the other expenses amounted to BGN 112 thousand (in the first quarter of 2017: BGN 18 thousand), which is an increase of BGN 94 thousand. This is due to penalty expenses for delayed payments due on a dividend due in 2016 to Bulgarian Energy Holding EAD. Cost of business trips and representation expenses have been optimized.

The operating activity result is positive, amounting to BGN 13 165 thousand for the first quarter of 2018 (first quarter of 2017: BGN negative of 24 834 thousand).

The net result of financial income and expenses for the first quarter of 2018 is negative at the amount of 4 890 thousand (first quarter of 2017: negative BGN 4 424 thousand), which represents an increase of BGN 466 thousand.

During the reporting period there is a decrease in interest expense on trade payables to related parties by BGN 142 thousand.

During the reporting period, interest expenses under repurchase agreements were paid with D Commerce Bank, under a contract for purchase and sale of natural gas.

After reflecting the financial revenues and expenditures for the first quarter of 2018, the financial result before tax is a profit of BGN 8 275 thousand (first quarter of 2017: a loss of BGN 29 258 thousand), which is an increase of BGN 37 533 thousand.

STATEMENT ON FINANCIAL POSITION

As at 31st March, 2018 the Company's total assets amounted to BGN 320 355 thousand (31st December, 2017: BGN 329 164 thousand). Changes in the structure of the assets for the period are presented in the table below.

In thousand BGN

	31.03.2018		31.12.2017		Change	
		%		%		%
Assets						
Non-current assets						
Plant and equipment	94	0.57%	90	0.59%	4	4.44%
Intangible assets	207	1.25%	189	1.24%	18	9.52%
Deferred tax assets	16 244	98.18%	14 940	98.17%	1 304	8.73%
Total non-current assets	16 545	100%	15 219	100%	1 326	8.71%
Current assets						
Inventories	2 611	0.86%	75 994	24.21%	(73 383)	(96.56%)
- natural gas	2 592	0.85%	75 974	24.20%	(73 382)	(96.59%)
- materials	19	0.01%	20	0.01%	(1)	(5.00%)
Trade and other receivables	214 914	70.74%	235 806	75.11%	(20 892)	(8.86%)
-trade receivables from natural gas sales	153 971	50.68%	153 736	48.97%	235	0.15%
- court and awarded receivables	239	0.08%	160	0.05%	79	49.38%
- court Corporate Commercial Bank AD	561	0.18%	561	0.18%	-	-
- prepaid advances for supply of natural gas	49 196	16.19%	68 492	21.81%	(19 296)	(28.17%)
- receivables from related parties (deposits and guarantees)	8 741	2.88%	10 826	3.45%	(2 085)	(19.26%)
- other receivables	2 206	0.73%	2 031	0.65%	175	8.62%
Cash and cash equivalents	86 285	28.40%	2 145	0.68%	84 140	3 922.61%
Total current assets	303 810	100%	313 945	100%	(10 135)	(3.23%)
Total assets	320 355		329 164		(8 809)	(2.68%)

NON-CURRENT ASSETS

As at 31st March, 2018 the non-current assets amounted to BGN 16 545 thousand (31st December, 2017: BGN 15 219 thousand), which is an increase of BGN 1 326 thousand or 8.71%. As at 31st March, 2018, the non-current assets comprised from non-current tangible and intangible assets amounting to BGN 301 thousand and deferred tax assets of BGN 16 244 thousand.

CURRENT ASSETS

As at 31st March, 2018 the current assets amounted to BGN 303 810 thousand (31st December, 2017: BGN 313 945 thousand) which is a decrease of BGN 10 135 thousand or 3.23% as a result of a decrease in inventories and trade receivables.

The following assignment agreements were concluded in the first quarter of 2018:

Receivable from	Principal	Delay Penalty	Total value of sold receivables
Toplofikacia Sofia EAD	45 227	3 234	48 461
Toplofikacia Pleven EAD	11 723	748	12 471
Toplofikacia Burgas EAD	5 081	106	5 187
Toplofikacia Petrich EAD	317	1	318
Total	62 348	4 089	66 437

Receivables have been sold at face value.

As at 31st March, 2018 the inventories amounted to BGN 2 611 thousand (31st December, 2017: BGN 75 994 thousand), which represents a decrease of BGN 73 383 thousand, or 99.56%.

As at 31st March, 2018 the trade and other receivables amounted to BGN 214 914 thousand (31st December, 2017: BGN 235 806 thousand), which is a decrease of BGN 20 892 thousand or 8.86% compared to the end of 2017.

The prepaid advance for natural gas supply as at 31st March, 2018, amounting to BGN 49 196 thousand (31st December, 2017: BGN 68 492 thousand) represents a decrease by BGN 19 296 thousand or 28.17%, compared to 31st December 2017.

The most significant trade receivables, including consumed but not paid natural gas as at 31st March, 2018 came from the following companies:

In thousand BGN

Counterparty	Total receivables	Of which overdue receivables
TOPLOFIKACIA SOFIA EAD	99 856	75 994
TOPLOFIKACIA PLEVEN EAD	19 375	19 375
TOPLOFIKACIA BURGAS EAD	4 893	3 309
LUKOIL NEFTOCHIM BURGAS AD	4 047	-
TOPLOFIKACIA VRATSA EAD	3 784	3 717
CITYGAS BULGARIA EAD	3 652	-
ARESGAS AD	3 138	-
Other	15 226	2 524
Total	153 971	104 919

The Company's cash on current accounts as at 31st March, 2018 amounted to BGN 86 285 thousand (31st December, 2017: BGN 2 145 thousand), which is an increase of BGN 84 140 thousand.

CHANGES IN THE EQUITY AND LIABILITIES STRUCTURE:

In thousand BGN

	31.03.2018		31.12.2017		Change	
		%		%		%
<i>Equity and liabilities</i>						
Equity						
Share capital	231 698	90.08%	231 698	93.57%	-	-
Statutory reserves	6 420	2.50%	6 420	2.59%	-	-

	31.03.2018		31.12.2017		Change	
		%		%		%
Other reserves	54	0.02%	54	0.02%	-	-
Retained earnings	19 047	7.40%	9 468	3.82%	9 579	101.17%
Total equity	257 219	100%	247 640	100%	9 579	3.87%
Liabilities						
Non-current liabilities						
Trade and other payables	4 203	98.78%	8 368	99.38%	(4 165)	(49.77%)
- Liabilities to related parties	4 203	98.78%	8 368	99.38%	(4 165)	(49.77%)
Liabilities for retirement employee benefits	52	1.22%	52	0.62%	-	-
Total non-current liabilities	4 255	100%	8 420	100%	(4 165)	(49,47%)
Current liabilities						
Loans	-	-	9 956	13.62%	(9 956)	(100%)
- Financing under repurchase contracts for natural gas	-	-	9 956	13.62%	(9 956)	(100%)
Trade and other payables	58 793	99.85%	63 060	86.26%	(4 267)	(6.77%)
- Trade payables	10 698	18.17%	567	0.78%	10 131	1786.77%
- Payables to related parties	19 792	33.61%	33 767	46.19%	(13 975)	(41.39%)
- Received advances from clients for sale of natural gas	3 104	5.27%	1 637	2.24%	1 467	89.62%
- VAT to be paid	23 222	39.44%	25 282	34.58%	(2 060)	(8.15%)
- Excise duty to be paid	1 393	2.37%	1 469	2.01%	(76)	(5.17%)
- Payables to personnel	107	0.18%	120	0.16%	(13)	(10.83%)
- Liabilities to insurance companies	71	0.12%	70	0.10%	1	1.43%
-Other liabilities	406	0.69%	148	0.20%	258	174.32%
Liabilities for retirement employee benefit	88	0.15%	88	0.12%	-	-
Total current liabilities	58 881	100%	73 104	100%	(14 223)	(19.46%)
Total liabilities	63 136		81 524		(18 388)	(22.56%)
Total equity and liabilities	320 355		329 164		(8 809)	(2.68%)

Share capital structure

As at 31st March, 2018 the registered share capital amounted to BGN 231 698 thousand (31st December, 2017: BGN 231 698 thousand), which was increased in year 2017 by BGN 17 248 thousand from distributed profit for year 2016 with a decision of the Sole Shareholder (Protocol No. 41-2017/23.05.2017).

As at 31st March, 2018 the retained earnings from previous years amounted to BGN 19 047 thousand (31st December, 2017: BGN 9 468 thousand). The net profit for 31.03.2018 is BGN 9 579 thousand.

Non-current liabilities

The Company's non-current liabilities as at 31st March, 2018 amounted to BGN 4 255 thousand (31st December 2017: BGN 8 420 thousand), which represents a decrease of BGN 4 165 thousand, or 49.47%. The non-current liabilities are formed by deferred liabilities for transmission and storage of natural gas to a related party.

Current Liabilities

The current liabilities have a greater relative share than the non-current liabilities. As at 31st March, 2018 the current liabilities amounted to BGN 58 881 thousand (31st December, 2017: BGN 73 104 thousand), which is a decrease of BGN 14 223 thousand, or 19.46%.

As at 31st March, 2018 the Company has paid current payables under a trade loan – a transaction with "D Commerce Bank AD" for purchase and sale of natural gas under the conditions of repurchase amounting to BGN 9 956 000 thousand and BGN 61 thousand of contractual interest, maturing 06.03.2018.

As at 31st March, 2018 the Company has undrawn loans as follows: overdraft limit of BGN 10 000 thousand from CCB Plc and an overdraft limit amounting to BGN 10 000 thousand by Citibank Europe AD - Bulgaria Branch.

Trade and other payables decreased by BGN 4 267 thousand or 6.77% compared to 2017. Payables to NRA amounted to BGN 23 222 thousand (31st December, 2017: BGN 25 282 thousand), which is due to the decreased volume of natural gas sold.

In the first quarter of 2018, the liabilities to related parties have been reduced. An increase is observed in the trade payables for natural gas deliveries by BGN 10 131 thousand.

STATEMENT OF CASH FLOWS

In the table below is stated data for changes in the cash flows as at 31 March 2018 compared to 31 March 2017.

In thousand BGN

	First quarter of 2018	First quarter of 2017	Change	
Net cash flows from operating activity	109 446	25 158	84 288	335.03%
Net cash flows from investing activity	(86)	(14)	(72)	(514.29%)
Net cash flows from financing activity	(25 220)	(239)	(24 981)	(10 452.30%)
Net change in cash and cash equivalents during the period	84 140	24 905	59 235	237.84%
Cash and cash equivalents at the beginning of the period	2 145	66 847	(64 702)	(96.79%)
Cash and cash equivalents at the end of the period	86 285	91 752	(5 467)	(5.96%)

The net cash flow from operating activities of the Company in the first quarter of 2018 is at the amount of BGN 109 446 thousand (first quarter of 2017: BGN 25 158 thousand) – there is an increase of BGN 84 288 thousand, or 335.03%. It is formed by the difference between receipts from customers for natural gas sold and payments to suppliers of purchased natural gas.

In the first quarter of 2018 Bulgargaz EAD paid for VAT and excise duty amounting to BGN 80 705 thousand (as of 31st March, 2017: BGN 70 414 thousand).

POST-REPORTING DATE EVENTS

The events are described in Note 21 of the interim condensed financial statements.

FINANCIAL RATIOS

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

In the first quarter of 2018 the financial ratios show financial stability of the Company and are optimal compared to market levels.

PROFITABILITY

Indicators	1 st quarter of 2018	1 st quarter of 2017
Sales profitability	2.42%	-8.95%
Return on equity	3.72%	-13.00%
Return on assets	2.99%	-10.04%

SALES PROFITABILITY

The sales profitability indicator is calculated as percentage ratio between the profit after tax and sales revenues. It reveals net profit of BGN 100 income. As at 31st March, 2018 the sales profitability indicator amounted to 2.42% (31st March, 2017: negative 8.95%).

RETURN ON EQUITY

This indicator reveals the equity profitability level. In the first quarter of 2018 the return on equity ratio is 3.72% (31st March, 2017: negative 13.00%).

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.

As at 31st March, 2018 the return on assets is 2.99% (31st March, 2017: negative 10.04%).

LIQUIDITY

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

Indicators	1 st quarter of 2018	31.12.2017
Current liquidity ratio	5.16	4.29
Quick liquidity ratio	5.12	3.25
Immediate liquidity ratio	1.47	0.03

As at 31st March, 2018 the current liquidity ratio is 5.16, therefore the current liabilities of the Company may be covered more than 5 times by the available current assets (as at 31st December, 2017: 4.29).

The quick liquidity ratio is above 1 (one), therefore with the available current assets, decreased by the inventories, the current liabilities of the Company can be covered more than 5 times.

The immediate liquidity ratio reveals the monetary means that cover Company`s short-terms liabilities. As at 31st March, 2018 the immediate liquidity ratio is 1.47.

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	1 st quarter of 2018	31.12.2017
Financial autonomy ratio	4.07	3.04
Indebtedness ratio	0.25	0.33

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. By the first quarter of 2018 the indicator for financial autonomy ratio is 4.07 (31.12.2017: 3.04). This is due to the policy of high collection of receivables from clients and repayment of current and overdue liabilities for the first quarter of 2018.

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 the end of the first quarter of 2018 is 0.25 and shows an improvement compared to the one as of 31.12.2017: 0.33.

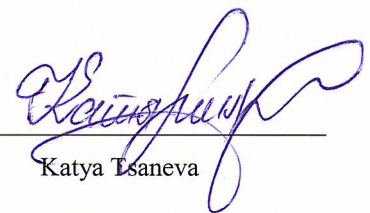
20.04.2018



Nikolay Pavlov

Executive Director





Katya Tsaneva

Head of Financial Reporting and
Methodology Department

BULGARGAZ EAD

CONDENSED STATEMENT OF FINANCIAL POSITION 31 MARCH 2018

(All amounts are in thousands BGN)

	NOTE	AS AT 31 MARCH 2018	AS AT 31 DECEMBER 2017
ASSETS			
Non-current assets			
Plant and equipment	7	94	90
Intangible assets	8	207	189
Deferred tax assets	12	16 244	14 940
		16 545	15 219
Current assets			
Inventories	9	2 611	75 994
Trade and other receivables	10	214 914	235 806
Cash and cash equivalents	11	86 285	2 145
		303 810	313 945
TOTAL ASSETS		320 355	329 164
EQUITY AND LIABILITIES			
Equity			
Share capital	13	231 698	231 698
Reserves	14	6 474	6 474
Retained earnings /(accumulated) loss		19 047	9 468
		257 219	247 640
Non-current liabilities			
Trade and other payables	15	4 203	8 368
Liabilities for retirement employee benefits		52	52
		4 255	8 420
Current liabilities			
Borrowings	15	-	9 956
Trade and other payables	15	58 793	63 060
Liabilities for retirement employee benefits		88	88
		58 881	73 104
TOTAL LIABILITIES		63 136	81 524
TOTAL EQUITY AND LIABILITIES		320 355	329 164

The interim condensed financial statements were approved by the Board of Directors on 25 April 2018.

Liliya Ivanova
Head of Accounting Department

Nikolay Pavlov
Executive Director



Compiled on 20 April 2018

BULGARGAZ EAD

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 MARCH 2018

<i>(All amounts are in thousands BGN)</i>	NOTE	Quarter ended 31 March	
		2018	2017
Revenues from sale of natural gas		396 315	327 301
Cost of natural gas as sold		(373 792)	(355 217)
Recovered/(accrued) impairment losses	17	(13 030)	-
Hired services expenses		(1 033)	(1 151)
Employee benefits and social security expenses		(547)	(517)
Cost of materials		(24)	(25)
Depreciation/amortization expenses	7, 8	(48)	(36)
Other income		5 436	4 829
Other expenses		(112)	(18)
Operating activity profit/(loss)		13 165	(24 834)
Financial income		7	-
Financial costs		(4 897)	(4 424)
Financial income/(costs) – net		(4 890)	(4 424)
Profit/(loss) before tax		8 275	(29 258)
Income tax expense	18	1 304	(32)
Net profit/(loss) for the period		9 579	(29 290)
Total comprehensive income/(loss) for the period		9 579	(29 290)

The interim condensed financial statements were approved by the Board of Directors on 25 April 2018.

Liliya Ivanova
Head of Accounting Department

Nikolay Pavlov
Executive Director



Compiled on 20 April 2018

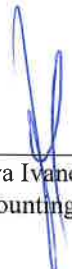
BULGARGAZ EAD


CONDENSED STATEMENT OF CHANGES IN EQUITY 31 MARCH 2018

(All amounts are in thousands BGN)

	Note	Share capital	Reserves	Retained earnings / accumulated loss	Total
AS AT 1 JANUARY 2018	13, 14	231 698	6 474	9 468	247 640
Total comprehensive income/(loss)					
Profit for the period		-	-	9 579	9 579
Total comprehensive income/(loss)		231 698	6 474	19 047	257 219
AS AT 31 MARCH 2018		231 698	6 474	19 047	257 219
<hr/>					
AS AT 1 JANUARY 2017		214 450	2 807	37 424	254 681
Comprehensive income					
Profit for the period		-	-	(29 290)	(29 290)
Total comprehensive income		214 450	2 807	8 134	225 391
AS AT 31 MARCH 2017		214 450	2 807	8 134	225 391

The interim condensed financial statements were approved by the Board of Directors on 25 April 2018.


Liliya Ivanova
Head of Accounting Department


Nikolay Pavlov
Executive Director




Compiled on 20 April 2018

BULGARGAZ EAD**CONDENSED STATEMENT OF CASH FLOWS****31 MARCH 2018***(All amounts are in thousands BGN)*

	Note	Quarter ended 31 March	
		2018	2017
CASH FLOWS FROM OPERATING ACTIVITY			
Proceeds from clients		474 283	426 162
Payments to suppliers		(281 333)	(325 472)
Payments to personnel and social security institutions		(581)	(539)
Taxes paid, different from corporate income tax		(80 705)	(70 414)
Profit/(loss) of exchange rate revaluation of cash and cash equivalents		(1 901)	(3 403)
Other proceeds/payments from operating activity		(317)	(1 176)
Net cash flow from operating activity		109 446	25 158
CASH FLOWS FROM INVESTING ACTIVITY			
Payments for plant and equipment		(19)	(6)
Payments for intangible assets		(67)	(8)
Net cash flow from investing activity		(86)	(14)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		(14 993)	-
Repaid borrowings and payments under financing agreements		(9 924)	-
Payments of interest under loans and financing agreements		(93)	-
Payments of interest under deferred trade payables		(210)	(239)
Net cash flow from financing activity		(25 220)	(239)
Net increase/(decrease) of cash and cash equivalents during the period		84 140	24 905
Cash and cash equivalents at the beginning of the period		2 145	66 847
Cash and cash equivalents at the end of the period	11	86 285	91 752

The interim condensed financial statements were approved by the Board of Directors on 25 April 2018.



 Liliya Ivanova
 Head of Accounting Department



 Nikolay Pavlov
 Executive Director



Compiled on 20 April 2018

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2018

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 15th 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 OOO Gazprom Export. The Company is considering and assessing the opportunities for providing alternative sources and routes for natural gas

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

BULGARGAZ EAD is a sole-owned 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.

These condensed interim financial statements have been approved for publication by the Board of Directors on 25th April, 2018.

2. BASIS OF PREPARATION

These condensed interim financial statements for the three-month period ended 31st March 2018 have been prepared in accordance with IAS 34 Interim Financial Reporting. Same do not contain all the information required for the preparation of complete annual financial statements under International Financial Reporting Standards (IFRS) and should be read in conjunction with the annual financial statements of the Company for the year ended 31st December, 2017 prepared in accordance with IFRS as developed and issued by the International Accounting Standards Board (IASB) and adopted for application in the European Union (EU).

The condensed financial statements are presented in Bulgarian lev (BGN), which is also the functional currency of the Company. Unless otherwise stated, all amounts are presented in thousand Bulgarian lev (BGN thousand), including comparative information for year 2017.

The condensed financial statements are prepared on a going concern principle.

For the period ended 31st March, 2018 the Company reported accounting profit after tax of BGN 9 579 thousand, a positive cash flow from operating activities of BGN 109 446 thousand and a net increase in cash and cash equivalents amounting to BGN 84 140 thousand.

As at 31st March, 2018 the financial statements are prepared on a going concern principle, which assumes that the Company will continue its operations in 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 Commission for a period of 35 years. The future operations of the Company

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2018**

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, and the provision of financing from the principal company – Bulgarian Energy Holding EAD, if necessary. 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 financial statements to be prepared on the going concern principle.

3. ACCOUNTING POLICY

The condensed interim financial statements have been prepared in accordance with the accounting policy adopted in the last annual financial statements of the Company for the year ended 31st December, 2017 except for the application of new standards, amendments to standards and interpretations that are mandatory for first time application of the financial year beginning 1st January, 2018 described below.

As of the date of approval for the issuance of these condensed interim financial statements, the following, amendments and improvements to existing standards have been made:

3.1 NEW AND REVISED STANDARDS AND INTERPRETATIONS EFFECTIVE FOR THE FIRST TIME FROM 1 JANUARY 2018

The Company applies all International Financial Reporting Standards (IFRSs), which are comprised of: International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations (IFRIC) adopted by the International Accounting Standards Board (IASB) and International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC) endorsed by the International Accounting Standards Committee (IASB), which have been adopted by the European Union (EU) and are effective as of 1st January, 2018.

These standards and interpretations include:

IFRS 9 Financial Instruments - adopted by the EU on 22nd November, 2016 (effective for annual periods beginning on or after 1 January 2018);

IFRS 15 Revenue from contracts with customers - adopted by the EU on 22nd September, 2016 (effective for annual periods beginning on or after January 1, 2018);

Interpretation of IFRS 15 Revenue from contracts with customers - adopted by the EU on 31st October, 2017 (effective for annual periods beginning on or after 1st January, 2018);

Changes to IFRS 4: Application of IFRS 9 "Financial Instruments" to IFRS 4 Insurance Contracts - Adopted by the EU on 3rd November, 2017 (effective for annual periods beginning on or after 1st January, 2018);

Amendments to Different Standards Improvements to IFRS (Cycle 2014-2016) - Adopted by the EU on February 7, 2018 - Improvements to IFRS 12 (effective for annual periods beginning on or after 1st January, 2017), IFRS 1 and IAS 28 (effective for annual periods beginning on or after 1st January, 2018);

Amendments to IFRS 2 "Share-based Payment" - Adopted by the EU on 26th February, 2018 - (effective for annual periods beginning on or after 1st January, 2018);

Amendments to IAS 40 "Investment property" - adopted by the EU on 14th March, 2018 - Transfers of investment properties - (effective for annual periods beginning on or after 1st January, 2018);

IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Payments" - Adopted by the EU on 28th March, 2018 - (effective for annual periods beginning on or after 1st January, 2018);

The Company does not expect these Standards and Interpretations to have a material impact on the Company's financial position, results and/or disclosures, except for IFRIC 22.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2018**

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

The following new standards, amendments to standards and interpretations to existing standards have been issued by the IASB and have been adopted by the EU but have not yet entered into force and have not been adopted for earlier application by the Company:

IFRS 16 Leasing - adopted by the EU on 31st October, 2017 (effective for annual periods beginning on or after 1st January, 2018);

Amendment to IFRS 9 "Financial Instruments" - Adopted by the EU on 22nd March, 2018 - Prepayments with negative compensation - (effective for annual periods beginning on or after 1st January, 2019).

**3.3 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED
BY IASB NOT YET ENDORSED BY THE EU**

The Management considers it appropriate to disclose that the following new or revised standards, new interpretations and amendments to existing standards that have already been issued by the International Accounting Standards Board (IASB) at the reporting date but have not yet been approved by the EU and accordingly, are not taken into account in the preparation of these financial statements. The dates of entry into force will depend on EU approval decisions.

IFRIC 23 "Uncertainty relating to Income Taxes" - (effective for annual periods beginning on or after 1st January, 2019);

Amendment to IAS 28 "Investments in Associates and Jointly Controlled Undertakings" - Long-term Investments in Associates or Jointly Controlled Entities - (effective for annual periods beginning on or after 1st January, 2019);

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

IFRS 17 "Insurance Contracts" - (effective for annual periods beginning on or after 1st January, 2021).

4. ESTIMATES

In the preparation of interim financial statements, the management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from management's estimates, judgements and assumptions, and in rare cases fully correspond to the previously assessed results.

In the preparation of these condensed interim financial statements, the significant management's judgment in the application of the Company's accounting policies and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statements of the Company as at 31st December, 2017 of the changes in the estimate of income tax expense.

5. FINANCIAL RISK MANAGEMENT

5.1 FINANCIAL RISK FACTORS

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

The condensed interim financial statements do not include all the information on risk management and disclosures required in the preparation of annual financial statements and should be read in conjunction with the

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2018**

annual financial statements of the Company as at 31st December, 2017. 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;
- 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) use natural gas for heat and electricity production or directly deliver it for heating. This is why the seasons have a significant impact on the Company's activities.

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

The realization of natural gas in the first quarter of 2018 is 10 946 653 MWh (first quarter of 2017: 11 587 115 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 the company produces it.

7. PLANT AND EQUIPMENT

	Plant and equipment	Vehicles	Office equipment	Total
AS AT 1 JANUARY 2018				
Gross carrying amount	86	441	284	811
Depreciation	(47)	(420)	(254)	(721)
Carrying amount	39	21	30	90
QUARTER ENDED 31 MARCH 2018				
Additions	-	-	14	14
Disposals	-	-	-	-
Depreciation	(1)	(2)	(7)	(10)
Ending carrying amount	38	19	37	94
AS AT 31 MARCH 2018				
Gross carrying amount	86	441	298	825
Depreciation	(48)	(422)	(261)	(731)
Carrying amount	38	19	37	94

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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2018

8. INTANGIBLE ASSETS

	License	Software	Total
AS AT 1 JANUARY 2018			
Gross carrying amount	15	853	868
Amortization	(5)	(674)	(679)
Carrying amount	10	179	189
QUARTER ENDED 31 MARCH 2018			
Additions	25	31	56
Amortization	-	(38)	(38)
Ending carrying amount	35	172	207
AS AT 31 MARCH 2018			
Gross carrying amount	40	884	924
Amortization	(5)	(712)	(717)
Carrying amount	35	172	207

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

9. INVENTORIES

	AS AT 31 MARCH 2018	AS AT 31 DECEMBER 2017
Natural gas at cost	2 592	75 974
Natural gas – net realisable value	2 592	75 974
Materials	19	20
Total inventories	2 611	75 994

The accrued impairment movement of natural gas is the following:

	QUARTER ENDED 31 MARCH	
	2018	2017
At the beginning of period	-	324
Written-off impairment of natural gas sold	-	(324)
At the end of period	-	-

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.

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 and on the basis of this assessment it was established that the net realizable value of the natural gas is higher than its carrying value, and as of 31st March, 2018 no impairment loss was incurred. The main external sources used as an impairment indicator is decision № И-7/30.03.2018 issued by EWRC.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2018**

10. TRADE AND OTHER RECEIVABLES

	AS AT 31 MARCH 2018	AS AT 31 DECEMBER 2017
Trade receivables	174 369	161 096
Accumulated impairment of trade receivables	(20 398)	(7 360)
Trade receivables, net	153 971	153 736
Court and awarded receivables	201 384	201 313
Accumulated impairment of court and awarded receivables	(201 145)	(201 153)
Court and awarded receivables, net	239	160
Receivable from Corporate Commercial Bank AD - insolvent	17 463	17 463
Accumulated impairment of receivable from Corporate Commercial Bank AD-insolvent	(16 902)	(16 902)
Receivable from Corporate Commercial Bank AD-insolvent, net	561	561
Prepaid advances for natural gas delivery	49 196	68 492
Receivables from related parties (Note 20)	8 741	10 826
Other receivables - prepaid expenses, guarantees and deposits	2 206	2 031
Total trade and other receivables	214 914	235 806
Current trade and other receivables	214 914	235 806

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

	QUARTER ENDED 31 MARCH	
	2018	2017
At the beginning of period	225 415	228 296
Accrued losses from impairment of receivables	20 392	-
Written-off uncollectible receivables	-	(152)
Reversals of impairment losses	(7 362)	-
At the end of period	238 445	228 144

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.

Trade receivables that are not paid within 30 days of the due date are not considered overdue. Trade receivables, individually chosen to be impaired as at the end of the reporting period, are receivables from specific customers, which have financial difficulties as at the date of preparation of these financial statements.

When calculating the impairment amount of trade receivables as at 31st March, 2018 the management took into consideration overdue trade receivables settled after the date of the interim condensed financial statements and the date of its preparation.

The Company has receivables from the Corporate Commercial Bank AD (insolvent), amounting to BGN 17 463 thousand. 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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2018

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.

Based on these uncertainties, the management considered it reasonable that in 2016, an impairment to be recognized as the impairment value is determined as 100% of the amount of the receivable from Corporate Commercial Bank AD (insolvent).

In 2017 a statement from a partial accounting was published in the Commercial Register for the distribution of the available amounts among the creditors of the bank by the syndics of the CCB AD (insolvent). According to the distribution of the syndics, Bulgargaz EAD should be recovered the amount of BGN 561 thousand. On the basis of this information and decisions of the Board of Directors of BEH EAD under Protocol No. 21-2017/07.03.2017 and of Bulgargaz EAD under Protocol No. 280/29.05.2017, as of 30th June, 2017 a reversal of impairment of receivables from the Corporate Commercial Bank AD – insolvent was made up to the amount of the recoverable amount determined by the syndics, namely BGN 561 thousand.

By an Order by the Supreme Court of Cassation of 13th March, 2018 the appeal of Bulgargaz EAD against the decision of the Sofia Appellate Court, the case with Corporate Commercial Bank AD (insolvent) was not admitted to cassation and the decision came into effect.

The decision of the Sofia Appellate Court was upheld by the decision of the Sofia City Court, which rejected the objection of Bulgargaz EAD against the decision of the syndics of CCB AD (n) to acknowledge that the company was the holder of a receivable for an amount to BGN 12 394 thousand, as well as a claim for contractual interest on the receivables filed in insolvency proceedings at the amount of BGN 17 472 thousand. As of the date of the Supreme Court of Cassation's order, the decision of the Sofia City Court entered into force.

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

11. CASH AND CASH EQUIVALENTS

	AS AT 31 MARCH 2018	AS AT 31 DECEMBER 2017
Cash on hand	19	23
Cash in bank accounts	86 266	2 122
Total cash and cash equivalents	86 285	2 145

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% (2017: 10%), applicable for the year, when they are expected to occur retroactively.

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

	QUARTER ENDED 31 MARCH	
	2018	2017
AS AT 1 JANUARY	14 940	15 240
Recognized as (income)/expense in the condensed statement of profit or loss and other comprehensive income (Note 18)	1 304	(32)
AS AT 31 MARCH	16 244	15 208

BULGARGAZ EAD**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2018**

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 2018	-	(14 917)	(14)	(14)	-	(14 945)
Expense/(Income) in profit or loss		(1 304)				(1 304)
AS AT 31 MARCH 2018	-	(16 221)	(14)	(14)	-	(16 249)
DEFERRED TAX LIABILITIES						
AS AT 1 JANUARY 2018	-	-	-	-	5	5
Expense/(Income) in profit or loss						
AS AT 31 MARCH 2018	-	-	-	-	5	5
DEFERRED TAX ASSETS, NET	-	(16 221)	(14)	(14)	5	(16 244)

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2018

13. SHARE CAPITAL	QUARTER ENDED 31 MARCH 2018	
	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	QUARTER ENDED 31 MARCH 2018			
	Statutory reserves	Revaluation reserves of non-financial assets	Reserve of revaluations of defined benefit plans	Total
At the beginning of period	6 420	53	1	6 474
At the end of the period	6 420	53	1	6 474

15. TRADE AND OTHER PAYABLES	AS AT 31	AS AT 31
	MARCH 2018	DECEMBER 2017
Related party payables (Note 20)	23 995	42 135
VAT payable	23 222	25 282
Advances received from clients for sale of natural gas	3 104	1 637
Trade payables	10 698	567
Interest on overdue payables	-	-
Excise duty	1 393	1 469
Payables to employees	107	120
Liabilities to insurance companies	71	70
Other liabilities	406	148
Total trade and other payables	62 996	71 428
Less non-current portion:		
- Related party payables (Note 20)	4 203	24 661
Non-current trade and other payables	4 203	24 661
Current trade and other payables	58 793	57 720

16. UNUSUAL ITEMS

There are no expenses in the condensed statement of profit or loss and other comprehensive income as at 31st March, 2018 treated as unusual items.

17. IMPAIRMENT LOSS

	QUARTER ENDED 31 MARCH	
	2018	2017
Impairment loss accrued for trade and other receivables (Note 10)	(13 030)	-
Total impairment losses of assets	(13 30)	-

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2018

18. INCOME TAX EXPENSES

	QUARTER ENDED 31 MARCH	
	2018	2017
Effect of the change in deferred taxes (Note 12)	1 304	(32)
Income (expense) tax revenues	1 304	(32)

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% (2017: 10%).

19. CONTINGENT ASSETS AND LIABILITIES

European Commission procedures

Case COMP/B1/AT.39849 – BEH Gas

The case is related to an alleged breach of Article 102 of TFUE in connection to alleged actions of BEH EAD and its subsidiaries – Bulgargaz EAD and BULGARTRANS GAS EAD aimed at:

- 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), 10 July 2015 (Bulgarian Energy Holding EAD) and 17 July 2015 (Bulgartransgaz EAD).

On 24th 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 arising from a possible prohibitive decision, including a possible financial sanction. At this time, the European Commission has not taken a formal decision to close the case, including the possible amount of the financial penalty.

Legal claims

There are no significant legal claims against the Company. In 2017 the Company filed a complaint with the Sofia Administrative Court contesting the lawfulness of the decision of the EWRC, with which the Commission approves the price of natural gas in the first quarter of 2017.

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2018**

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, Energy Investment Company EAD

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

Botyo Tomov Velinov – 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

Petar Asenov Iliev – Chairman of the BoD

Zhivko Dimitrov Dinchev – Member of the BoD

Petyo Angelov Ivanov – Member of the BoD and CEO

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2018

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

(A) SALE OF GOODS AND SERVICES

	QUARTER ENDED 31 MARCH	
	2018	2017
Parent company		
BULGARIAN ENERGY HOLDING EAD	-	-
Companies under common control		
BULGARTRANGAZ EAD	2 530	3 462
Total	2 530	3 462

Sales include natural gas sold for technology and balancing.

(B) PURCHASE OF GOODS AND SERVICES

	QUARTER ENDED 31 MARCH	
	2018	2017
Parent company		
BULGARIAN ENERGY HOLDING EAD	46	50
Companies under common control		
BULGARTRANGAZ EAD	28 011	15 616
BULGARTEL EAD	5	5
Total	28 062	15 671

Purchases of services from BULGARIAN ENERGY HOLDING EAD include services under management and control agreement.

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

Purchases of services from BULGARET EAD include technical support.

(C) ASSIGNMENT OF RECEIVABLES

During the reporting period, the Company has transferred for consideration its receivables from Toplofikatsia Sofia EAD, Toplofikatsia Pleven EAD, Toplofikatsia Burgas EAD, Toplofikatsia Petrich EAD to the National Electrical Company EAD, totalling BGN 66 437 thousand, on the basis of agreements concluded between the assignor and the assignees.

(D) ACCRUED PENALTY CHARGES

	QUARTER ENDED 31 MARCH	
	2018	2017
Parent company		
BULGARIAN ENERGY HOLDING EAD	103	-
Companies under common control		
BULGARTRANGAZ EAD	210	-
Total	313	-

Accrued penalty charges relate to the obligation to pay dividends and to the transmission and storage of natural gas.

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2018

(E) RECEIVABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 MARCH 2018	AS AT 31 DECEMBER 2017
Companies under common control		
BULGARTRANGAZ EAD	8 741	10 826
Total	8 741	10 826

(F) PAYABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 MARCH 2018	AS AT 31 DECEMBER 2017
NON-CURRENT		
Companies under common control		
BULGARTRANGAZ EAD	4 203	8 368
Total non-current	4 203	8 368
CURRENT		
BULGARIAN ENERGY HOLDING EAD	20	14 929
Companies under common control		
BULGARTRANGAZ EAD	19 771	18 837
BULGARTEL EAD	1	1
Total current	19 792	33 767
Total	23 995	42 135

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

As at 31st March, 2018 the Company has an agreement, concluded on 15th July, 2015 consolidating 3 previous agreements of 11 May 2012, 15 March 2013 and 1 April 2015. As at the signing date of the agreement until the date of final payment of the debt – 30th June, 2019, in accordance with a payback schedule, the Company owes interest amounting to 3.6 per cent per year, based on a 360-year basis.

As at 31st March, 2018 the long-term portion of rescheduled trade payables is estimated at

BGN 4 203 thousand (31st December, 2017: BGN 8 368 thousand) and the short-term part to BGN 16 439 thousand principal (31st December, 2017: BGN 16 293 thousand).

The rest of the current obligations to Bulgartransgaz EAD is related to current supply of transmission services and storage of natural gas amounting to BGN 3 332 thousand.

(G) KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel includes members of the Board of Directors.

Key management personnel remunerations are as follows:

	QUARTER ENDED 31 MARCH	
	2018	2017
Short term benefits to key management personnel		
- Remunerations	39	32
- Social security costs	5	4
Total	44	36

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2018**

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 31st March, 2018 except for those mentioned below:

By its decision, the Energy and Water Regulation Commission established the marginal prices of natural gas from the Public supplier to end suppliers and customers connected to the gas transmission network for the second quarter of 2018 as follows: BGN 34.04/MWh (BGN 361.82/1000 cubic meters), excluding excise duty and VAT.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements as at 31st March, 2018 (including comparatives) were approved and endorsed by the Board of Directors on 25th April, 2018.