

**BULGARGAZ EAD**

**INTERIM MANAGEMENT REPORT  
INTERIM CONDENSED FINANCIAL STATEMENTS  
INDEPENDENT AUDITORS' REPORT**

**30 JUNE 2022**

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This Bulgargaz EAD Report as at 30 June 2022 presents comments on and analysis of its financial statements, as well as other material information about the Company's financial position and business performance, and features and compares data from the first half of 2022 with data from the first half of 2021.

This report has been prepared pursuant to Article 39 of the Accountancy Act, Article 187d, Article 247(1), (2) and (3) of the Commerce Act and Article 100n(7)(2) of the Public Offering of Securities Act.

## **I. GENERAL COMPANY INFORMATION**

Bulgargaz EAD is a sole shareholder limited company registered pursuant to the Commerce Act, having its registered office and principal place of business at 47 Petar Parchevich St, Serdika, 1000 Sofia, Bulgaria.

The Company has no branches registered in Bulgaria or abroad.

The authorised capital is divided into 231 698 584 registered shares. The capital of the Company is subscribed and paid up by Bulgarian Energy Holding EAD. All shares have a par value of BGN 1. The shares of the Company are ordinary, registered, non-preferred shares with voting rights. The State owns 100% of the authorised capital of Bulgarian Energy Holding EAD.

Bulgargaz EAD's main business is the public supply of natural gas, as well as purchases and sales related thereto. The Company does not conduct research.

Bulgargaz EAD holds an individual licence to supply natural gas to the public in Bulgaria issued by the State Energy and Water Regulatory Commission on 29 November 2006 for a period of 35 years.

Pursuant to Article 21(1)(1) in conjunction with Article 39(1)(5) of the Energy Act and by Decision JI-548-15 of the Energy and Water Regulatory Commission (EWRC) of 16 September 2021, Bulgargaz EAD has been issued with Natural Gas Trading Licence No A0435 for a period of 10 years.

The Company also a 20-year licence to trade in natural gas in Greece.

The special laws and regulations concerning the Company's business are: Energy Act; Ordinance No 3 of 2013 on licencing of energy activities; Ordinance No 2 of 2013 on regulating natural gas prices; Rules for Trade in Natural Gas; Regulation No 994/2010 of the European Parliament and of the Council concerning measures to safeguard security of gas supply and repealing Council Directive 2004/67/EC.

Based on the methodology for setting prices for access to and transmission of natural gas through the gas transmission networks owned by Bulgartransgaz EAD, adopted by the EWRC, and in connection with the introduction of an in-out tariff model to implement the same methodology, since 1 October 2017 the prices for access to and transmission through the gas transmission networks are set in BGN/MWh. Bulgargaz EAD and Bulgartransgaz EAD have concluded a contract for access to and transmission of natural gas through the gas transmission networks of Bulgartransgaz EAD and an agreement for the purchase and sale of natural gas for balancing purposes.

### **1. COMPANY STRUCTURE**

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

- Sole Shareholder authorised to make decisions within the competence of the General Meeting
- Board of Directors (BoD)

As at 27 January 2022, the Board of Directors is composed by:

Diana Stoyanova Boneva	BoD chair and member
Nikolay Angelov Pavlov	BoD member and Executive Director
Iliyan Kirilov Dukov	BoD member
Nikolay Atanasov Donchev	BoD member
Svetoslav Tanev Delchev	BoD member

By Decision No.6 20-22 of the Bulgarian Energy Holding EAD of 28 January 2022, the following new members were elected to the Board of Directors of Bulgargaz EAD:

Ivan Dimitrov Topchiyski – BoD chair and member

Lyudmil Ventsislavov Yotsov – BoD member and Executive Director

Anzhela Svetlozarova Slavova – BoD member

Anton Yordanov Adamov – BoD member

Stefan Pandov Voynov – BoD member

This information was registered in the Commercial Register on 3 February 2022.



## 2. RESPONSIBILITY OF MANAGEMENT

Management confirms that adequate accounting policies were applied in preparing the condensed interim financial statements as at 30 June 2022 and that they have been prepared on a going concern basis.

Management is responsible for keeping proper accounting records, for expedient asset management and for taking the necessary actions to prevent and detect potential fraud and other irregularities.

## 3. INFORMATION ON THE ACQUISITION AND OWNERSHIP OF COMPANY SHARES BY MEMBERS OF THE BOARD OF DIRECTORS

The Company does not hold any of its own shares.

BoD members do not own Company shares. No privileges and exclusive rights to acquire Company shares and bonds acquisition have been provided to BoD members. All shares are owned by Bulgarian Energy Holding EAD.

Information on the participating interests of BoD members in 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 procurement officers, managers or board members (pursuant to Article 247(2)(4) of the Commerce Act) is shown below:

### **Nikolay Angelov Pavlov – Executive Director, BoD member since 22 May 2017:**

- does not hold participating interests in any company as an unlimited liability partner;
- does not own more than 25% of the equity of any company;

- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

**Diana Stoyanova Boneva – BoD chair member since 19 July 2021:**

- does not hold participating interests in any company as an unlimited liability partner;
- does not own more than 25% of the equity of any company;
- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

**Iliyan Kirilov Dukov – BoD member since 6 January 2015:**

- does not hold participating interests in any company as an unlimited liability partner;
- owns more than 25% of the equity of Yapi Investments OOD, Lift Corp OOD, Nilis OOD, Imocorp EOOD and Inmax EOOD;
- participates in the management of Nilis OOD, Imocorp EOOD and Inmax EOOD as a manager.

**Nikolay Atanasov Donchev – BoD member since 19 July 2021:**

- does not hold participating interests in any company as an unlimited liability partner;
- does not own more than 25% of the equity of any company;
- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

**Svetoslav Tanev Delchev – BoD member since 19 July 2021:**

- does not hold participating interests in any company as an unlimited liability partner;
- owns more than 25% of the equity of Travel Academy OOD;
- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

**Lyudmil Ventsislavov Yotsov – Executive Director and BoD member since 3 February 2022:**

- does not hold participating interests in any company as an unlimited liability partner;
- owns more than 25% of the equity of FEB 25 OOD;
- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

**Ivan Dimitrov Topchiyski – Chair and BoD member since 3 February 2022:**

- does not hold participating interests in any company as an unlimited liability partner;
- does not own more than 25% of the equity of any company;
- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

**Anzhela Svetlozarova Slavova – Chair and BoD member since 3 February 2022:**

- does not hold participating interests in any company as an unlimited liability partner;
- owns more than 25% of the equity of In Mind OOD;
- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

**Anton Yordanov Adamov – Chair and BoD member since 3 February 2022:**

- does not hold participating interests in any company as an unlimited liability partner;
- does not own more than 25% of the equity of any company;

- does not participate in the management of other companies or co-operations as a procurement officer, manager or BoD member.

**Stefan Pandov Voynov – Chair and BoD member since 3 February 2022:**

- does not hold participating interests in any company as an unlimited liability partner;
- owns more than 25% of the equity of Net Investment OOD, Net Delivery AD and Via Smart Investment EOOD;
- participates in the management of Net Investment OOD as director, Net Delivery AD and Bulgartel AD as representative and BoD member and Via Smart Investment EOOD as sole shareholder.

#### **4. INFORMATION ABOUT CONTRACTS UNDER ARTICLE 240B OF THE COMMERCE ACT CONCLUDED IN THE YEAR**

As at 30 June 2022, the Board of Directors or any other related persons have not entered into any contracts pursuant to Article 240B of the Commerce Act on behalf of the Company that go beyond its normal business or substantially deviate from market conditions.

## **II. BUSINESS PERFORMANCE AS AT 30 JUNE 2022**

As at 30 June 2022, Bulgargaz EAD operates in compliance with all regulations. The result of the Company's business is net profit of BGN 6 031 thousand (as at 30 June 2022: profit of BGN 21 685 thousand).

### **1. GENERAL FACTORS AFFECTING COMPANY BUSINESS**

Bulgargaz EAD's business, public supply of natural gas, is governed by the Energy Act and related regulations.

The Act Amending and Supplementing the Energy Act (AASEA), adopted on 25 September 2019 by the National Assembly and published in the State Gazette, issue 79 of 2019, created an organised natural gas exchange and governs its functioning and the role of market participants.

From 1 December 2019, Bulgargaz EAD became obligated to annually offer certain quantities of natural gas for sale on the organised exchange in accordance with the release programme set out in Article 176a of the EA.

The amendment to Article 30(1)(7) of the EA, published in the State Gazette, issue 79 of 2019, substantially narrowed the circle of entities to which Bulgargaz EAD sells gas at regulated prices. This change entered into force on 1 January 2020, meaning that Bulgargaz EAD, as a public supplier, now only sells natural gas at regulated prices to:

- (i) end natural gas suppliers;
- (ii) entities holding a licence to produce and transmit heat used for district heating.

All other customers directly connected to the gas transmission network no longer participate in the regulated market.

Following changes to the law, Bulgargaz EAD conducts its activities as follows:

- on the regulated market at prices set by the EWRC;
- on the organised exchange at freely negotiated prices;
- under the Gas Release Programme where natural gas is released on an organised exchange in accordance with the terms of the Programme Implementation Agreement approved by the EWRC;
- outside an organised exchange (on the domestic and international markets) at freely negotiated prices.

Pursuant to the Natural Gas Trading Rules, Bulgargaz EAD binds the terms of delivery in the contracts with its customers with the terms of its long-term contracts.

## 2. ACHIEVEMENT OF QUANTITATIVE INDICATORS

### 2.1. Quantities of natural gas bought and sold

The main natural gas supplies ensuring the Company's customers have sufficient quantities for their purposes are provided under a long-term contract with OOO Gazprom Export. On 27 April 2022, OOO Gazprom Export unilaterally suspended the supply of natural gas to Bulgargaz EAD under the contract concluded between the parties. In view of this and with the aim of securing the quantities agreed with our customers and preventing the introduction of restrictions on gas use in Bulgaria, the Company promptly took steps to purchase the necessary amounts of natural gas from other traders.

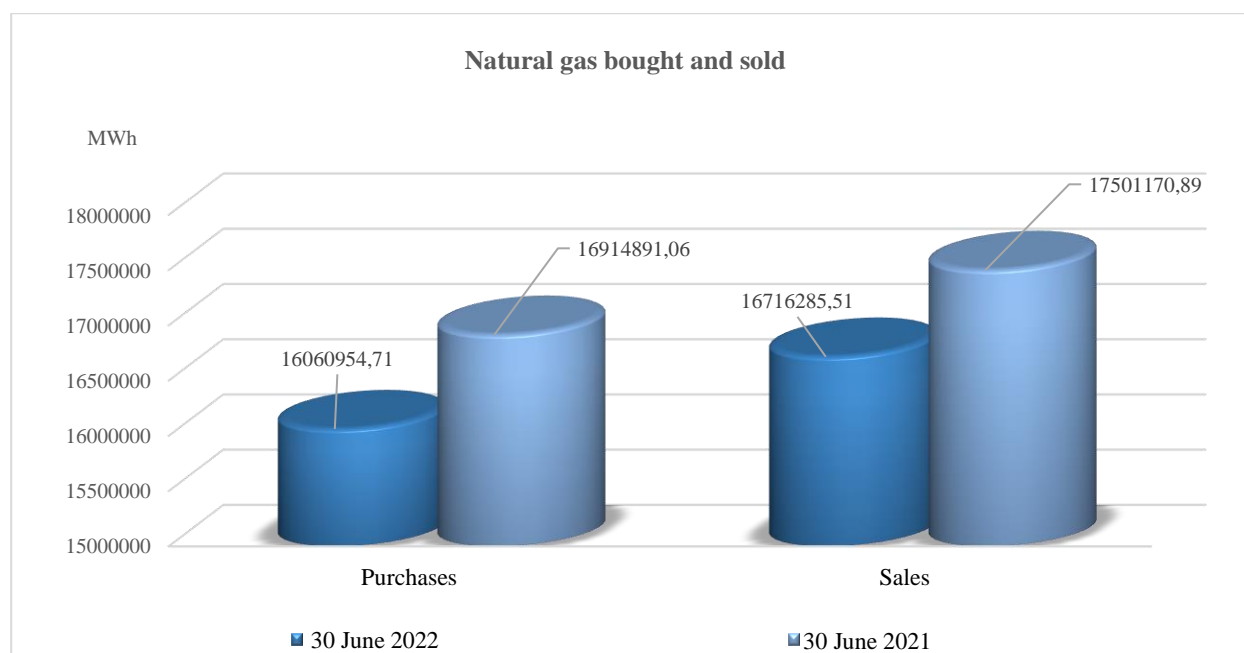
As a result of negotiations and agreements signed on 29 December 2020, gas supplies from Azerbaijan under a contract from 2013 began on 31 December 2020. According to the agreements, Bulgargaz EAD receives those supplies at a temporary delivery point in Greece and transports them through the Greek gas transmission network to the Bulgarian border. After an amendment was signed, effective from 1 July 2022, natural gas has been flowing from Azerbaijan in the full agreed volume.

The quantities of natural gas bought and sold as at 30 June 2022 compared to 30 June 2021 are shown in Table 1 below:

Table 1

MWh

Type of supply	Unit	As at 30 June 2022	As at 30 June 2021	Change in quantities	Change in %
Purchase	MWh	16 060 955	16 002 097	58 858	0,37%
Sale	MWh	16 716 286	17 503 640	(787 354)	(4,50%)



A total of 16 060 955 MWh (as at 30 June 2021: 16 002 097 MWh) were bought in the reporting period, which is an increase of 58 858 MWh or 0,37%.

The quantity of gas sold as at 30 June 2022 were 16 716 286 MWh, compared to 17 503 640 MWh as at 30 June 2021, which is a decrease of 787 354 MWh or 4,50%. The fall in sales is mainly due to lower consumption by customers in energy, chemistry and VTP.

### 2.2 Quantities of natural gas purchased

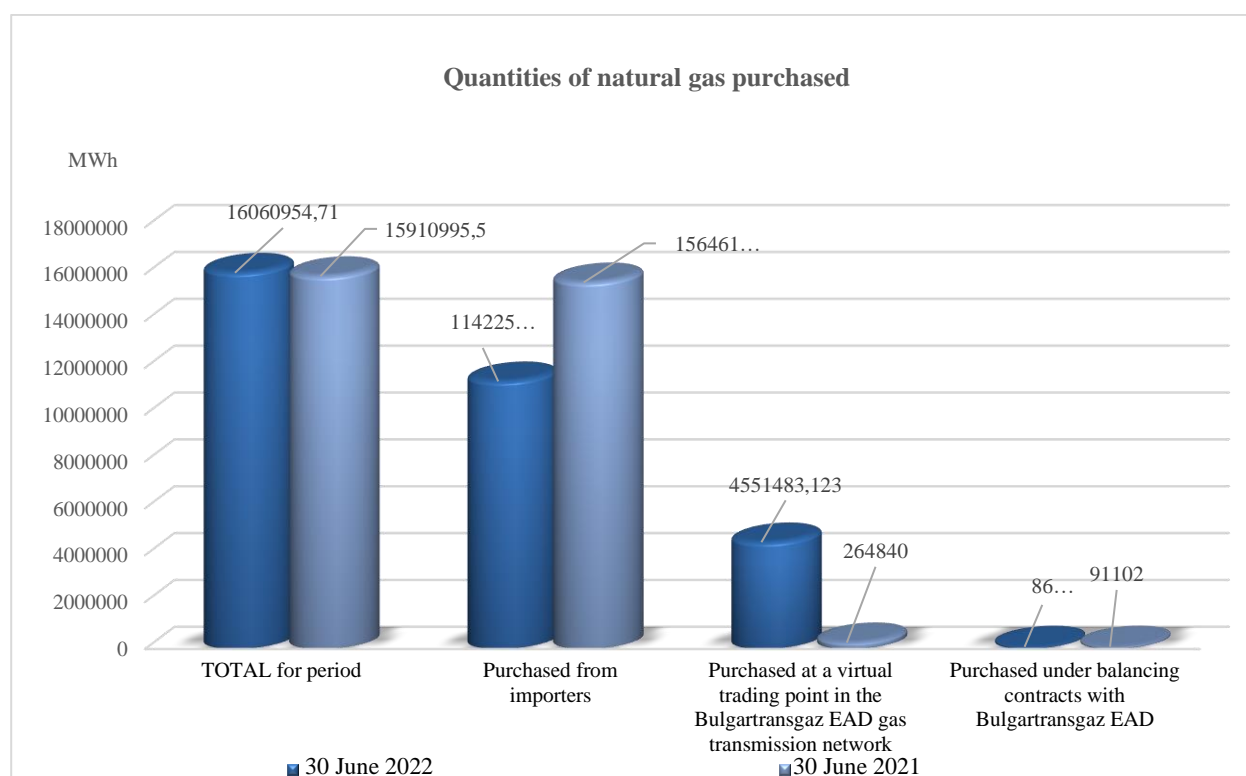
The quantities of natural gas purchased as at 30 June 2022 and 30 June 2021 are shown in Table 2.

Table 2

MWh

Natural gas purchased	As at 30 June 2022	As at 30 June 2021	Change in quantities	Change in %
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Natural gas purchased	As at 30 June 2022	As at 30 June 2021	Change in quantities	Change in %
<b>TOTAL for period</b>	<b>16 060 955</b>	<b>16 002 097</b>	<b>58 858</b>	0,37%
Purchased from importers	11 422 547	15 646 155	(4 223 608)	(26,99%)
Purchased at a virtual trading point in the Bulgargaz EAD gas transmission network	4 551 483	264 840	4 286 643	1618,58%
Purchased under balancing contracts with Bulgargaz EAD	86 925	91 102	(4 177)	(4,58%)



To meet its customers' needs for natural gas, as at 30 June 2022 Bulgargaz EAD has purchased 16 060 955 MWh natural gas (30 June 2021: 16 002 097 MWh). As at 30 June 2022, the quantities of natural gas bought from importers are 11 422 547 MWh, which is 71,12% of the total purchased, and the quantities bought at a virtual trading point are 4 551 483 MWh. The natural gas bought from Bulgargaz EAD under balancing contracts is 86 925 MWh.

### 2.3 Natural gas pumped in and out

To ensure the security and continuity of the supply of natural gas to its customers and cover irregular demand, Bulgargaz EAD uses capacity from the Chiren Underground Gas Storage Facility (Chiren UGSF).

In accordance with the Emergency Action Plan (Plan) for storing quantities of natural gas in order to compensate for the seasonal irregular demand by its customers, Bulgargaz EAD has an obligation to pump in, store and pump out quantities of natural gas by participating in a public tender organised by Bulgargaz EAD for the allocation of storage capacity at the Chiren UGSF.

The quantities of natural gas pumped in and out of the Chiren UGSF as at 30 June 2022 and 30 June 2021 are shown in Table 3.

Table 3

MWh

Amount pumped in and out	As at 30 June 2022	As at 30 June 2021	Change in MWh	Change in %
Quantities available at beginning of period	2 071 621	2 322 800	(251 179)	(10,81%)



Amount pumped in and out	As at 30 June 2022	As at 30 June 2021	Change in MWh	Change in %
Amount pumped out	2 256 713	2 453 215	(196 502)	(8,01%)
Amount pumped in	1 552 443	947 261	605 182	63,89%
Difference in the recalculation of stocks, amount produced and amount pumped into the Chiren UGSF	-	480	(480)	(100 %)
<b>Quantities available at end of period</b>	<b>1 367 351</b>	<b>816 366</b>	<b>550 985</b>	<b>67,49%</b>

As at 30 June 2022, the quantities of natural gas pumped out are 2 256 713 MWh, which is a decrease of 196 502 MWh or 8,1% compared to the previous period (30 June 2021: 2 453 215 MWh). As at 30 June 2022, the quantities of natural gas pumped into storage are 605 182 MWh greater than on 30 June 2021, when they were 947 261 MWh.

As at 30 June 2022, the Company has 1 367 351 MWh of gas in the Chiren UGSF, which is 550 985 MWh or 67,49% more than the previous period (as at 30 June 2021: 816 366 MWh).

The Company is meeting its obligations under the Plan to pump in natural gas.

### III. NATURAL GAS SALES

#### 1. Sales

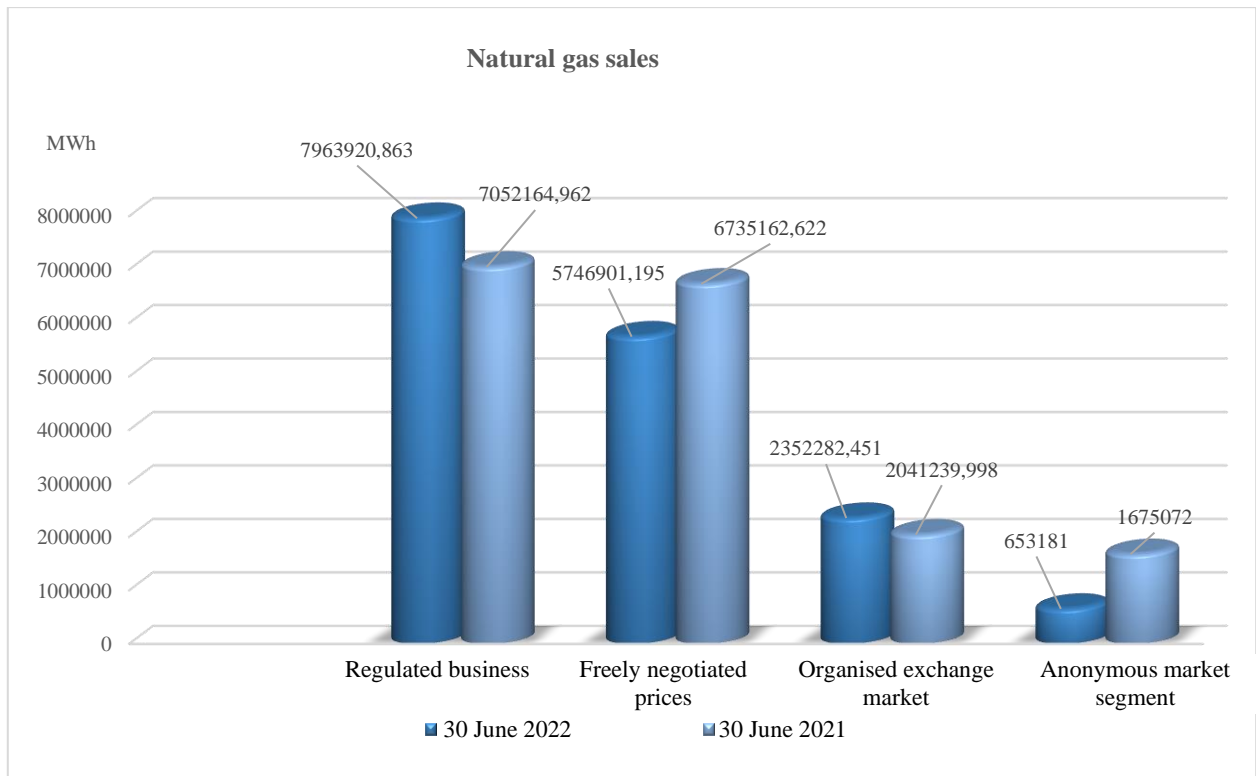
Bulgargaz EAD provides a reliable supply of natural gas to its Bulgarian customers in accordance with contractual requirements. As at 30 June 2022, 16 716 286 MWh of natural gas have been sold, which is a decrease of 787 354 MWh or 4,50% on the quantities sold in the first half of 2021 (17 503 640 MWh).

Natural gas sales in the reporting period are shown in Table 4:

Table 4

MWh

Sales	As at 30 June 2022	As at 30 June 2021	Change in quantities	Change in %
Regulated business	7 963 921	7 052 165	911 756	<b>12,93%</b>
Freely negotiated prices	5 746 901	6 735 163	(988 262)	(14,67%)
Organised exchange	2 352 282	2 041 240	311 042	15,24%
Anonymous segment	653 181	1 675 072	(1 021 891)	(61,01%)
<b>Total</b>	<b>16 716 286</b>	<b>17 503 640</b>	<b>(787 354)</b>	<b>(4,50%)</b>



## 2. Structure of sales

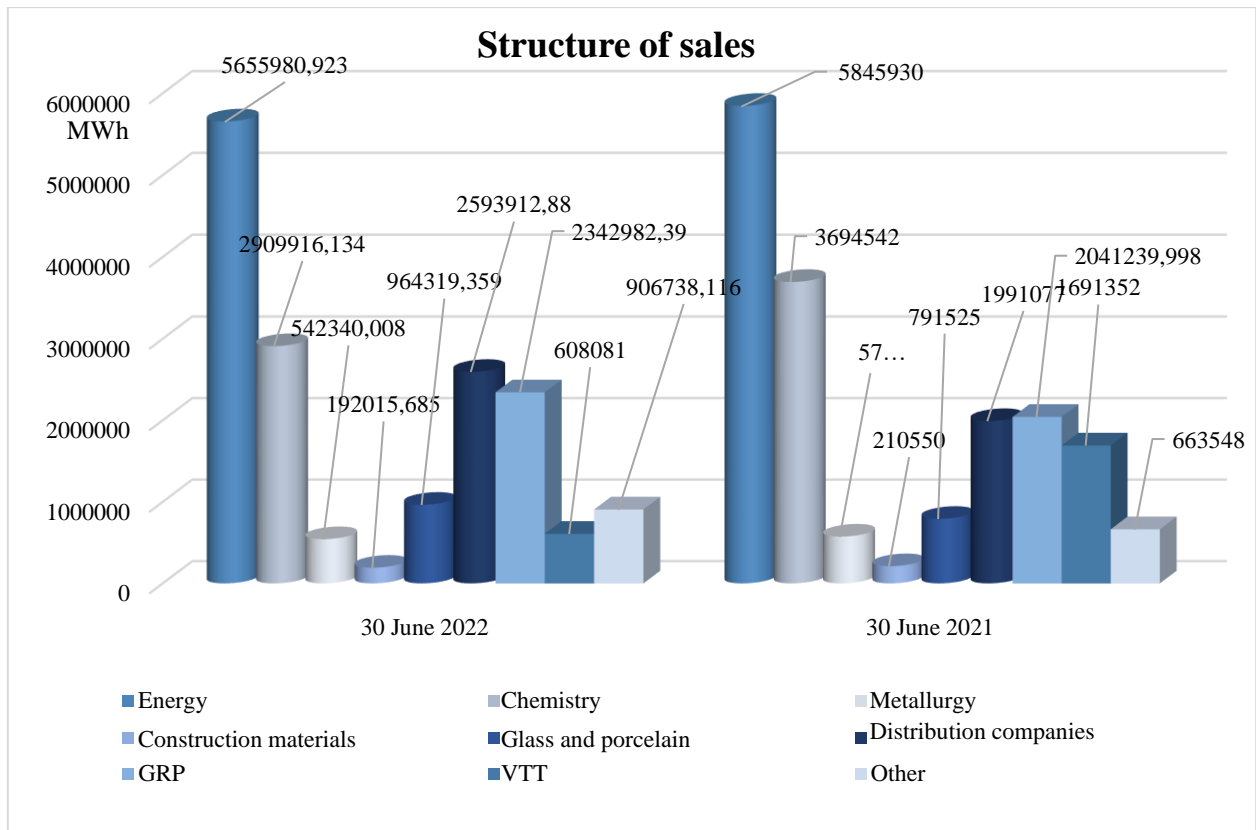
The quantities of natural gas sold to the Company's customers (by main economic sector) as at 30 June 2022 and as at 30 June 2021 are shown in Table 5.

Table 5

MWh

Sector	As at 30 June 2022	As at 30 June 2021	Change in quantities	Change in %
Energy	5 655 981	5 845 930	(189 949)	(3,25%)
Chemistry	2 909 916	3 694 542	(784 626)	(21,24%)
Metallurgy	542 340	573 876	(31 536)	(5,50%)
Construction materials	192 016	210 550	(18 534)	(8,80%)
Glass and porcelain	964 319	791 525	172 794	21,83%
Distribution companies	2 593 913	1 991 077	602 836	30,28%
GRP	2 342 982	2 041 240	301 742	14,78%
VTP	608 081	1 691 352	(1 083 271)	(64,05%)
Other	906 738	663 548	243 190	36,65%
<b>Total</b>	<b>16 716 286</b>	<b>17 503 640</b>	<b>(787 354)</b>	<b>(4,50%)</b>

As at 30 June 2022, sales have decreased by 787 354 MWh or 4,5% compared with those as at 30 June 2021. This is due to lower consumption by customers, mainly from the following sectors: energy, chemistry, construction materials and VTT, whereas at the same time, consumption in the glass and porcelain, distribution companies and GRP sectors has risen.



The data in Table 5 and the chart above show the following trend in natural gas consumption:

- ✓ energy and chemistry companies are the major consumers of natural gas;
- ✓ total natural gas sales have decreased as at 30 June 2022 compared with the same period ending on 30 June 2021 due to lower consumption by customers. Sales have substantially decreased in the energy and chemistry sectors.

#### IV. RISK FACTORS

The main risk factors to the Company's business are: price/regulatory risk (natural gas sold at a regulated price lower than the purchase price); currency risk, liquidity risk, credit risk, political risk.

In the course of its business, the Company faces the following types of risk:

##### 1. Regulatory/price risk

Bulgargaz EAD's business has certain specifics because the Company is a public supplier of natural gas. The Company buys natural gas at market prices and resells part of those quantities at regulated prices. The difference between purchase and selling prices exposes the Company to risk of losses and liquidity deficits in fulfilling its functional duties. In case the prices approved by regulator are lower than the supply prices, sales revenue would not be sufficient to cover the actual cost of buying natural gas, so the Company would find it difficult to pay its liabilities to suppliers.

##### 2. Currency risk

Currency risk is associated with changes in foreign currency exchange rates resulting in gains/losses from the revaluation of assets in foreign currency.

The main risk to Bulgargaz EAD arises from the necessity to buy natural gas in USD and sell it in BGN. This exposes the Company to the risk of changes in the exchange rate. The price limit approved by the EWRC for every regulatory period is set at a fixed USD-BGN 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 also at risk of revaluation loss on its currency exposures due to changes in USD exchange rate.

##### 3. Credit risk

The credit risk to the Company results from customer receivables and the risk of financial loss if a customer fails to meet its contractual obligations to pay for gas. The Company's main customers are district heating companies that usually report problems in collecting their receivables from customers and accordingly experience difficulties in discharging their liabilities on due dates. The Company monitors and analyses its receivables by tracking its customers' conduct and reviews in detail its main debtors' activities. The Company enters into deferred payment agreements with some customers facing difficulties in discharging their current liabilities. Bulgargaz EAD's final measure is to suspend the supply of natural gas and attempt to collect its receivables in court.

#### **4. Liquidity risk**

Liquidity risk arises when the Company is unable to meet its current financial obligations and commitments. Those are short-term liabilities of the Company, namely payments for transmission and storage, taxes and excise duties due to the State, liabilities in respect of commercial loans and regular payments related to operations. Short-term liabilities require careful planning of all cash flows on the basis of monthly forecasts.

Management has taken the following measures to improve the Company's liquidity:

- ✓ Overdrafts of BGN 95,988 thousand have been taken out. The repayment term for four of them is 13 October 2022, for two of them it is 23 December 2022 and for one of them it is 13 December 2022. The overdraft contracts had already been concluded by the Company in 2020-2021 and were available as needed;
- ✓ A BGN 200 million loan was received from the parent company. It must be repaid by February 2023;
- ✓ The Bulgarian state budget, as updated in July 2022, provides for the issue of a EUR 150 million state guarantee to Bulgargaz EAD in connection with upcoming financing from the European Bank for Reconstruction and Development;
- ✓ Government Decree No. 245 of 11 August 2022 approved additional payments of BGN 800 million from the Ministry of Energy budget for the purchase of natural gas and provision of working capital. On 11 August 2022, the Council of Ministers adopted a decision laying down the terms for granting a loan to Bulgargaz EAD from the Ministry of Energy. The loan is secured by current and future receivables of Bulgargaz EAD from Toplofikatsia Sofia EAD;
- ✓ Negotiations are underway to defer receivables from TEC Varna EAD, the full amount of which is subject to litigation, and both parties have agreed that the amounts owed will be paid within 6 months.

#### **5. Geopolitical risk**

Since late February 2022, there has been a geopolitical crisis as a result of the war between Ukraine and the Russian Federation. This event had a significant, direct effect on the activities of Bulgargaz EAD, which is detailed in Note 6 to the financial statements. One of the Bulgaria-specific consequences of this war was the suspension of natural gas supplies by OOO Gazprom Export from 27 April 2022, following the Russian supplier's unilateral proposal for a substantial amendment to the contract related to the method of payment. After an analysis by the Company's management, representatives of the sole shareholder Bulgarian Energy Holding, the Ministry of Energy and the Government, it was determined that the new two-stage payment procedure proposed by the Russian party was not in accordance with the existing contract expiring at the end of 2022 and posed significant risks for the Bulgarian party, including making payments without receiving any gas supplies from the Russian party. At the present moment, Bulgargaz EAD continues to promptly and strictly fulfil the terms of the contract related to sending requests for natural gas on a daily and monthly basis.

## **V. STRATEGIC AND MARKET GOALS**

The Company's development is connected to achieving its strategic and market goals.

Bulgargaz EAD's main strategic goals are to fulfil its duties and responsibilities to provide continuous and secure supplies. Guaranteeing natural gas supplies is key to Bulgaria's energy security. To achieve those goals, Bulgargaz EAD makes all efforts to provide alternative natural gas supply routes and sources that help increase natural gas supply security and reliability. This involves maintaining the Company's financial stability and increasing its economic performance in conditions of market uncertainty and high inter-company indebtedness.

Bulgargaz EAD's market goals are to gain a foothold in other gas markets.

Bulgargaz EAD's financial goals are to ensure the Company's financial stability. With regard to the regulated market, the legal framework governs how Bulgargaz EAD prices sales on the regulated market. Generating "excess profit" would breach the Ordinance on regulating natural gas prices, which caps the "public supply"

component at 2.5% per year. With regard to the free market, in order to ensure a level playing field between the Company's customers, Bulgargaz EAD has proposed to use, after 1 January 2020, a single approach to setting the prices at which it supplies natural gas to the regulated market and, accordingly, the prices under the contracts that were initially concluded at regulated prices and should be performed at freely negotiated prices after the entry into force of the Act Amending and Supplementing the Energy Act. In order to ensure a smooth transition and protect the interests of both parties as best as possible, Bulgargaz EAD offered to its customers to set sale prices under the contracts in accordance with the Ordinance on regulating natural gas prices. The approach used by Bulgargaz EAD ensures gas prices are set objectively and transparently. After this transitional period, Bulgargaz EAD should use a free market pricing mechanism that takes into account market requirements and complies with its long-term contracts.

The Company's management has updated its business plan and development forecast, which are based on estimated customer requests, current law regulating the pricing of natural gas, obligations under existing contracts with natural gas suppliers, market conditions affecting received supplies of liquefied natural gas (LNG) and estimated quotations included in natural gas supply contracts. Supply continuity forecasts also include Management's expectation that the IGB pipeline will be commissioned for commercial operation on 1 October 2022, with natural gas supplies flowing from Azerbaijan in the full agreed volume since 1 July 2022.

## VI. FINANCIAL AND ECONOMIC POSITION

Bulgargaz EAD's financial and economic position has been examined and analysed on the basis its financial statements: interim statement of financial position, interim profit or loss and other comprehensive income, interim statement of cash flows and interim statement of changes in equity as at 30 June 2022 compared with the same period in 2021.

The provision set aside as at 30 June 2022 for Case COMP/B1/AT.39849-BEH Gas amounts to BGN 52 346 thousand, constituting 1/3 of the total fine imposed on BEH EAD, Bulgartransgaz EAD and Bulgargaz EAD. The appeal is expected to have a positive outcome and the provisional expense is therefore expected to be reversed in 2023.

Bulgargaz EAD has initiated International Arbitration Case No 78/2019 at the Court of International Commercial Arbitration attached to the Chamber of Commerce and Industry of Romania, against Romania's national gas transmission company Transgaz SA.

The case concerns the amount of natural gas remaining in the Romanian Transit 1 gas pipeline after the termination of the long-term Transit Agreement No. 10726/19.10.2005 between Bulgargaz and Transgaz SA. Romania.

The court action demands USD 923 thousand.

As at 30 June 2022, the Company has used and is yet to repay overdrafts of BGN 95 988 thousand, granted under a contract with a bank. The total amount of authorised overdrafts is BGN 110 000 thousand. The loans are unsecured, have a market interest rate and mature in the period October-December 2022.

As at 30 June 2022, the Company has used and is yet to repay a credit line of BGN 187 627 thousand, granted under a contract with the Bulgarian Energy Holding EAD. The loan matures on 24 February 2023 and has a 3,23% annual interest rate. The total amount of the credit line is BGN 200 000 thousand.

## VII. MAIN FINANCIAL INDICATORS

Main financial and economic results of the Company's business activities as at 30 June 2022 and 30 June 2021:

*In thousands of BGN*

<b>Indicators</b>	<b>As at 30 June 2022</b>	<b>As at 30 June 2021</b>	<b>Change</b>	<b>Change (%)</b>
Total operating income	2 598 000	640 689	1 957 311	305,50%
Total operating expenses	(2 592 492)	(617 951)	(1 974 541)	319,53%
<b>EBITDA</b>	<b>5 508</b>	<b>22 738</b>	<b>(17 230)</b>	<b>(75,78%)</b>

<b>EBIT</b>	<b>5 269</b>	<b>22 484</b>	<b>(17 215)</b>	<b>(76,57%)</b>
<b>EBT</b>	<b>6 741</b>	<b>24 242</b>	<b>(17 501)</b>	<b>(72,19%)</b>

Indicators	As at 30 June 2022	As at 31 December 2021	Change	Change (%)
Non-current fixed assets	664	314	350	111,46%
Total assets	926 266	601 033	325 233	54,11%
Current assets	923 880	599 001	324 879	54,24%
Current liabilities	538 108	219 653	318 455	144,98%
<b>Cash</b>	<b>28 992</b>	<b>211</b>	<b>28 781</b>	<b>13640,28%</b>
<b>Floating capital</b>	<b>385 772</b>	<b>379 348</b>	<b>6 424</b>	<b>1,69%</b>
<b>Equity</b>	<b>334 944</b>	<b>328 913</b>	<b>6 031</b>	<b>1,83%</b>
Share capital	231 698	231 698	-	0,00%
Reserves	14 757	14 757	-	0,00%
Retained earnings / (accumulated loss)	82 458	18 553	63 905	344,45%
Profit/loss for period	6 031	63 905	(57 874)	(90,56%)
<b>Number of staff</b>	<b>51</b>	<b>51</b>	<b>-</b>	<b>(0,00%)</b>

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

*In thousands of BGN*

STATEMENT OF COMPREHENSIVE INCOME	As at 30 June 2022		As at 30 June 2021		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
<b>Income</b>	<b>2 598 000</b>	<b>100,00%</b>	<b>640 689</b>	<b>100,00%</b>	<b>1 957 311</b>	<b>305,50%</b>
<b>Revenue from natural gas sales</b>	<b>2 589 272</b>	<b>99,66%</b>	<b>635 941</b>	<b>99,26%</b>	<b>1 953 331</b>	<b>307,16%</b>
Regulated business	1 046 942	40,30%	251 514	39,26%	795 428	316,26%
Unregulated business at freely negotiated prices	867 366	33,38%	308 659	48,17%	558 707	181,01%
Organised exchange – Release Programme	333 506	12,84%	70 339	10,98%	263 167	374,14%
Related parties (Bulgartransgaz) – sale of natural gas for balancing purposes	25 514	0,98%	3 777	0,59%	21 737	575,51%
Sale of liquefied natural gas	303 085	11,67%	-	0,00%	303 085	-
Other penalties for quantities	12 859	0,49%	1 652	0,26%	11 207	678,39%
<b>Other income</b>	<b>8 728</b>	<b>0,34%</b>	<b>4 748</b>	<b>0,74%</b>	<b>3 980</b>	<b>83,82%</b>
- penalties for overdue receivables/ payables	8 725	0,34%	4 300	0,67%	4 425	102,91%
- other income	3	0,00%	448	0,07%	(445)	(99,33%)
<b>Expenses by economic type</b>	<b>(2 592 492)</b>	<b>100,00%</b>	<b>(617 951)</b>	<b>100,00%</b>	<b>(1 974 541)</b>	<b>319,53%</b>
<b>Cost price of natural gas sold</b>	<b>(2 573 119)</b>	<b>99,25%</b>	<b>(622 553)</b>	<b>100,74%</b>	<b>(1 950 566)</b>	<b>313,32%</b>
Regulated business	(1 062 250)	40,97%	(250 072)	40,47%	(812 178)	324,78%
Unregulated business at freely negotiated prices	(862 437)	33,27%	(298 483)	48,30%	(563 954)	188,94%
Organised exchange – Release Programme	(340 141)	13,12%	(70 190)	11,36%	(269 951)	384,60%
Related parties (Bulgartransgaz) – cost price of natural gas for balancing purposes	(20 427)	0,79%	(3 808)	0,61%	(16 619)	436,42%
Sale of liquefied natural gas	(287 864)	11,10%	-	0,00%	(287 864)	-
<b>Impairment reversed/(accrued)</b>	<b>(17)</b>	<b>0,00%</b>	<b>10 258</b>	<b>(1,66%)</b>	<b>(10 275)</b>	<b>(100,17%)</b>
Reversed/(accrued) loss from impairment of receivables, net	-	0,00%	10 178	(1,65%)	(10 178)	(100,00%)
Reversed/(accrued) impairment of cash	(17)	0,00%	80	(0,01%)	(97)	(121,25%)
<b>Cost of materials</b>	<b>(22)</b>	<b>0,00%</b>	<b>(58)</b>	<b>0,01%</b>	<b>36</b>	<b>(62,07%)</b>
- main materials	-	0,00%	(26)	0,01%	26	(100,00%)

STATEMENT OF COMPREHENSIVE INCOME	As at 30 June 2022		As at 30 June 2021		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
- fuels and lubricants	(6)	0,00%	(8)	0,00%	2	(25,00%)
- stationary and consumables	(8)	0,00%	(11)	0,00%	3	(27,27%)
- sanitary materials	(3)	0,00%	(4)	0,00%	1	(25,00%)
- advertising materials	-	0,00%	(2)	0,00%	2	(100,00%)
- other materials	(5)	0,00%	(7)	0,00%	2	(28,57%)
<b>Cost of hired services</b>	<b>(11 149)</b>	<b>0,43%</b>	<b>(3 577)</b>	<b>0,58%</b>	<b>(7 572)</b>	<b>211,69%</b>
- natural gas storage costs	(6 050)	0,23%	(2 810)	0,56%	(3 240)	115,30%
- expenses under BEH management contracts	(752)	0,03%	(29)	0,00%	(723)	2493,10%
- licence fees	(397)	0,02%	(82)	0,01%	(315)	384,15%
- Balkan Gas Hub fees	(61)	0,00%	(206)	0,03%	145	(70,39%)
- insurance	(48)	0,00%	(54)	0,01%	6	(11,11%)
- rent	-	0,00%	(1)	0,00%	1	(100,00%)
- court costs and fees	(3 171)	0,12%	(28)	0,00%	(3 143)	11225,00%
- consulting and auditing services	(147)	0,01%	(100)	0,02%	(47)	47,00%
- communications	(91)	0,00%	(54)	0,01%	(37)	68,52%
- audit committee fees	(37)	0,00%	(48)	0,01%	11	(22,92%)
- building maintenance	-	0,00%	(1)	0,00%	1	(100,00%)
- public utilities	(15)	0,00%	(13)	0,00%	(2)	15,38%
- subscription service	(7)	0,00%	(7)	0,00%	-	0,00%
- repairs and maintenance	(3)	0,00%	(5)	0,00%	2	(40,00%)
- parking spaces and other motor vehicle costs	(9)	0,00%	(10)	0,00%	1	(10,00%)
- visa services	(1)	0,00%	-	0,00%	(1)	-
- translation services	(8)	0,00%	(15)	0,00%	7	(46,67%)
- security	(46)	0,00%	(39)	0,01%	(7)	17,95%
- occupational medicine	-	0,00%	(3)	0,00%	3	(100,00%)
- publishing costs	(3)	0,00%	-	0,00%	(3)	-
- EWRC price approval fees	(7)	0,00%	(7)	0,00%	-	0,00%
- other services	(296)	0,01%	(65)	0,01%	(231)	355,38%
<b>Employment cost</b>	<b>(1 892)</b>	<b>0,08%</b>	<b>(1 612)</b>	<b>0,26%</b>	<b>(280)</b>	<b>17,37%</b>
- salary and wage costs	(1 696)	0,07%	(1 425)	0,23%	(271)	19,02%
- social insurance costs	(196)	0,01%	(187)	0,03%	(9)	4,81%
<b>Recognised (accrued) provision costs</b>	<b>(374)</b>	<b>0,01%</b>	<b>(374)</b>	<b>0,06%</b>	<b>-</b>	<b>0,00%</b>
<b>Other expenses</b>	<b>(5 919)</b>	<b>0,23%</b>	<b>(35)</b>	<b>0,01%</b>	<b>(5 884)</b>	<b>16811,43%</b>
- penalties for arrears	(57)	0,00%	-	0,00%	(57)	-
- business trips and entertainment expenses	(25)	0,00%	(5)	0,00%	(20)	400,00%
- training	(5)	0,00%	(1)	0,00%	(4)	400,00%
- one-off taxes	(10)	0,00%	(5)	0,00%	(5)	100,00%
- membership dues	-	0,00%	(2)	0,00%	2	(100,00%)
- cost of unused capacity under unilaterally suspended contracts and other costs	(5 822)	0,23%	(22)	0,01%	(5 800)	26363,64%
<b>Profit before interest, tax and depreciation</b>	<b>5 508</b>		<b>22 738</b>		<b>(17 230)</b>	<b>(75,78%)</b>
<b>Depreciation expenses</b>	<b>(239)</b>		<b>(254)</b>		<b>15</b>	<b>(5,91%)</b>
<b>Operating profit/(loss)</b>	<b>5 269</b>		<b>22 484</b>		<b>(17 215)</b>	<b>(76,57%)</b>
<b>Financial income/(expenses), net</b>	<b>1 472</b>		<b>1 758</b>		<b>(286)</b>	<b>(16,27%)</b>
<b>Financial income</b>	<b>-</b>		<b>379</b>	<b>100,00%</b>	<b>(379)</b>	<b>(100,00%)</b>
- income from interest on long-term receivables	-		379	100,00%	(379)	(100,00%)
<b>Financial expenses</b>	<b>(4 868)</b>	<b>100,00%</b>	<b>(1 016)</b>	<b>100,00%</b>	<b>(3 852)</b>	<b>379,13%</b>
Cost of interest on loans to related parties	(2 099)	43,12%	-	0,00%	(2 099)	-
Cost of interest on bank loans	(145)	2,98%	(3)	0,30%	(142)	4733,33%
- cost of interest on tax liabilities	(1 276)	26,21%	(2)	0,20%	(1274)	63 700%
- cost of interest on rental contracts	(7)	0,14%	(5)	0,49%	(2)	40,00%
- cost of bank guarantees	(261)	5,36%	(258)	25,39%	(3)	1,16%
- bank charges	(1 080)	22,19%	(748)	73,62%	(332)	44,39%



STATEMENT OF COMPREHENSIVE INCOME	As at 30 June 2022		As at 30 June 2021		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
<b>Other financial income/expenses – exchange differences</b>	<b>6 340</b>	100,00%	<b>2 395</b>	100,00%	3 945	164,72%
Gains/losses from exchange differences	6 340	100,00%	2 395	100,00%	3 945	164,72%
<b>Pre-tax profit/(loss)</b>	<b>6 741</b>		<b>24 242</b>		<b>(17 501)</b>	<b>(72,19%)</b>
<b>Revenue/(expenses) on income taxes</b>	<b>(710)</b>		<b>(2 557)</b>		<b>1 847</b>	<b>(72,23%)</b>
<b>Net profit/(loss) for period</b>	<b>6 031</b>		<b>21 685</b>		<b>(15 654)</b>	<b>(72,19%)</b>

## 1. Income

The Company generated income of BGN 2 598 000 thousand as at 30 June 2022 (30 June 2021: BGN 640 689 thousand). This is an increase of BGN 1 957 311 thousand or 305,50% and can mainly be attributed to the price rise on the previous reporting period. Net natural gas sales as at 30 June 2022 are BGN 16 153 thousand (as at 30 June 2021: BGN 13 388 thousand), which is an increase of BGN 2 765 thousand.

## 2. Expenses

Expenses by economic type include: cost of natural gas sold, impairment costs, cost of materials, cost of hired services, depreciation expenses, cost of salaries and wages, cost of social insurance and benefits, cost of provisions, etc. As at 30 June 2022, they are BGN 2 592 492 thousand (30 June 2021: BGN 617 951 thousand), which is an increase by BGN 1 974 541 thousand or 319,53%.

The largest relative share of total expenses is the cost of natural gas sold. As at 30 June 2022, it is BGN 2 573 119 thousand (30 June 2021: BGN 622 553 thousand).

The cost of materials as at 30 June 2022 is BGN 22 thousand (30 June 2021: BGN 58 thousand), which is a decrease by BGN 36 thousand or 62,07%. This can be attributed to the decrease in the costs of main materials by BGN 26 thousand.

The cost of hired services as at 30 June 2022 is BGN 11 149 thousand (30 June 2021: BGN 3 577 thousand), which is an increase by BGN 7 572 thousand or 211,69%. This can mainly be attributed to the increase in the natural gas storage costs, court fees, cost of management contracts and licensing fees.

Other expenses are BGN 5 919 thousand as at 30 June 2022 (as at 30 June 2021: BGN 35 thousand), which is an increase by BGN 5 884 thousand.

The operating result is a profit of BGN 5 269 thousand as at 30 June 2022 (30 June 2021: profit of BGN 22 484 thousand), which is a decrease by BGN 17 215 thousand or 76,57%.

After recognising the financial income and expense as at 30 June 2022, the pre-tax financial result is a profit of BGN 6 741 thousand (as at 30 June 2021: profit of BGN 24 242 thousand), which is a decrease by BGN 17 501 thousand or 72,19%.

## IX. STATEMENT OF FINANCIAL POSITION

As at 30 June 2022, the Company's assets are worth BGN 926 266 thousand (as at 31 December 2021: BGN 601 033 thousand). Asset structure changes in both periods are shown in the following table:

*In thousands of BGN*

Assets	As at 30 June 2022		As at 31 December 2021		Change	
	thousands BGN	% of total	thousands BGN	% of total	thousands BGN	%
<b>Non-current assets</b>						
Plant and equipment	664	27,83%	314	15,45%	350	111,46%
Intangible assets	283	11,86%	281	13,83%	2	0,71%
Deferred tax assets	1 439	60,31%	1 437	70,72%	2	0,14%
<b>Total non-current assets</b>	<b>2 386</b>	<b>100,00%</b>	<b>2 032</b>	<b>100,00%</b>	<b>354</b>	<b>17,42%</b>
<b>Current assets</b>						



<b>Inventories</b>	<b>203 512</b>	<b>22,03%</b>	<b>123 031</b>	<b>20,54%</b>	<b>80 481</b>	<b>65,42%</b>
- natural gas	203 496	22,03%	123 015	20,54%	80 481	65,42%
- materials	16	0,00%	16	0,00%	-	0,00%
<b>Trade and other receivables</b>	<b>691 376</b>	<b>74,83%</b>	<b>475 759</b>	<b>79,42%</b>	<b>215 617</b>	<b>45,32%</b>
- trade receivables from natural gas sales	316 642	34,27%	162 699	27,16%	153 943	94,62%
- court and awarded receivables	36 943	4,00%	785	0,13%	36 158	4606,11%
- prepayments for natural gas supplies	211 273	22,87%	277 177	46,27%	(65 904)	(23,78%)
- receivables from Ministry of Energy in relation to domestic customer compensation programme	27 213	2,95%	-	0,00%	27 213	-
- receivables from related parties (natural gas, deposits and guarantees)	27 636	2,99%	27 583	4,60%	53	0,19%
- other financial and non-financial receivables	71 669	7,76%	7 515	1,25%	64 154	853,68%
<b>Cash and cash equivalents</b>	<b>28 992</b>	<b>3,14%</b>	<b>211</b>	<b>0,04%</b>	<b>28 781</b>	<b>13640,28%</b>
<b>Total current assets</b>	<b>923 880</b>	<b>100,00%</b>	<b>599 001</b>	<b>100,00%</b>	<b>324 879</b>	<b>54,24%</b>
<b>Total assets</b>	<b>926 266</b>		<b>601 033</b>		<b>325 233</b>	<b>54,11%</b>

### 1. Non-current assets

As at 30 June 2022, non-current assets are worth BGN 2 386 thousand (as at 31 December 2021: BGN 2 032 thousand), which is a rise by BGN 354 thousand or 17,42%. In the reporting period, non-current assets comprise non-current tangible and intangible assets worth BGN 947 thousand and deferred tax assets worth BGN 1 439 thousand.

### 2. Current assets

As at 30 June 2022, the Company's current assets are worth BGN 923 880 thousand (31 December 2021: BGN 599 001 thousand), which is an increase by BGN 324 879 thousand or 54,24%, mainly resulting from an increase in natural gas receivables. Customer receivables have increased due to delays by Toplofikatsia Sofia EAD in paying its liabilities regularly and on time. The higher natural gas price compared to the previous reporting period has also had an impact.

As at 30 June 2022, inventories are worth BGN 203 512 thousand (31 December 2021: BGN 123 031 thousand), which is an increase by BGN 80 481 thousand or 65,42%. This is due to the seasonality of the business, i.e. in the summer, the Company pumps gas into Chiren, unlike December, when the available amounts are pumped out and sold.

As at 30 June 2022, prepayments for natural gas supplies amount to BGN 211 273 thousand (31 December 2021: BGN 277 177 thousand), which is a decrease by BGN 65 904 thousand or 23,78%.

At the end of the reporting period, the Company has BGN 28 992 thousand in current bank accounts and on hand (as at 31 December 2020: BGN 211 thousand), which is an increase by BGN 28 781 thousand.

### 3. Changes in the structure of equity and liabilities

*In thousands of BGN*

Equity and liabilities	As at 30 June 2022		As at 31 December 2021		Change	
	thousand BGN	% of total	thousand BGN	% of total	thousand BGN	%
<b>Equity</b>						
Share capital	231 698	69,17%	231 698	70,44%	-	0,00%
<b>Reserves</b>	<b>14 757</b>	<b>4,41%</b>	<b>14 757</b>	<b>4,49%</b>	-	0,00%
incl. legal reserve	14 776	4,41%	14 776	4,49%	-	0,00%
Other reserves	(19)	(0,00%)	(19)	(0,00%)	-	0,00%
Retained earnings	82 458	24,62%	18 553	5,64%	63 905	344,45%
Profit/loss for current period	6 031	1,80%	63 905	19,43%	(57 874)	(90,56%)
<b>Total equity</b>	<b>334 944</b>	<b>100%</b>	<b>328 913</b>	<b>100%</b>	<b>6 031</b>	<b>1,83%</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Lease payable	373	0,70%	-	0,00%	373	0,00%
Provisions	52 720	99,07%	52 346	99,77%	374	0,71%
Pension liabilities	121	0,23%	121	0,23%	-	0,00%

Equity and liabilities	As at 30 June 2022		As at 31 December 2021		Change	
	thousand BGN	% of total	thousand BGN	% of total	thousand BGN	%
<b>Total non-current liabilities</b>	<b>53 214</b>	<b>100%</b>	<b>52 467</b>	<b>100%</b>	<b>747</b>	<b>1,42%</b>
<b>Current liabilities</b>						
<b>Loans</b>	<b>283 615</b>	<b>52,71%</b>	<b>2 603</b>	<b>1,19%</b>	<b>281 012</b>	<b>10795,70%</b>
- payables on loans received from related parties	187 627	34,87%	-	0,00%	187 627	
- bank overdraft liabilities	95 988	17,84%	2 603	1,19%	93 385	3587,59%
<b>Trade and other payables</b>	<b>253 495</b>	<b>47,10%</b>	<b>215 144</b>	<b>97,95%</b>	<b>38 351</b>	<b>17,83%</b>
- trade payables	70 279	13,06%	89 060	40,55%	(18 781)	(21,09%)
- payables to related parties	8 560	1,59%	5 149	2,34%	3 411	66,25%
- prepayments from customers for natural gas sales	67 592	12,56%	32 213	14,67%	35 379	109,83%
- VAT payable	103 568	19,25%	86 991	39,60%	16 577	19,06%
- excise duty	318	0,06%	1 185	0,54%	(867)	(73,16%)
- staff payables	64	0,01%	127	0,06%	(63)	(49,61%)
- payables to social insurance institutions	78	0,01%	76	0,03%	2	2,63%
- other liabilities	3 036	0,56%	343	0,16%	2 693	785,13%
<b>Lease payable</b>	<b>247</b>	<b>0,05%</b>	<b>253</b>	<b>0,11%</b>	<b>(6)</b>	<b>(2,37%)</b>
<b>Corporation tax</b>	<b>711</b>	<b>0,13%</b>	<b>1 593</b>	<b>0,72%</b>	<b>(882)</b>	<b>(55,37%)</b>
<b>Pension liabilities</b>	<b>40</b>	<b>0,01%</b>	<b>60</b>	<b>0,03%</b>	<b>(20)</b>	<b>(33,33%)</b>
<b>Total current liabilities</b>	<b>538 108</b>	<b>100,00%</b>	<b>219 653</b>	<b>100,00%</b>	<b>318 455</b>	<b>144,98%</b>
<b>Total liabilities</b>	<b>591 322</b>		<b>272 120</b>		<b>319 201</b>	<b>117,30%</b>
<b>Total equity and liabilities</b>	<b>926 266</b>		<b>601 033</b>		<b>325 233</b>	<b>54,11%</b>

### 3.1. Capital structure

As at 30 June 2022, the authorised share capital is BGN 231 698 thousand, which is the same as in the previous reporting period.

As at 30 June 2022, retained earnings amount to BGN 82 458 thousand (31 December 2021: retained earnings of BGN 18 553 thousand). As at 30 June 2022, they have changed by BGN 63 905 thousand.

### 3.2. Non-current liabilities

As at 30 June 2022, the Company's non-current liabilities amount to BGN 53 214 thousand (31 December 2021: BGN 52 467 thousand). The non-current liabilities comprise a provision set aside to discharge a litigation liability in relation to *Case COMP/BI/AT.39849 – BEH gas*, pension liabilities and the non-current part of lease payables.

### 3.3. Current liabilities

As at 30 June 2022, the Company's current liabilities amount to BGN 538 108 thousand (31 December 2021: BGN 219 653 thousand), which is an increase by BGN 318 455 thousand.

As at 30 June 2022, the Company has drawn down overdrafts in the amount of BGN 95 988 thousand and owes BEH EAD BGN 187 627 thousand in relation to a loan.

The amounts were drawn down in 2022.

As at 30 June 2022, trade and other payables have increased by BGN 38 351 thousand or 17,83% compared with 31 December 2021, which can be attributed to the net effect of:

- Decrease in trade payables by BGN 18 781 thousand or 21,09% compared to 31 December 2021.
- Increase in payables to related parties by BGN 3 411 thousand, which is 66,25% on the figure as at 31 December 2021.
- Increase in tax liabilities by BGN 16 577 thousand or 19,06, which can mainly be attributed to VAT to be paid in the amount of BGN 103 568 thousand (31 December 2021: BGN 86 991 thousand).
- Trade payables relating to customer prepayments have increased by BGN 35 379 thousand compared to 31 December 2021.

## X. STATEMENT OF CASH FLOWS

The table below shows data concerning changes to cash flows as at 30 June 2022 compared with 30 June 2021:

*In thousands of BGN*

STATEMENT OF CASH FLOWS	As at 30 June 2022	As at 30 June 2021	Change	
Net cash flows from operating activity	(248 225)	(41 007)	(207 218)	505,32%
Net cash flows from investing activity	(112)	(249)	137	(55,02%)
Net cash flows from financing activity	278 001	(14 879)	292 880	(1968,41%)
<b>Net change in cash and cash equivalents in period</b>	<b>29 664</b>	<b>(56 135)</b>	<b>85 799</b>	<b>(152,84%)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>211</b>	<b>172 012</b>	<b>(171 801)</b>	<b>(99,88%)</b>
Gains/losses from currency revaluation of cash	(866)	654	(1 520)	(232,42%)
<b>Impairment of cash in accordance with IFRS</b>	<b>(17)</b>	<b>(75)</b>	<b>58</b>	<b>(77,33%)</b>
<b>Cash and cash equivalents at end of period</b>	<b>28 992</b>	<b>116 456</b>	<b>(87 464)</b>	<b>(75,10%)</b>

As at 30 June 2022, the Company's net cash flows from operating activity are negative and amount to BGN 248 225 thousand (as at 30 June 2021: negative and amount to BGN 41 007 thousand). This is an increase by BGN 207 218 thousand. They comprise the difference between cash receipts from customers for natural gas sold and amounts paid to natural gas suppliers, as well as the payment of VAT due for the period. There is a deficit in the cash flow from operating activities in natural gas trading because the amounts paid for delivered natural gas are greater (BGN 1 789 429 thousand) than the proceeds from the sale of natural gas by (BGN 1 649 431).

The net cash flows from investing activity are negative and amount to BGN 112 thousand, which is a fall by BGN 137 thousand on 30 June 2021.

As at 30 June 2022, the net cash flows from financial activity are positive and amount to BGN 278 001 thousand (as at 30 June 2021: negative and amount to BGN 14 879 thousand) due to amounts taken out from bank overdrafts and funds received from a credit line granted by the Bulgarian Energy Holding.

## XI. FINANCIAL RATIOS

These are financial-statement-based indicators aiming to present the overall assessment of the Company's financial performance, profitability and effectiveness in utilising its assets to achieve its operational goals.

As at 30 June 2022, the financial ratios show the Company's financial stability, and they are optimal compared to market levels.

### 1. Liquidity

Liquidity indicators show the Company's ability to use its short-term assets to pay its current liabilities.

Indicators	As at 30 June 2022	As at 31 December 2021
Current liquidity ratio	1,72	2,73
Quick liquidity ratio	1,34	2,17

As at 30 June 2022, the current liquidity ratio is 1,72, which shows the available current assets can cover the Company's current liabilities almost twice (as at 31 December 2021: 2,73).

The quick liquidity ratio is 1,34, which shows the available current assets less the inventories can cover the Company's current liabilities almost twice (as at 31 December 2020: 2,17).

### 2. Financial independence

Financial autonomy indicators show the extent to which the Company is financially independent from creditors and its ability to make payments on all liabilities in the long run.

Indicators	As at 30 June 2022	As at 31 December 2021
Financial autonomy ratio	0,57	1,21
Indebtedness ratio	1,77	0,83

When the financial autonomy ratio is less than 1 (one), the liabilities exceed the equity. In such a case, the existing liabilities are not sufficiently secured by the Company's property.

When the ratio is above 1 (one), it shows the extent of financial independence from the use of outside funds. As at 30 June 2022, the financial autonomy ratio is 0,57 (as at 31 December 2020: 1,21).

The indebtedness ratio expresses the Company's degree of dependence on creditors. When the ratio is greater than 1 (one), the Company's dependence on external sources of funds is greater. As at 30 June 2022, this indicator is 1,77 (as at 31 December 2020: 0,83).

The information presented and analysed in the Report of Bulgargaz EAD as at 30 June 2022 shows the Company fulfils its licencing obligations as a public supplier of natural gas in Bulgaria and is in full compliance with the law. Its activities are directly dependent on the business environment, regulatory requirements and its financial security. Despite the volatile market conditions in the period under review, Bulgargaz EAD responded adequately to market challenges, while maintaining financial stability and increasing the economic efficiency of its business.

## **XII. EVENTS AFTER THE REPORTING PERIOD**

1. EWRC decisions have approved the price at which the public supplier sells natural gas to end suppliers and district heating licence holders, namely BGN 186,17/MWh (exclusive of excise duty and VAT) for July 2022 and then BGN 297,89/MWh (exclusive of excise duty and VAT) for August 2022.

2. At an operational meeting held on 28 July 2022, the Council of Ministers decided to approve an offer for the supply of 7 liquefied natural gas (LNG) tankers for the period October 2022 – March 2023. The offer is subject to securing the necessary capacity. Bulgargaz EAD must confirm the dates and LNG terminals of delivery by 19 August 2022. Otherwise, the deal will not have to be implemented, without financial consequences for the Company.

3. As at the date of preparation of these financial statements, the Company is being audited by the National Revenue Agency, regarding the period January 2022 – June 2022.

4. A government decree adopted on 11 August 2022 granted Bulgargaz EAD a BGN 800 million loan from the Ministry of Energy budget for the purchase of natural gas and working capital. The state has committed to provide the funds necessary to ensure the continuity of natural gas supplies for the normal functioning of the economy and the heating of Bulgarian households, as well as to fulfil Bulgaria's commitments as an EU member state to guarantee the security of energy supplies, in the context of the current complicated international situation. This government decree provides for conditions to implement the state policy to guarantee the security of natural gas supplies to Bulgaria in the winter of 2022-2023, in the context of the war between Russia and Ukraine. The loan has a term of 36 months, starting from the date of transfer of the first tranche, and the term for returning the interest is 18 months from the date of the first tranche. The loan is secured by current and future receivables of the Company from Toplofikatsia Sofia EAD.

5. An agreement for the provision of a short-term credit line of BGN 60,000 thousand to Bulgargaz EAD was concluded on 6 July 2022. The purpose of the loan is to repay liabilities under contracts for the supply of natural gas to Bulgaria, concluded between Bulgargaz EAD and natural gas suppliers. The validity period is twelve months from the date of conclusion of the contract, with an annual interest rate of 3,23%. The funds have to be disbursed repeatedly at the request of the borrower, within the agreed term. The loan will be repaid according to a plan for the repayment of each requested amount. BGN 30,000 thousand were disbursed on 6 July 2022 and BGN 30,000 thousand on 14 July 2022. On 21 July 2022, the borrower paid back BGN 60,000 thousand to the Bulgarian Energy Holding EAD.

No adjusting or other non-adjusting events requiring additional disclosures in or corrections to the condensed interim financial statements of Bulgargaz EAD as at 30 June 2022 have occurred after the reporting period.

12 August 2022

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**Oksana Yankova**

Head of Finance

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**Lyudmil Yotsov**

Executive Director



**BULGARGAZ EAD**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
**30 JUNE 2022**

*(All amounts are in thousands of BGN)*

	NOTE	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Plant and equipment		664	314
Intangible assets		283	281
Deferred tax assets	10	1 439	1 437
		<b>2 386</b>	<b>2 032</b>
<b>Current assets</b>			
Inventories	7	203 512	123 031
Trade and other receivables	8	691 376	475 759
Cash and cash equivalents	9	28 992	211
		<b>923 880</b>	<b>599 001</b>
<b>TOTAL ASSETS</b>		<b>926 266</b>	<b>601 033</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	11	231 698	231 698
Reserves	12	14 757	14 757
Retained earnings		88 489	82 458
		<b>334 944</b>	<b>328 913</b>
<b>Non-current liabilities</b>			
Lease payable		373	-
Pension liabilities		121	121
Provisions	19	52 720	52 346
		<b>53 214</b>	<b>52 467</b>
<b>Current liabilities</b>			
Loans	13	283 615	2 603
Trade and other payables	14	253 495	215 144
Lease payable		247	253
Income tax liabilities		711	1 593
Pension liabilities		40	60
		<b>538 108</b>	<b>219 653</b>
<b>TOTAL LIABILITIES</b>		<b>591 322</b>	<b>272 120</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>926 266</b>	<b>601 033</b>

Date of preparation: 12 August 2022

These interim condensed financial statements were approved by the Board of Directors on 16 August 2022 and signed on 18 August 2022.

[Signature illegible]

Lilia Ivanova

Head of Accounting

[Signature illegible]

Lyudmil Yotsov

Executive Director

Auditors' report issued by joint auditors:

Grant Thornton OOD

Auditing Company No 032

Mariy Apostolov, [Signature illegible]

Managing partner

Zaharinoва Nexia EOOD

Auditing Company No 138

Dimitrina Zaharinoва, [Signature illegible]

Director

Emilia Marinova, [Signature illegible]

Registered Auditor responsible for Audit No 0673

Stoycho Milev, [Signature illegible]

Registered Auditor responsible for Audit No 0860

The notes on pages 5 to 17 form an integral part of these interim financial statements.

This version of interim condensed separate financial statements as at 30 June 2022 of Bulgargaz EAD is free translation from Bulgarian to English language. These financial statements have been prepared and audited as of 24 August 2022.

**BULGARGAZ EAD**  
**INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER**  
**COMPREHENSIVE INCOME**  
**30 JUNE 2022**

*(All amounts are in thousands of BGN)*

	NOTE	6-MONTH PERIOD ENDING ON 30	
		2022	JUNE 2021
Revenue from natural gas sales	17	2 589 272	635 941
Other income		8 728	4 748
Cost of natural gas sold		(2 573 119)	(622 553)
Cost of hired services	18	(11 149)	(3 577)
Employment cost		(1 892)	(1 612)
Cost of materials		(22)	(58)
Depreciation cost of non-financial assets		(239)	(254)
Provision costs		(374)	(374)
Other expenses		(5 919)	(35)
Reversed credit loss on financial assets, net	15	(17)	10 258
<b>Operating profit</b>		<b>5 269</b>	<b>22 484</b>
Financial income		-	379
Financial expenses		(4 868)	(1 016)
Other financial income/expenses – net		6 340	2 395
<b>Financial income/(expenses) – net</b>		<b>1 472</b>	<b>1 758</b>
<b>Profit before tax</b>		<b>6 741</b>	<b>24 242</b>
<b>Income tax expenses</b>	16	<b>(710)</b>	<b>(2 557)</b>
<b>Net profit for period</b>		<b>6 031</b>	<b>21 685</b>
<b>Total comprehensive income for period</b>		<b>6 031</b>	<b>21 685</b>

Date of preparation: 12 August 2022

These interim condensed financial statements were approved by the Board of Directors on 16 August 2022 and signed on 18 August 2022.

[Signature illegible]  
 Lilia Ivanova  
 Head of Accounting

[Signature illegible]  
 Lyudmil Yotsov  
 Executive Director

Auditors' report issued by joint auditors:  
 Grant Thornton OOD  
 Auditing Company No 032  
 Mariy Apostolov, [Signature illegible]  
 Managing partner

Zaharinoва Nexia EOOD  
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 Dimitrina Zaharinoва, [Signature illegible]  
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**BULGARGAZ EAD****INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY****30 JUNE 2022***(All amounts are in thousands of BGN)*

	NOTE	Share capital	Reserves	Retained earnings	Total
<b>AS AT 1 JANUARY 2022</b>	11,12	<b>231 698</b>	<b>14 757</b>	<b>82 458</b>	<b>328 913</b>
<b>Comprehensive income</b>					
Profit for period		-	-	6 031	6 031
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>6 031</b>	<b>6 031</b>
<b>AS AT 30 JUNE 2022</b>		<b>231 698</b>	<b>14 757</b>	<b>88 489</b>	<b>334 944</b>
<b>AS AT 1 JANUARY 2021</b>					
<b>AS AT 1 JANUARY 2021</b>		<b>231 698</b>	<b>7 360</b>	<b>40 237</b>	<b>279 295</b>
<b>Comprehensive income</b>					
Profit for period		-	-	21 685	21 685
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>21 685</b>	<b>21 685</b>
<b>Transactions with sole shareholder</b>					
Dividend distribution		-	-	(14 275)	(14 275)
<b>Total transactions with sole shareholder</b>		<b>-</b>	<b>-</b>	<b>(14 275)</b>	<b>(14 275)</b>
Transfer of retained earnings to reserves		-	7 409	(7 409)	-
<b>AS AT 30 JUNE 2021</b>		<b>231 698</b>	<b>14 769</b>	<b>40 238</b>	<b>286 705</b>

Date of preparation: 12 August 2022

These interim condensed financial statements were approved by the Board of Directors on 16 August 2022 and signed on 18 August 2022.

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Lilia Ivanova

Head of Accounting

[Signature illegible]

Lyudmil Yotsov

Executive Director

Auditors' report issued by joint auditors:

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Auditing Company No 032

Mariy Apostolov, [Signature illegible]

Managing partner

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**BULGARGAZ EAD****INTERIM CONDENSED STATEMENT OF CASH FLOWS****30 JUNE 2022***(All amounts are in thousands of BGN)*

	NOTE	6-MONTH PERIOD ENDING ON	
		2022	30 JUNE 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		2 368 157	700 319
Cash paid to and refunds from suppliers, net		(2 413 276)	(625 081)
Cash paid to employees and social insurance institutions		(2 015)	(1 770)
Income tax paid		(1 594)	(723)
Non-income tax paid		(407 485)	(114 657)
Cash receipts from compensation programme by government decision		207 142	-
Interest earned on deferred trade receivables		-	378
Other cash receipts/(payments), net		846	527
<b>Net cash flow from operating activities</b>		<b>(248 225)</b>	<b>(41 007)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property and equipment		(5)	(31)
Purchase of intangible assets		(107)	(218)
<b>Net cash flow from investing activities</b>		<b>(112)</b>	<b>(249)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash receipts from loans received		254 200	-
Payments on loans received		(67 077)	-
Lease principal and interest payments		(152)	(159)
Overdraft instalment payments, net		93 386	-
Dividend payments		-	(14 275)
Payments of bank guarantee maintenance fees and overdraft interest		(2 356)	(445)
<b>Net cash flow from financing activities</b>		<b>278 001</b>	<b>(14 879)</b>
<b>Net increase/(decrease) in cash and cash equivalents for period</b>		<b>29 664</b>	<b>(56 135)</b>
Cash and cash equivalents at beginning of period (gross)		211	172 012
Exchange gains/(losses) on cash and cash equivalents		(866)	654
Expected credit losses on cash and cash equivalents for period pursuant to IFRS 9		(17)	(75)
<b>Cash and cash equivalents at end of period, net</b>	<b>9</b>	<b>28 992</b>	<b>116 456</b>

Date of preparation: 12 August 2022

These interim condensed financial statements were approved by the Board of Directors on 16 August 2022 and signed on 18 August 2022.

[Signature illegible]

Lilia Ivanova

Head of Accounting

[Signature illegible]

Lyudmil Yotsov

Executive Director

Auditor's report issued by joint auditors:

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The notes on pages 5 to 17 form an integral part of these interim financial statements.

This version of interim condensed separate financial statements as at 30 June 2022 of Bulgargaz EAD is free translation from Bulgarian to English language. These financial statements have been prepared and audited as of 24 August 2022.

#### 1. GENERAL INFORMATION

Bulgargaz EAD (the “*Company*”), EIK (entity ID) 175203485, is a sole shareholder limited company registered pursuant to the Commerce Act, having its registered office and principal place of business at 47 Petar Parchevich St, Serdika, 1000 Sofia, Bulgaria. The Company is registered in the Company Register under No. 113068, Vol. 1534, Page 35 in Company File No. 16440/206 and was registered pursuant to Decision No. 1 of 15 January 2007.

The Company’s main business is the public supply of natural gas, as well as purchases and sales related thereto.

The main strategic goals of Bulgargaz EAD are related to its responsibilities and obligations to ensure supply continuity and security. Guaranteeing natural gas supplies is key to Bulgaria’s energy security. To achieve these goals, Bulgargaz EAD makes every effort to secure alternative natural gas supply sources and routes.

The Company operates under an individual licence to supply natural gas to the public in 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. The Company holds Natural Gas Trading Licence No JI-548-15 issued on 16 September 2021 by the State Energy and Water Regulatory Commission pursuant to Article 31(1)(1) in conjunction with the second proposal of Article 39(1)(5) of the Energy Act .

Bulgargaz is a sole shareholder limited company owned by the Bulgarian Energy Holding EAD. The Company’s ultimate owner is the Bulgarian State through the Ministry of Energy.

Bulgargaz EAD has a one-tier management system. The Company management bodies are the General Meeting and the Board of Directors. As at 30 June 2022, the Company is managed and represented by Lyudmil Yotsov, Executive Director, and the Board of Directors, which is composed by the following members:

- Lyudmil Yotsov – executive member of the Board of Directors;
- Ivan Topchiyski – chairman of the Board of Directors;
- Anzhela Slavova – member of the Board of Directors;
- Anton Adamov – member of the Board of Directors;
- Stefan Voynov – member of the Board of Directors.

The Company does not present segment information by activity because natural gas supply is the only activity for the period.

These condensed interim financial statements were approved for publication by the Board of Directors on 16 August 2022.

#### 2. BASIS OF PREPARATION

These condensed interim financial statements for the 6-month period ending on 30 June 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not contain all the information required for the preparation of full annual financial statements under International Financial Reporting Standards (IFRSs) and should be read in conjunction with the annual financial statements of the Company for the year ending on 31 December 2021, prepared in accordance with IFRSs, 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 the Bulgarian lev (BGN), which is also the Company’s functional currency. Unless otherwise stated, all amounts are presented in thousands of

BGN, including the comparative information for 2021.

***Going concern principle***

As disclosed in Note 1 “General Information”, the Company holds an individual licence to supply natural gas to the public in Bulgaria, issued by the State Energy and Water Regulatory Commission for a period of 35 years, Natural Gas Trading Licence No Л-548-15 of 16 September 2021 and a licence to trade in natural gas in Greece. The Company’s main purpose is to be a public supplier of natural gas in Bulgaria. The Company’s future activities as a public supplier of natural gas depend directly on the business environment, regulatory requirements, the existence of valid contracts ensuring natural gas supply according to consumption needs, the existence of contracts for the sale of natural gas to the Company’s customers, as well as on maintaining the necessary financial security to conduct its activities.

Bulgargaz EAD’s main strategic goals are linked to the responsibilities and obligations of supply continuity and security. Guaranteeing natural gas supplies is key to Bulgaria’s energy security. To achieve these goals, Bulgargaz EAD makes every effort to secure alternative natural gas sources and supply routes, which will help to increase the security and reliability of gas supplies. This is related to maintaining permanent financial stability and increasing the economic efficiency of Company activities, in a situation of uncertainty in the Bulgarian market and high intercompany indebtedness.

Since late February 2022, there has been a geopolitical crisis as a result of the war between Ukraine and the Russian Federation. This event has had a significant, direct effect on Bulgargaz EAD activities, as disclosed in details in Note 6 to the interim condensed financial statements. One of the Bulgaria-specific consequences of this war was the suspension of natural gas supplies by OOO Gazprom Export from 27 April 2022, following the Russian supplier’s unilateral proposal for a substantial amendment to the contract related to the method of payment. After an analysis by the Company’s management, representatives of the sole shareholder Bulgarian Energy Holding, the Ministry of Energy and the Government, it was determined that the new two-stage payment procedure proposed by the Russian party was not in accordance with the existing contract expiring at the end of 2022 and posed significant risks for the Bulgarian party, including making payments without receiving any gas supplies from the Russian party. At the present moment, Bulgargaz EAD continues to promptly and strictly fulfil the terms of the contract related to sending requests for natural gas on a daily and monthly basis.

For the period ending on 30 June 2022, the Company has made a net profit of BGN 6 031 thousand BGN. The cash flow from operating activities for the period is negative and amounts to BGN (248 225) thousand, with a significant excess of current assets over current liabilities by BGN 385 772 thousand, including a net increase in cash and cash equivalents of BGN 29 664 thousand compared to the end of the previous financial year. The Company’s financial data show a lower financial performance compared to the previous comparable period, a significant increase in trade receivables, cash, loans and trade payables compared to the end of the previous financial year on 31 December 2021. On the other hand, the Company has achieved a growth of about 307% in revenue from the sale of natural gas for the reporting period 01/01/2022-06/30/2022 compared to the first 6 months of 2021, which is mainly due to the sharp rise in the price of natural gas on the European stock exchanges.

The significant increase in the Company’s trade receivables as at 30 June 2022 compared to 31 December 2021 is mainly due to a delay in receipts from heating companies. At the same time, Bulgargaz EAD needed to secure funds to guarantee supplies of natural gas along alternative routes, for which payments are made in advance. In addition, the Company has a commitment to inject natural gas into the Chiren Gas Storage Facility under the Emergency Action Plan, which requires significant financial resources. The terms of alternative natural gas suppliers differ from the business terms agreed with the Company’s customers, which in turn leads to liquidity deficits in certain periods of time.

In the context of war, the reduced deliveries by OOO Gazprom Export to European countries and the increased demand for natural gas from all market participants in view of the upcoming heating season has created significant difficulties and challenges for the management of Bulgargaz EAD and the Bulgarian government to secure the necessary amount of natural gas to guarantee consumption in Bulgaria in the medium and long term.

In order to limit the impact of OOO Gazprom Export actions, Bulgargaz EAD has taken all necessary steps allowed by Bulgarian law to ensure the integrity of the country's gas transmission system and the continuity of supplies to Bulgarian domestic and industrial consumers.

The Company's management, with support from the sole shareholder BEH EAD, including assistance from government representatives, has taken measures to secure natural gas supplies, ensure liquidity and preserve the Company's financial stability, namely:

- ✓ The Company's management has updated its business plan and development forecast based on estimated customer orders, current law regulating the pricing of natural gas, obligations under existing contracts with natural gas suppliers, market conditions affecting received supplies of liquefied natural gas (LNG), offers received for short-term LNG supplies, estimated quotations included in natural gas supply contracts. Supply continuity forecasts also include Management's expectation that the IGB pipeline will be commissioned for commercial operation on 1 October 2022, with natural gas supplies flowing from Azerbaijan in the full agreed volume since 1 July 2022.
- ✓ In May 2022, soon after the suspension of supplies from Gazprom Export, negotiations were launched and supplies of liquefied natural gas (LNG) via alternative routes were secured. These supplies, together with the quantities received from the Azeri natural gas supplier, ensured the necessary consumption until the end of September 2022.
- ✓ Overdrafts of BGN 95 988 thousand have been utilized, with maturity dates until December 2022 and 13 October 2023. The overdraft contracts had already been concluded by the Company in 2020-2021 and were available as needed.
- ✓ A BGN 200 million loan was received from the parent company with maturity date until February 2023.
- ✓ The Bulgarian state budget, as updated in July 2022, provides for the issue of a EUR 150 million state guarantee to Bulgargaz EAD in connection with upcoming financing from the European Bank for Reconstruction and Development;
- ✓ Overdue taxes to the National Revenue Agency have been paid;
- ✓ A provisional deal was made for the delivery of 7 cargoes of LNG for the period October 2022 – March 2023. If, by 19 August 2022, Bulgargaz EAD does not confirm specific dates and terminals for unloading and regasification, both parties' obligations under the agreement will be waived, and there will be no financial consequences for Bulgargaz EAD if they are not fulfilled;
- ✓ The Company has organised an auction for the purchase of LNG quantities;
- ✓ Bulgargaz EAD has secured a slot for regasification and storage;
- ✓ Bulgargaz EAD has made a swap with VTT Greece under conditions of uniform monthly delivery in the period from 01/09/2022 to 26/09/2022;
- ✓ Government Decree No. 245 of 11 August 2022 approved additional payments of BGN 800 million from the Ministry of Energy budget for the purchase of natural gas and provision of working capital. On 11 August 2022, the Council of Ministers adopted a decision laying down the terms for granting a loan to Bulgargaz EAD from the Ministry of Energy. The loan is secured by current and future receivables of Bulgargaz EAD from Toplofikatsia Sofia EAD;
- ✓ Negotiations are underway to defer receivables from TEC Varna EAD, the full amount of which is subject to litigation, and both parties have agreed that the amounts owed will be paid within 6 months.

Therefore, management believes that, on the basis of the currently available information used to make the forecasts for the future development of the Company and due to the continued financial and operational support from the sole shareholder, it will be able to continue its activities and repay its liabilities without undertaking material changes in its operations. The Company will continue to operate as a going concern and will settle its liabilities according to their maturities and terms. Given the importance and strategic significance of the activities conducted by Bulgargaz EAD, the Bulgarian Energy Holding EAD, as its parent company, has neither the intention nor the legal necessity to liquidate the company, regardless of its liquidity indicators as at 30 June 2022. The sole shareholder has committed to support Bulgargaz EAD to achieve a sustainable financial and business development model.

Given the assessment of expected future cash flows and the BEH group strategy for developing the energy sector in Bulgaria, including the potential opportunities to secure alternative supplies via routes different from those used so far, the Company's management believes it is appropriate for the financial statements to be prepared on a going concern basis.

### **3. ACCOUNTING POLICIES**

#### **3.1. NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS THAT ENTERED INTO FORCE ON 1 JANUARY 2022.**

**Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets, effective from 1 January 2022, adopted by the EU**

- IFRS 3 Business Combinations – references to the Conceptual Framework have been updated by amending IFRS 3 Business Combinations without substantially changing the reporting requirements.
- IAS 16 Property, plant and equipment – amendment to the standard concerning proceeds earned before bringing an asset into the location and condition necessary for its operation. It prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- IAS 37 Provisions, contingent liabilities and contingent assets – the amendment concerns changes to onerous contracts. It specifies that the “cost of fulfilling” a contract comprises the “costs that relate directly to the contract”. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

**Annual improvements 2018-2020, effective from 1 January 2022, adopted by the EU**

- IFRS 1 First-time Adoption of International Financial Reporting Standards – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 Financial Instruments – The amendment clarifies which fees an entity includes when it applies the “10 per cent” test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 Leases – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might

arise because of how lease incentives are illustrated in that example.

- IAS 41 Agriculture – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

### **3.2. STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET IN FORCE AND NOT ADOPTED IN ADVANCE BY THE COMPANY**

As at the date of approval of these financial statements, new standards, amendments to and interpretations of existing standards have been published, but have not entered into force or have not been adopted by the EU for the financial year beginning on 1 January 2022 and have not been applied in advance by the Company. Management expects all standards and amendments to be adopted in the Company's accounting policy in the first period beginning after the date of their entry into force.

Information on the standards and amendments that have an effect on the Company's financial statements is given below.

#### **Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current and Non-current, effective from 1 January 2023, adopted by the EU**

The Company discloses the material information on the accounting policy instead of the main accounting policies. The amendments clarify that information about an accounting policy is material if users of the entity's financial statements need it to understand other material information in the financial statements, and if the entity discloses immaterial information about the accounting policy, that information must not outweigh material information about the accounting policy.

#### **Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, effective from 1 January 2023, adopted by the EU**

The amendments introduce the definition of accounting estimates and include other amendments to IAS 8 to help entities distinguish between changes in accounting estimates and changes in accounting policies. The amendments will help entities improve the quality of accounting policy disclosures so that the information is more useful to investors and other primary users of financial statements.

#### **Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as current or non-current, effective from 1 January 2023, not yet adopted by the EU**

The amendments to the classification of liabilities as current or non-current affect only the presentation of liabilities in the statement of financial position, but not the amount or timing of recognition of assets, liabilities, income or expenses or the information entities disclose about these items. The amendments aim to clarify the following:

- the classification of liabilities as current or non-current should be based on existing rights at the end of the reporting period and align the wording in all affected paragraphs to clarify the "right" to defer the settlement of the liability by at least twelve months. It must be expressly stated that only the rights available "at the end of the reporting period" should affect the classification of the liability;
- the classification is not affected by the company's expectations as to whether it will exercise its right to postpone the settlement of the liability; and
- the liabilities can be settled by transferring cash, capital instruments, other assets or services to the counterparty.

**Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction, effective from 1 January 2023, not yet adopted by the EU**

An entity must apply the amendments to the standard to transactions that occur on or after the beginning of the most recent comparative period presented. Also, the Company should recognise deferred taxes for all temporary differences related to leases and decommissioning obligations at the beginning of the most recent comparative period presented and recognise the cumulative effect of the initial application of the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, if applicable) on the relevant date.

The following new standards, amendments and interpretations of existing standards, which have also been issued but are not yet effective, are not expected to have a material impact on the Company's financial statements:

IFRS 17 Insurance Contracts, effective from 1 January 2023, adopted by the EU

Amendments to IFRS 17 Insurance Contracts: Initial application of IFRS 17 and IFRS 9 – Comparative Information, effective from 1 January 2023, not yet adopted by the EU

IFRS 14 Regulatory Deferral Accounts, effective from 1 January 2016, not yet adopted by the EU

**4. ACCOUNTING ESTIMATES**

When preparing financial statements, 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 results estimated in advance.

When preparing these interim condensed financial statements, the significant management judgments in the application of the Company's accounting policies and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statements of the Company as at 31 December 2021, with the exception of the changes in the estimate of income tax expense.

**5. FINANCIAL RISK MANAGEMENT**

**5.1. FINANCIAL RISK FACTORS**

In the course of its business, 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 for the preparation of annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 December 2021. No changes were made to the risk management policy in the period.

**6. SIGNIFICANT EVENTS AND TRANSACTIONS OCCURRED IN THE PERIOD**

The significant events listed below occurred in 2022. They had a material impact on the Company's business and position:

1. In order to mitigate the economic consequences of the sudden instability of prices on the energy market, the Council of Ministers developed and adopted, by Decisions (GD) No. 31 of 25 January 2022, No. 93 of 25 February 2022, No. 202 of 6 April 2022 and No. 356 of 1 June 2022, a programme to

compensate domestic gas customers and district heating companies using natural gas as their main fuel by providing a fixed amount per MWh as support. The programme aims to protect and assist businesses and consumers in general in dealing with the effects of fluctuating natural gas prices. It has a compensatory effect and complements other temporary measures taken at the national level to increase transparency and improve the functioning of the energy market, as well as to strengthen regulatory control. The programme initially covered a support period from 1 December 2021 to 31 January 2022 inclusive, which was subsequently extended to 31 May 2022. The programme was adopted with the aim of preserving the industry's competitiveness and overcoming additional inflationary pressures caused by high natural gas prices. This will reduce the amount paid by domestic customers. The compensation measure is in line with the Communication from the European Commission of 13 October 2021 named "Tackling rising energy prices: a toolkit for action and support". This support is not expected to have any negative effects on competition in the electricity market and trade in electricity.

According to the programme, the compensation has to be calculated as 50% of the difference between the public supplier price approved by the EWRC for the relevant month and the estimated natural gas price for the first or second quarter of 2022, as applicable.

For the purposes of its implementation, a contract was concluded between Bulgargaz EAD, as Supplier, and the Ministry of Energy. The compensation programme was implemented by the Company by reducing the amount due for natural gas supplies on relevant tax documents (invoices, debit and/or credit notices) issued in the period March-June 2022.

2. In the first half of 2022, the Company utilized overdrafts from 6 commercial banks, in the amount of BGN 95 988 thousand as at 30 June 2022. The Company has also received a BGN 200 million loan from the BEH EAD. The loans are short-term, unsecured and granted on standard market terms.

3. On 21 February 2022, the President of the Russian Federation (RF) issued a decree, recognising the Donetsk People's Republic and the Luhansk People's Republic as independent states. On 24 February 2022, the RF Ministry of Defence announced the start of a "special military operation" in Ukraine. The war received widespread international condemnation and numerous countries imposed sanctions on assets and operations owned by the Russian state and certain individuals. The invasion caused a Ukrainian refugee crisis. Due to Russia's invasion of Ukraine and the complicated situation, the United States and the European Union imposed a package of sanctions on the Russian Federation in response to the unprecedented military attack. The measures, including individual sanctions, economic and diplomatic measures, restrictions on media outlets, etc., aim to impose economic and political pain. The economic sanctions include restricting the access of some Russian banks and companies to the primary and secondary capital markets in the EU, banning the export of dual-use goods, restricting Russia's access to certain sensitive technologies and services, excluding certain banks from the international SWIFT system and others. The Russian rouble (RUB) began to depreciate in the days after 02/24/2022, falling from RUB 95.71 to the euro to RUB 117.20 to the euro on 03/01/2022 according to the European Central Bank rate. After that date, the bank stopped publishing the RUB/EUR reference rate.

The economic consequences of the war in Ukraine are serious for the entire EU economy. Energy and commodity prices have risen sharply, adding to inflationary pressures from supply chain disruptions and the recovery from the Covid-19 pandemic. The IMF notes that sanctions on Russia are impacting the global economy and financial markets, with significant spillover effects in other countries as well. The Company's Russian counterparty and the banks it uses are not included in the EU sanctions lists for Russia and do not pose a direct threat to the receipt and payment of goods and services under the terms of the valid contract.

Fuel and natural gas prices have soared since the imposition of sanctions on the Russian Federation, and traders have begun preparing for supply disruptions from Russia and Ukraine, through which Russian gas passes. There were also concerns that the removal of major Russian banks from the SWIFT payment system could make purchases of Russian gas and oil more difficult. This has created tension for many in Europe, which gets more than 1/3 of its natural gas and 1/4 of its oil from Russia. Gas markets in Europe have reacted with a sharp rise in the price of the commodity amid Russia's demand for payment in roubles.



## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2022

This event had a significant, direct, negative effect on the business of Bulgargaz EAD, since the main supplier of natural gas to the Company until the end of April was the Russian company Gazprom Export. The main risk involves ensuring natural gas supply continuity and security. Despite the existence of a valid, effective supply contract expiring on 31 December 2022 and the strict fulfilment of its terms by Bulgargaz EAD, the supplier OOO Gazprom Export has sent a notification that natural gas supplies will be stopped, starting from 27 April 2022. The Bulgarian party has fully fulfilled its obligations and made all payments required under the natural gas supply contract with OOO Gazprom Export, in a timely manner, strictly and in accordance with its clauses. After an analysis by the Company's management, experts from the Bulgarian Energy Holding EAD and representatives of the Ministry of Energy and the Government, it was determined that the new two-stage payment procedure proposed by the Russian party was not in accordance with the contract expiring at the end of 2022 and posed significant risks for the Bulgarian party, including making payments without receiving any gas supplies from the Russian party. The proposed mechanism poses real risks to the Bulgarian party of unilateral and uncontrollable suspension of supplies without providing for a reciprocal manner of seeking responsibility from the Russian supplier.

In order to limit the consequences of the actions of OOO Gazprom Export, Bulgargaz EAD, with support from the Ministry of Energy and the Bulgarian Energy Holding EAD, has taken all necessary actions, not in conflict with Bulgarian law, to ensure the continuity of supplies to Bulgarian domestic and industrial consumers via alternative sources. Meetings were held between representatives of the Bulgarian government and the European Commission to form a unified strategy and approach for all affected European countries and ensure more stable long-term contracts at better prices. A commitment was made at an intergovernmental and pan-European level to secure the necessary quantities of natural gas needed to satisfy local consumption. In this regard, the Company will continue to play a key role in ensuring the supply of natural gas to end consumers and district heating companies. Bulgargaz EAD follows a business policy of source and route diversification. This will allow the Company to maintain its market share and achieve competitive conditions and prices for the supply of quantities of natural gas to its customers.

The purchase of LNG cargoes is part of the business policy, and its practical implementation was launched in May 2022 with the conclusion of commercial agreements for the purchase and sale of liquefied natural gas.

Bulgargaz EAD has taken a number of measures and actions, as detailed in Note 2 to these condensed interim financial statements.

There are currently no restrictions on natural gas consumption in Bulgaria.

## 7 INVENTORIES

	<b>AS AT 30 JUNE 2022</b>	<b>AS AT 31 DECEMBER 2021</b>
Natural gas at cost	203 496	125 153
Impairment to net realisable value	-	(2 138)
<b>Natural gas, net realisable value</b>	<b>203 496</b>	<b>123 015</b>
Materials	16	16
<b>Total inventories</b>	<b>203 512</b>	<b>123 031</b>

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

During the period ending on 30 June 2022, a total of BGN 2 573 119 thousand from the inventories was reported as an expense in the profit or loss. (30 June 2021: BGN 622 553 thousand).

The accumulated impairment of natural gas has changed as follows:

# BULGARGAZ EAD

## NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

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### 6-MONTH PERIOD ENDING ON 30 JUNE

	2022	2021
<b>At beginning of period</b>	<b>2 281</b>	<b>310</b>
Derecognised impairment of natural gas sold	-	(310)
<b>At end of period</b>	<b>2 281</b>	<b>-</b>

#### 8. TRADE AND OTHER RECEIVABLES

	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2021
Trade receivables	322 802	168 859
Accumulated impairment of trade receivables	(6 160)	(6 160)
<b>Trade receivables, net</b>	<b>316 642</b>	<b>162 699</b>
Court and awarded receivables	238 923	203 010
Accumulated impairment of court and awarded receivables	(201 980)	(202 225)
<b>Court and awarded receivables, net</b>	<b>36 943</b>	<b>785</b>
Receivable from Corporate Commercial Bank AD (insolvent)	3 804	3 804
Accumulated impairment of receivable from Corporate Commercial Bank AD (insolvent)	(3 804)	(3 804)
<b>Receivable from Corporate Commercial Bank AD (insolvent), net</b>	<b>-</b>	<b>-</b>
Receivables from related parties (Note 20)	27 636	27 584
Receivables from Ministry of Energy in relation to domestic customer compensation programme	27 213	-
Other receivables – guarantees and other	70 383	4 517
<b>Total financial receivables</b>	<b>478 817</b>	<b>195 585</b>
Prepayments for natural gas supplies	211 273	277 178
Other non-financial receivables – prepaid expenses, guarantees and deposits	1 286	2 996
<b>Total non-financial receivables</b>	<b>212 559</b>	<b>280 174</b>
<b>Total trade and other receivables</b>	<b>691 376</b>	<b>475 759</b>

The movement in the credit loss allowance is as follows:

	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2021
<b>At beginning of period</b>	<b>212 189</b>	<b>208 095</b>
Accrued losses from impairment of financial assets – receivables	-	16 401
Written off uncollectable receivables	(245)	-
Reversals of impairment losses	-	(12 048)
Reversals of impairment losses from Corporate Commercial Bank (insolvent)	-	(259)
<b>At end of period</b>	<b>211 944</b>	<b>212 189</b>

All receivables are short-term. The Company's trade receivables are related to the sale of natural gas and due within 12 days after the invoice is issued and received by the relevant counterparty. The net carrying

amount of trade and other receivables is assumed to be a reasonable approximation of their fair value.

All of the Company's financial receivables have been reviewed for events of default. A simplified approach has been applied to all trade receivables in order to determine the expected credit losses at the end of the period.

Impairment losses and reversals thereof are recognised on a separate line (net) in the interim condensed statement of profit or loss and other comprehensive income. The effects of time elapsed/discount rate changes are reported in financial income/expense (net).

Amounts recorded in the credit loss allowance account are written off when there is no expectation that the Company will be able to receive additional cash.

The concepts and approaches in the impairment models featured in IFRS 9 "Financial Instruments" are taken into account when calculating the impairment of receivables. Those calculations cover model-based financial asset impairment tests and an established approach of classifying court and awarded receivables as "court and awarded receivables" and "in insolvency proceedings".

As at 30 June 2022, the Company's management has applied an individual approach when calculating the expected credit losses on receivables from Toplofikatsia Sofia EAD (the Company's largest customer) and TEC Varna EAD (with the largest court receivable as at 30 June 2022). As a result of the analysis, including actions taken, the Company's management has considered that it is not necessary to recognise additional losses from the impairment of the relevant receivables and, accordingly, no expected credit losses were recognised during the reporting period.

When making its judgments and assumptions for the purposes of determining the expected credit losses of the financial assets, the Company's management has taken into account the available circumstances and factors that have and are expected to have a significant effect on the Company's business. Those factors are mostly related to Decision No. 594 of the Council of Ministers of 11 August 2022, approving a loan by the Ministry of Energy, secured by current and future receivables from Toplofikatsia Sofia EAD. The pledge is recorded in the Central Register of Special Pledged according to the relevant requirements. The following factors have also been taken into account: effects of the geopolitical crisis arising from the war in Ukraine, which has led to difficulties in securing the necessary quantities of natural gas, upcoming deferral agreements with the debtor TEC Varna EAD, etc.

In this regard and as required by the accounting policy and applicable accounting standards, the Company's management has, on the basis of available, reasonable and supporting information about current conditions and forecasts of future economic conditions, estimated the amount of expected credit losses on the Company's receivables as at 30 June 2022 and, accordingly, no losses were recognised for the period.

Prepayments for the supply of natural gas represent amounts paid in advance by Bulgargaz EAD to natural gas suppliers.

In order to mitigate the economic consequences of the sudden instability of prices on the energy market, the Council of Ministers developed and adopted a programme to compensate domestic gas customers and district heating companies using natural gas as their main fuel by providing a fixed amount per MWh as support. As at 30 June 2022, the Company has receivables under this programme in the amount of BGN 27 213 thousand, which were collected in July 2022. Detailed information about the financing programme is provided in Note 6 of these financial statements.

A significant part of the other financial receivables of BGN 55 million as at 30 June 2022 is a receivable from OOO Gazprom Export, which has arisen in association with an amount unrecognised by Bulgargaz EAD for natural gas supplies in the first quarter of 2022. The amount is subject to a commercial dispute concerning undelivered quantities for this period.

## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS 30 JUNE 2022

No trade and other receivables have been pledged as security for the Company's liabilities.

#### 9. CASH AND CASH EQUIVALENTS

	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2021
Cash in current bank accounts	29 009	211
Accrued losses from impairment of cash	(17)	-
<b>Total cash and cash equivalents in the statement of financial position</b>	<b>28 992</b>	<b>211</b>

As at 30 June 2022, the Company has no blocked cash that constitutes security for a bank guarantee issued to a third party that is a counterparty of the Company.

The changes in the allowance for expected credit losses from cash held in banks are as follows::

	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2021
<b>At beginning of period</b>	-	(155)
Accrued expected credit losses from cash and cash equivalents	(17)	-
Reversed expected credit losses from cash and cash equivalents	-	155
<b>At end of period</b>	<b>(17)</b>	<b>-</b>

#### 10. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognised 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% (2021: 10%) applicable for the year in which they are expected to be reversed.

## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

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The movement in deferred tax assets and liabilities as at 30 June 2022, by items during the period, is as follows:

	Impairment of inventories	Impairment of financial assets – receivables	Pension provisions	Unused leave	Plant and equipment	Leases per IFRS 16	Total
<b>DEFERRED TAX ASSETS</b>							
AS AT 1 JANUARY 2022	(228)	(1 178)	(18)	(14)	-	-	(1 438)
Income in profit or loss	-	(2)	-	-	-	-	(2)
<b>AS AT 30 JUNE 2022</b>	<b>(228)</b>	<b>(1 180)</b>	<b>(18)</b>	<b>(14)</b>	<b>-</b>	<b>-</b>	<b>(1 440)</b>
<b>DEFERRED TAX LIABILITIES</b>							
AS AT 1 JANUARY 2022	-	-	-	-	1	-	1
<b>AS AT 30 JUNE 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>1</b>
<b>DEFERRED TAX ASSETS, NET</b>	<b>(228)</b>	<b>(1 180)</b>	<b>(18)</b>	<b>(14)</b>	<b>1</b>	<b>-</b>	<b>(1 439)</b>

The movement in deferred tax assets and liabilities as at 30 June 2021, by items during the period, is as follows:

	Impairment of inventories	Impairment of financial assets – receivables	Pension provisions	Unused leave	Plant and equipment	Leases per IFRS 16	Total
<b>DEFERRED TAX ASSETS</b>							
AS AT 1 JANUARY 2021	(31)	(13 441)	(19)	(16)	-	(1)	(13 508)
Expense in profit or loss	-	1 026	-	-	-	1	1 027
<b>AS AT 30 JUNE 2021</b>	<b>(31)</b>	<b>(12 415)</b>	<b>(19)</b>	<b>(16)</b>	<b>-</b>	<b>-</b>	<b>(12 481)</b>
<b>DEFERRED TAX LIABILITIES</b>							
AS AT 1 JANUARY 2021	-	-	-	-	2	-	2
<b>AS AT 30 JUNE 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>
<b>DEFERRED TAX ASSETS, NET</b>	<b>(31)</b>	<b>(12 415)</b>	<b>(19)</b>	<b>(16)</b>	<b>2</b>	<b>-</b>	<b>(12 479)</b>

**BULGARGAZ EAD****NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS****30 JUNE 2022****11. SHARE CAPITAL**

	<b>AS AT 30 JUNE 2022</b>	
	<b>Number of shares</b>	<b>Value</b>
At beginning of period	231 698 584	231 698
<b>At end of period</b>	<b>231 698 584</b>	<b>231 698</b>

The number of shares and their value has not changed in the period from 1 June 2022 to 30 June 2022.

**12. RESERVES**

	<b>6-MONTH PERIOD ENDING ON 30 JUNE 2022</b>			
	<b>Legal reserve</b>	<b>Non-financial asset revaluation reserve</b>	<b>Defined benefit plan revaluation reserve</b>	<b>Total</b>
At beginning of period	14 776	35	(54)	14 757
<b>At end of the period</b>	<b>14 776</b>	<b>35</b>	<b>(54)</b>	<b>14 757</b>

	<b>6-MONTH PERIOD ENDING ON 30 JUNE 2021</b>			
	<b>Legal reserve</b>	<b>Non-financial asset revaluation reserve</b>	<b>Defined benefit plan revaluation reserve</b>	<b>Total</b>
At beginning of period	7 367	35	(42)	7 360
Transfer of retained earnings to reserves	7 409	-	-	7 409
<b>At end of the period</b>	<b>14 776</b>	<b>35</b>	<b>(42)</b>	<b>14 769</b>

**13. LOANS**

	<b>AS AT 30 JUNE 2022</b>	<b>AS AT 31 DECEMBER 2021</b>
Bank loans	95 988	2 603
Loans to related parties (Note 20)	187 627	-
<b>Total</b>	<b>283 615</b>	<b>2 603</b>

The Company has received the following bank loans:

- seven overdrafts with a limit of up to BGN 110 million and interest rates between 0.40% and 0.90% from six commercial banks. As at 30 June 2022, BGN 95 988 thousand has been utilized from the overdraft facilities. The maturity dates for four of them are 13 October 2022, for two of them 23 December 2022 and for one 13 December 2022. The overdrafts are not secured. Their purpose is to ensure the supply of natural gas.
- loans from the parent company with a limit of up to BGN 200 million. A detailed description is presented in Note 20.

## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2022

#### 14. TRADE AND OTHER PAYABLES

	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2021
Trade payables	70 279	89 060
Payables to related parties (Note 20 (D))	8 560	5 149
<b>Total financial liabilities</b>	<b>78 839</b>	<b>94 209</b>
Prepayments from customers for natural gas sales	67 593	32 213
VAT payable	103 568	86 991
Excise duty payable	318	1 185
Payables to employees	64	127
Liabilities to social insurance institutions	78	76
Other liabilities	3 035	343
<b>Total non-financial liabilities</b>	<b>174 656</b>	<b>120 935</b>
<b>Total current trade and other payables</b>	<b>253 495</b>	<b>215 144</b>

The Company's trade payables mainly include liabilities to the main natural gas suppliers.

If, in the year of delivery, customers accept a quantity smaller than the minimum annual quantities requested by them for the relevant year of delivery, they must pay Bulgargaz EAD for the quantity of natural gas not accepted at a price that is 50% of the invoiced value of the delivered quantity of natural gas divided by the quantity of natural gas delivered in the same year of delivery. Once these quantities are paid on time in the next year of delivery, customers are, under their natural gas supply contracts, entitled to claim and accept those partially paid-for quantities in the next 18 months. As at 30 June 2022, the Company has liabilities for prepayments of BGN 1 927 thousand received from customers in connection with unaccepted minimum annual quantities for 2020 and 2021, which have been prepaid and should be claimed in 2022 and 2023. In the month in which these quantities are requested and accepted, customers should pay for them at a price that is 50% of the effective price of natural gas for the relevant month of delivery.

The rest of the prepayments received as at 30 June 2022 are prepaid supplies of natural gas for July from several customers of the Company.

**BULGARGAZ EAD****NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS****30 JUNE 2022****15. ACCRUED / REVERSED EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS, NET**

	<b>6-MONTH PERIOD ENDING ON 30 JUNE</b>	
	<b>2022</b>	<b>2021</b>
Reversed losses from impairment of trade and other receivables (Note 8)	-	9 919
Reversed losses from impairment of receivables from Corporate Commercial Bank AD (insolvent) (Note 8)	-	259
Reversed losses from impairment of cash (Note 9)	17	80
<b>Total accrued/reversed expected credit losses on financial assets for period, net</b>	<b>17</b>	<b>10 258</b>

**16. INCOME TAX EXPENSES**

	<b>6-MONTH PERIOD ENDING ON 30 JUNE</b>	
	<b>2022</b>	<b>2021</b>
Current corporate tax expense	(712)	(1 530)
Effect of change in deferred taxes (Note 10)	2	(1 027)
<b>Income tax expense</b>	<b>(710)</b>	<b>(2 557)</b>

Current tax expense is recognised based on the Company's management's estimate of the weighted average annual income tax rate expected for the entire financial year, which is 10% (2021: 10%).

**17. REVENUE FROM NATURAL GAS SALES**

	<b>3-MONTH PERIOD ENDING ON 30 JUNE</b>	
	<b>2022</b>	<b>2021</b>
Revenue from natural gas sales, including by type of activity:	2 247 814	630 512
- <i>Regulated</i>	1 046 942	251 514
- <i>freely negotiated</i>	867 366	308 659
- <i>exchange under release programme</i>	333 506	70 339
Revenue from sale of cargoes of liquefied natural gas	303 085	-
Revenue from natural gas sold for balancing purposes	25 514	3 777
Revenue from penalties on customers defaulting on contracts by not accepting or exceeding agreed quantities	12 859	1 652
<b>Total revenue form natural gas sales</b>	<b>2 589 272</b>	<b>635 941</b>

Revenue from contracts with customers generated in Bulgaria comprise 99,98% of all revenue, with the remainder generated outside Bulgaria and recognised over time.

Revenue from the sale of cargoes of liquefied natural gas are recognised at a point in time.

The following table provides information on the accounting policy used by the Company to recognise revenue and the timing of fulfilment of performance obligations under contracts with customers pursuant to IFRS 15.



## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2022

Product/service type	Nature and timing of fulfilment of performance obligations, including material payment terms	Recognition of revenue pursuant to IFRS 15
<p>Natural gas sales revenue (including revenue from penalties for not accepting or exceeding agreed quantities)</p>	<p>As a public natural gas supplier, Bulgargaz EAD continuously supplies natural gas throughout the year. The customer:</p> <ul style="list-style-type: none"> <li>• simultaneously receives and consumes the benefits;</li> <li>• obtains control of the commodity (natural gas) by transferring the legal title to the asset;</li> <li>• bears the significant risks and rewards of ownership of the asset;</li> <li>• accepts the asset.</li> </ul> <p>The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date.</p>	<p>Sales revenue is recognised on any transfer of control of the assets sold when they are delivered to the buyer and there are no outstanding liabilities that could affect the buyer's acceptance of natural gas. Delivery takes place when each set of assets has been taken to the specific place (acceptance/transfer point), the risks of potential losses have been transferred to the buyer, and they have accepted the assets in accordance with the contract of sale.</p> <p>The quantity of natural gas delivered to the customer in each day of the relevant month is reflected in a Monthly Statement, containing information about Bulgargaz EAD's obligations to deliver and the customer's obligations to accept such delivery.</p> <p>The transaction price is the fee the Company expects to be entitled to in exchange for the transfer to the customer of the promised goods or services, except for the amounts collected on behalf of third parties (VAT, excise duty).</p> <p>The customer's remuneration for the sale of natural gas includes fixed and variable amounts. The fixed amount is the selling price of natural gas. The variable fee depends on:</p> <ul style="list-style-type: none"> <li>- deviations from the daily agreed quantities of gas;</li> <li>- differences between requested and actually supplied minimum annual quantities of gas;</li> <li>- supplying natural gas of deteriorated quality.</li> </ul> <p>Payment for sales is due by the 12th of the month of delivery upon issue of a final invoice for the delivery of natural gas, which is consistent with market practice.</p>
<p>Revenue from natural gas sold for balancing purposes</p>	<p>For the supply of natural gas to its customers, Bulgargaz EAD has a contract with the combined operator Bulgartransgaz EAD for access to and transmission of natural gas across Bulgaria. A contract for purchase and sale of natural gas for balancing purposes has also been concluded and incorporated into the access and transmission contract. Balancing is also continuous, and the customer simultaneously receives and consumes the benefits. Revenue is recognised over time, as in the sale of natural gas</p>	<p>The remuneration from the customer for the sale of natural gas for balancing purposes includes fixed amounts and is based on the selling price of natural gas for the current month + the balancing cost component determined and fixed by the EWRC for the gas year.</p> <p>There is no financing component in sales of natural gas for balancing purposes, as the payment for the sales is due by the 25th of the month, which is consistent with market practice.</p>

## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2022

Product/service type	Nature and timing of fulfilment of performance obligations, including material payment terms	Recognition of revenue pursuant to IFRS 15
	described above.	
Revenue from the sale of cargoes of liquefied natural gas	<p>For transactions on purchasing liquefied natural gas, Bulgargaz EAD must secure the purchase of cargoes of liquefied natural gas, their delivery to a terminal where they will be unloaded and regasified, with the regasified natural gas then transported to an entry point in Bulgaria's gas transmission network. Due to the nature of the transaction and the legal requirements in the country where the terminal to which the cargoes of liquefied natural gas are delivered is located, Bulgargaz EAD must sell the cargoes of liquefied natural gas to the terminal operator, who then unloads, regasifies and transports the natural gas to a transmission point. At the transmission point, the terminal operator sells the regasified natural gas to Bulgargaz EAD. In sales of cargoes of liquefied natural gas by Bulgargaz EAD, the customer:</p> <ul style="list-style-type: none"> <li>• obtains control of the commodity (cargoes of liquefied natural gas) by transferring the legal title to the asset;</li> <li>• bears the significant risks and rewards of ownership of the asset;</li> <li>• accepts the asset.</li> </ul> <p>The Company's performance does not create an asset with an alternative use to the Company, and the Company has an enforceable right to payment for performance completed to date.</p>	<p>Revenues from sales of cargoes of liquefied natural gas are recognised at the time control of the sold cargoes is transferred.</p> <p>The cargoes are sold when they have been taken to the specific place (acceptance/transfer point), the risks of potential losses have been transferred to the buyer, and they have accepted the assets in accordance with the contract of sale.</p> <p>The transaction price is the fee the Company expects to be entitled to in exchange for the transfer to the customer of the promised goods or services, except for the amounts collected on behalf of third parties (VAT, excise duty).</p> <p>The customer's remuneration for the sale of natural gas includes fixed and variable amounts.</p> <p>The fixed amount is the selling price of the cargo. The variable fee is related to the quantities of natural gas received.</p> <p>Payment for sales is due within 5 days of the issue of a final invoice for the delivery of a cargo of liquefied natural gas (by the 12th of the month), which is consistent with market practice.</p>

#### BALANCES ON CONTRACTS WITH CUSTOMERS

	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2021
<b>Assets</b>		
Trade receivables (Note 8)	276 203	94 510
Receivables from related parties (Note 8)	5 438	6 302

## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2022

Contract assets – unbilled receivables (Note 8)	40 439	68 188
<b>Liabilities</b>		
Contract liabilities (Note 14)	67 593	94 209

#### 18. COST OF HIRED SERVICES

	6-MONTH PERIOD ENDING ON 30 JUNE	
	2022	2021
Cost of natural gas storage	(6 050)	(2 810)
Court fees and legal consultations	(3 290)	(90)
Expenses on management contracts	(752)	(29)
Licence fees	(404)	(89)
Other fees	(238)	(34)
Subscription service maintenance	(80)	(35)
Other services, individual service contracts	(76)	(53)
Platform participation fees	(61)	(206)
Insurance	(48)	(54)
Security	(46)	(39)
Remuneration of audit committee	(37)	(48)
Communications	(34)	(41)
Consulting services	(33)	(49)
<b>Total cost of hired services</b>	<b>(11 149)</b>	<b>(3 577)</b>

#### 19. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

##### European Commission Procedures

##### Case COMP/B1/AT.39849 – BEH gas

Case COMP/B1/AT.39849 - BEH Gas (the “Case”) concerns a potential violation of Article 102 of the TFUE, as alleged by the European Commission (EC), resulting from actions of Bulgarian Energy Holding EAD and its subsidiaries, Bulgargaz EAD and Bulgartransgaz EAD, aimed at:

- preventing their competitors from accessing key gas infrastructure (gas transmission network and gas storage facility) in Bulgaria by explicitly or tacitly refusing third party access or delaying such access;
- preventing competitors from accessing a major gas import pipeline by hoarding capacity. The proceedings were initiated in 2013 with a view to adopting a decision pursuant to Chapter 3 (Article 7 to 10) of Regulation 1/2003. On 23 March 2015, the European Commission issued a Statement of Objections (SO). Bulgarian Energy Holding EAD and its gas subsidiaries submitted their respective replies to the European Commission on 9 July 2015 (Bulgargaz EAD), 10 July 2015 (Bulgarian Energy Holding EAD) and 17 July 2015 (Bulgartransgaz EAD).

On 24 November 2017, the 44th National Assembly (NA) of the Republic of Bulgaria adopted a decision to take the necessary actions to close Case COMP/B1/AT.39849 – BEH Gas, whereby the NA supported closing the case pursuant to Article 7 of Regulation (EC) No 1/2003 without admitting the alleged violations or assuming liability for them and by fulfilling the obligations arising from any prohibition decision, including any financial penalty.

On 26 July 2018, the 44th National Assembly (NA) of the Republic of Bulgaria adopted a decision to take the necessary actions to close Case of COMP/B 1/AT.39849 – BEH Gas pursuant to Article 9 of Regulation (EC) No 1/2003 by entering into commitments on behalf of the Bulgarian State and settling with the European Commission. The second NA decision was motivated by developments in Case

COMP/B1/AT.39816 between the EC and PJSC Gazprom and Gazprom Export LLC, in respect of which the Commission announced on 24 May 2018 that an agreement had been reached and the same had been closed pursuant to Article 9 of Regulation (EC) No 1/2003 without a financial penalty for PJSC Gazprom and OOO Gazprom Export.

On 17 December 2018, the European Commission published Decision C (2018) 8806 in Case AT.39849 BEH – Gas, whereby the European Commission imposed a fine of EUR 77 068 000 on Bulgarian Energy Holding EAD (BEH), its gas supply subsidiary Bulgargaz EAD and its gas infrastructure subsidiary Bulgartransgaz EAD (the “BEH Group”) 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 December 2018, which commenced the period for appealing the EC Decision (two months and ten days after the decision is notified to the parties) and paying the fine (three months after the decision is notified to the parties).

The appeal against the decision does not defer the payment of the fine. On 18 March 2019, a guarantee was issued by a credit institution selected in a competitive procedure conducted by BEH EAD. The bank guarantee covers 2/3 of the EUR 77 068 000 fine, securing the obligations of BEH EAD and Bulgargaz EAD arising from the fine.

On 4 July 2019, the Bulgarian State, through the Ministry of Foreign Affairs, filed an application to intervene in support of Bulgarian Energy Holding EAD and its subsidiaries.

On 26 August 2019, the European Commission submitted its defence to the General Court in response to the appeal filed by Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD.

On 29 November 2019, the Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD filed a response to the European Commission’s defence.

On 20 February 2020, within the deadline set by the General Court of the European Union, the Republic of Bulgaria, through the Ministry of Foreign Affairs (MFA), lodged the official position of the Republic of Bulgaria in Case T-136/19 submitted by the Ministry of Energy and the Ministry of Foreign Affairs, whereby the State intervened in support of Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD against the European Commission before the General Court of the European Union.

The General Court reviewed further documents and asked for information to clarify all facts applicable to the case. In a letter of 14 March 2022, the Court asks the European Commission to submit non-confidential versions of the documents listed by the Court. The European Commission is expected to respond.

The President of the General Court has set the date for oral hearings between the parties on 29 September 2022.

As at 30 June 2022, the Company has set aside a provision of BGN 50 244 thousand, constituting 1/3 of the total fine and the interest thereon of BGN 2 476 thousand (as at 31 December 2021: BGN 50 244 thousand and BGN 2 102 thousand in interest), with settlement expected after more than 12 months.

### **Contingent assets**

In relation to a commercial dispute from previous periods, Bulgargaz EAD has filed a request to return natural gas to fill the Transit 1 gas pipeline. The Company has been unable to resolve the commercial dispute and have its demands met out of court and has therefore initiated International Arbitration Case No 78/2019 at the Court of International Commercial Arbitration attached to the Chamber of Commerce and Industry of Romania, against Romania’s national gas transmission company Transgaz SA. Decision 120 of 9 December 2021 on the arbitration case initiated at the Court of International Commercial Arbitration attached to the Chamber of Commerce and Industry of Romania orders Transgaz SA, Romania to return to Bulgargaz EAD the quantities of natural gas in kind or in its cash equivalent of USD 923 thousand. The defendant has requested the annulment of the binding arbitral decision and the suspension of its execution before a Romanian court. A case was filed in relation to the request and, at the first hearing, the request was rejected. On 9 March 2022, the amounts were transferred to Bulgargaz EAD. In early July

2022, the Bucharest Court of Appeal rejected the request of Transgaz SA to declare the decision on Arbitration Case No. 78/2019 null and void.

As of the date of preparation of these interim financial statements a thirty-day appeal period was running

Due to limited access to the natural gas (the subject of the dispute) in the Transit 1 gas pipeline, it was depreciated by the Company on 31 December 2021.

**Contingent liabilities**

Legal actions have been brought against the Company, but the amounts of compensation sought are insignificant.

Except for the actions in respect of which the Company has already set aside provisions, management believes the actions are without merit and unlikely to incur costs for the Company when settled. This management judgement is supported by the opinion of an independent legal adviser.

None of the aforementioned actions is described in detail here to ensure they do not have a serious impact on the Company's position in dispute resolution.

Based on an advance reservation capacity agreement, a gas transportation agreement was concluded with ICGB AD in 2019. In connection with this agreement, a corporate guarantee of EUR 12 million was issued by Bulgarian Energy Holding EAD to ICGB AD. In 2022, the term of the guarantee was extended to 31 December 2022.

With regard to a standard contract for the purchase/sale of natural gas concluded with a foreign supplier for July 2022, the Bulgarian Energy Holding EAD, on 28 June 2022, issued a corporate guarantee of EUR 81 million, securing the Company's liabilities under the contract until 30 September 2022.

**Commitments**

The Company has contracts with banks for the provision of working capital financing in the form of overdrafts and credit line limits up to BGN 110 000 thousand. As at the date of preparation of the interim financial statements, the Company has utilized BGN 95 988 from the overdrafts.

Pursuant to a contract concluded with a bank in 2020, the Company has been provided with a bank guarantee payable to a natural gas supplier. This guarantee obligates the bank to settle the Company's liabilities if its debts are not repaid as agreed. The term of the bank guarantee was extended to 11 February 2023.

**20. RELATED PARTY TRANSACTIONS**

The Company discloses the following related parties:

<b>Entity</b>	<b>Country of incorporation</b>	<b>Main business</b>
<b><i>Sole controlling shareholder (parent company)</i></b>		
Bulgarian Energy Holding EAD (BEH)		
<b><i>Sole parent company shareholder</i></b>		
The Bulgarian State through the Minister of Energy		
<b><i>Entities under common control (group companies)</i></b>		
Kozloduy NPP EAD	Bulgaria	production of electricity and heat
HPP Kozloduy EAD	Bulgaria	generation and distribution of electricity from hydropower

## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS

30 JUNE 2022

Interpriborservice OOD	Bulgaria	installation and maintenance of automated systems
Kozloduy NPP - NB EAD	Bulgaria	operation of a nuclear power plant
Bulgartransgaz EAD	Bulgaria	storage and transmission of natural gas creating and operating an electronic platform for the trading of natural gas, energy products, green and white certificates, carbon emissions
Balkan Gas Hub EAD	Bulgaria	storage and transmission of natural gas creating and operating an electronic platform for the trading of natural gas, energy products, green and white certificates, carbon emissions
Electricity System Operator EAD	Bulgaria	transmission of electricity
Bulgartel EAD	Bulgaria	telecommunications
Bulgartel-Skopje DOOEL	Macedonia	telecommunications
Maritsa East Mines EAD	Bulgaria	coal production and sale
Natsionalna Elektricheska Kompania EAD	Bulgaria	generation of electricity and public electricity supplier
TPP Maritsa East 2 EAD	Bulgaria	production of electricity and heat
NPP Service EOOD	Bulgaria	installation and service of automated systems
NPP Construction Supervision EOOD	Bulgaria	assessment of compliance of investment projects and design and construction supervision
<i>Jointly controlled entities</i>		
ICGB AD	Bulgaria	construction and operation of a gas transmission system
South Stream Bulgaria AD	Bulgaria	construction and operation of a gas transmission system
Transbalkan Electric Power Trading S.A. – NECO S.A.	Greece	sale of electricity
<i>Associates</i>		
ContourGlobal Maritsa Iztok 3 AD	Bulgaria	electricity production
ContourGlobal Operations Bulgaria AD	Bulgaria	operation and maintenance of a thermal power plant
Energy Insurance JSC	Bulgaria	insurance company
VPI Allianz Bulgaria AD	Bulgaria	pension company
HEC Gorna Arda AD	Bulgaria	construction of hydroelectric power plants

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

Public sector enterprises under the common control of Bulgaria's Council of Ministers

Sales to and purchases from related parties are carried out at agreed prices. Outstanding balances at the end of the reporting period are unsecured, interest-free (except for loans and deferred trade payables) and settled in cash. Guarantees have not been given or received for receivables from or liabilities to related parties, except for the guarantee given to Bulgartransgaz EAD under a contract for access to and transmission of natural gas, natural gas balancing contract and natural gas storage contract.

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

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

**BULGARGAZ EAD****NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS****30 JUNE 2022****6-MONTH PERIOD ENDING ON 30 JUNE**

	<b>2022</b>	<b>2021</b>
<b>Companies under common control</b>		
Bulgartransgaz EAD	34 332	4 870
<b>Total</b>	<b>34 332</b>	<b>4 870</b>

Sales include natural gas sold for balancing purposes and natural gas sold pursuant to the Rules of Operation of the Balkan Gas Hub EAF Organised Exchange.

**(B) PURCHASE OF GOODS AND SERVICES****6-MONTH PERIOD ENDING ON 30 JUNE**

	<b>2022</b>	<b>2021</b>
<b>Parent company</b>		
Bulgarian Energy Holding EAD	1 013	288
<b>Companies under common control</b>		
Bulgartransgaz EAD	63 183	56 476
Bulgartel EAD	3	3
Balkan Gas Hub EAD	61	206
<b>Total</b>	<b>64 260</b>	<b>56 973</b>

Purchases of services from Bulgarian Energy Holding EAD include services under a management and control agreement, cost of bank commissions for maintaining a bank guarantee for the BEH Gas Case.

Purchases of services from Bulgartransgaz EAD include natural gas transmission, access (capacity) and storage, as well as purchases of natural gas for balancing purposes.

Purchases of services from Bulgartel EAD include technical support.

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

**(C) RECEIVABLES FOR PURCHASES OF GOODS AND SERVICES**

	<b>AS AT 30 JUNE 2022</b>	<b>AS AT 31 DECEMBER 2021</b>
<b>Companies under common control</b>		
Bulgartransgaz EAD	27 636	27 584
<b>Total</b>	<b>27 636</b>	<b>27 584</b>

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

## BULGARGAZ EAD

### NOTES TO INTERIM CONDENSED FINANCIAL STATEMENTS 30 JUNE 2022

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

	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2020
<b>Parent company</b>		
Bulgarian Energy Holding EAD	594	16
<b>Companies under common control</b>		
Bulgartransgaz EAD	7 956	5 083
Bulgartel EAD	1	-
Balkan Gas Hub EAD	9	50
<b>Total current</b>	<b>8 560</b>	<b>5 149</b>

Payables to the Bulgarian Energy Holding EAD include services under a management and control agreement and commissions for maintaining a bank guarantee.

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

#### (E) LIABILITIES ON LOANS RECEIVED FROM RELATED PARTIES

	AS AT 30 JUNE 2022	AS AT 31 DECEMBER 2021
<b>Parent company</b>		
Loan received	254 200	-
Repayments on loan received	(67 077)	-
Interest and penalties accrued	2 099	-
Interest and penalties paid	(1 595)	-
<b>Liabilities on loan received at end of period</b>	<b>187 627</b>	<b>-</b>

In 2022, the Company received loans from the parent company with a limit up to BGN 200 million, annual interest rate of 3,23% and repayment terms until February 2023. The loans are unsecured. The funds received are being used to guarantee natural gas supplies.

#### (F) KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel include members of the Board of Directors.

The remunerations of key management personnel are as follows:

	6-MONTH PERIOD ENDING ON 30 JUNE	
	2022	2020
Short-term remunerations:		
- Cost of salaries	(178)	(137)
- Cost of social insurance	(13)	(9)
<b>Total</b>	<b>(191)</b>	<b>(146)</b>



The Company has no payables to key management personnel at the end of each reporting period.

**21. EVENTS AFTER THE REPORTING PERIOD**

1. EWRC decisions have approved the price at which the public supplier sells natural gas to end suppliers and district heating licence holders, namely BGN 186,17/MWh (exclusive of excise duty and VAT) for July 2022 and then BGN 297,89/MWh (exclusive of excise duty and VAT) for August 2022.

2. At an operational meeting held on 28 July 2022, the Council of Ministers decided to approve an offer for the supply of 7 liquefied natural gas (LNG) tankers for the period October 2022 – March 2023. The offer is subject to securing the necessary capacity. Bulgargaz EAD must confirm the dates and LNG terminals of delivery by 19 August 2022. Otherwise, the deal will not have to be implemented, without financial consequences for the Company.

3. As at the date of preparation of these financial statements, the Company is being audited by the National Revenue Agency, regarding the period January 2022 – June 2022.

4. A government decree adopted on 11 August 2022 granted Bulgargaz EAD a BGN 800 million loan from the Ministry of Energy budget for the purchase of natural gas and working capital. The state has committed to provide the funds necessary to ensure the continuity of natural gas supplies for the normal functioning of the economy and the heating of Bulgarian households, as well as to fulfil Bulgaria's commitments as an EU member state to guarantee the security of energy supplies, in the context of the current complicated international situation. This government decree provides for conditions to implement the state policy to guarantee the security of natural gas supplies to Bulgaria in the winter of 2022-2023, in the context of the war between Russia and Ukraine. The loan has a term of 36 months, starting from the date of transfer of the first tranche, and the term for repayment the interest is 18 months from the date of the first tranche. The loan is secured by the Company's current and future receivables from Toplofikatsia Sofia EAD.

5. An agreement for the provision of a short-term credit line of BGN 60,000 thousand to Bulgargaz EAD was concluded on 6 July 2022. The purpose of the loan is to repay liabilities under contracts for the supply of natural gas to Bulgaria, concluded between Bulgargaz EAD and natural gas suppliers. The validity period is twelve months from the date of conclusion of the contract, with an annual interest rate of 3,23%. The funds have to be disbursed repeatedly at the request of the borrower, within the agreed term. The loan will be repaid according to a plan for the repayment of each requested amount. BGN 30,000 thousand were disbursed on 6 July 2022 and BGN 30,000 thousand on 14 July 2022. On 21 July 2022, the borrower paid back BGN 60,000 thousand to the Bulgarian Energy Holding EAD.

No adjusting or other non-adjusting events have occurred after the reporting period date that require further disclosures in or adjustments to the interim condensed financial statements of Bulgargaz EAD as at 30 June 2022.

**22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS**

The interim condensed financial statements as at 30 June 2022 (including comparative information) were approved for issue by the Board of Directors on 16 August 2022.

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## INDEPENDENT AUDITORS' REPORT

### TO THE SOLE SHAREHOLDER OF BULGARGAZ EAD

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

##### Qualified Opinion

We have audited the interim condensed financial statements of **BULGARGAZ EAD** (the Company), which comprise the condensed statement of financial position as at 30 June 2022, and the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the period then ended, and selected explanatory notes and information to the interim condensed financial statements.

In our opinion, with the exception of the possible effect of the issues described in the section of our report "Basis for expressing qualified opinion", the accompanying interim condensed financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2022, and its financial performance and its cash flows for the period then ended in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU) and the Bulgarian legislation.

##### Basis for expressing qualified opinion

As disclosed in note 8 "Trade and other receivables" to the interim condensed financial statement, the Company reports financial receivables with a balance sheet carrying amount as of June 30, 2022 of BGN 478,817 thousand, incl. BGN 313,990 thousand trade receivables due from two heating companies. The balance of trade and other receivables includes other financial receivables in the amount of BGN 55,255 thousand, reported as a receivable from OOO Gazprom Export related to an amount which is not recognized by Bulgargaz EAD as part of natural gas supplies for the first quarter of 2022. The amount refers to a commercial dispute for undelivered quantities for this period.

The Company has developed an accounting policy and methodology for credit risk assessment and determination of expected credit losses in accordance with IFRS 9 Financial Instruments. When preparing its estimate of the expected credit losses of Company's financial receivables as of June 30, 2022, Company's management assessed that there is no significant difference between the contractual cash flows due to the Company pursuant to customer contracts and the expected cash flows by reference to information about past events, current conditions and forecasts on future economic conditions as disclosed in note 8 and note 6 "Significant events and transactions during the period" to the condensed interim financial statements.

As a result of our audit procedures performed, we were unable to estimate to what extent management's judgments and assumptions in applying the expected credit loss model for financial receivables are reasonable and adequate, as well as in the existence and valuation of other financial receivables from OOO Gazprom Export. Accordingly, we were unable to determine whether and to what extent there would be additional adjustments required for impairment losses on financial receivables in the event that the management's models, assumptions and judgements were consistently applied in accordance with the requirements of the adopted accounting policy in the preparation of the attached interim condensed financial statements of the Company as of June 30, 2022.

### **Material uncertainty related to going concern**

Since the end of February 2022, as a result of the military conflict between Ukraine and the Russian Federation, there are series of negative consequences for the economies of the EU countries, including Bulgaria. This led to additional increase in the prices of energy resources, and the main supplier of natural gas for Bulgargaz EAD until this moment, the Russian company OOO Gazprom Export suspended supplies of natural gas for Bulgaria. Conditions of military conflict, reduced supplies by OOO "Gazprom export" to European countries and increased demand for natural gas from all market participants with view of the upcoming heating season created significant difficulties and challenges for the management of Bulgargaz EAD and the Bulgarian government in securing the necessary amount of natural gas to ensure consumption in the country in the medium and long term.

We draw attention to note 2. **Basis for the preparation of the interim financial statements**, where a detailed information is disclosed regarding management's judgment to apply the going concern principle when preparing the interim condensed financial statements of the Company, significant difficulties in the company's activities, as well as the measures taken to ensure supplies of natural gas, securing liquid funds and providing the Company's financial stability.

The management of the Company, with the support of the sole owner BEH EAD, as well as the Bulgarian government has taken appropriate actions and through alternative arrangements and under alternative routes have ensured uninterrupted activity of Bulgargaz EAD as a public supplier of natural gas, without imposing restrictive measures for consumption on the territory of the country until now. In addition, with the decision of the Council of Ministers dated 12.08.2022, the Company's necessary liquidity funds have also been provided.

These circumstances indicate the existence of a significant uncertainty that could give rise to material doubt about the Company's ability to continue functioning as a going concern without the support of the sole owner BEH EAD and the Bulgarian state, represented by Ministry of Energy.

Our opinion is not modified with respect to this issue.

### **Other matters**

With the Minutes of meeting on 16.08.2022 the Board of Directors of "Bulgarian Energy Holding" EAD (BEH EAD) took a decision to release Anton Adamov, Ludmil Yotsov, Stefan Voinov and Angela Slavova as members of the Board of Directors of Bulgargaz EAD. New members of the Board of Directors named Dimitar Spasov, Tatiana Petrova - Boyadzhieva, Denitsa Zlateva and Veselin Sinabov were elected. Changes are valid for a period since the date when the decision is entered into the Commercial Register until a new tender procedure is held. The decision of the Board of Directors of BEH EAD for election of new members of the Board of Directors of Bulgargaz EAD has been entered into Commercial Register on 22.08.2022.

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

### **Key Audit Matters**

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

With the exception of the issues described in the “Basis for expressing qualified opinion” and “Material uncertainty related to going concern” sections described above, we have decided that there are no other key audit issues to be communicated in our report.

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

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

Our opinion on the interim condensed financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report. In connection with our audit of the interim condensed financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the interim condensed financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the “Basis for expressing qualified opinion” section of this report, we have not been able to obtain sufficient appropriate audit evidence on the issues identified in this section. Accordingly, we are unable to conclude whether the other information does not contain material misstatement in relation to these matters.

### **Responsibilities of Management and Those Charged with Governance for the Interim Condensed Financial Statements**

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

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

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

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

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

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

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

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

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

We are jointly liable for the performance of our audit and for the audit opinion expressed by us, in accordance with the requirements of the Independent Financial Audit Act applicable in Bulgaria. In undertaking and fulfilling the commitment for joint audit, in connection with which we report, we have been guided by the Guidelines for implementation of joint audit, issued on 13.06.2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public supervision of registered auditors in Bulgaria.

### **Report on Other Legal and Regulatory Requirements**

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

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

Based on the procedures performed, our opinion is that:

- a) The information included in the interim management report referring to the period for which the interim condensed financial statements have been prepared is consistent with those interim condensed financial statements on which we have expressed a qualified opinion in the "Report on the Audit of the Interim Condensed Financial Statements" above;
- b) The interim management report has been prepared in accordance with the applicable legal requirements;
- c) As a result of the acquired knowledge and understanding of the Company's activities and the environment in which it operates, we have not identified any cases of material misstatement in the interim activity report, except for the possible effect described in the section "Other information other than interim financial statement" in "Report on the Audit of the Interim Condensed Financial Statements".

**Grant Thornton OOD**  
**Audit firm №032**

**Mariy Apostolov**  
**Managing partner**

**Emilia Marinova**  
**Registered auditor responsible for the audit**

24 August 2022

Sofia, Bulgaria

**Zaharinoxa Nexia EOOD**  
**Audit firm №138**

**Dimitrina Zaharinoxa**  
**Managing partner**

**Stoycho Milev**  
**Registered auditor responsible for the audit**