

BULGARGAZ EAD

**INTERIM MANAGEMENT REPORT
INTERIM CONDENSED FINANCIAL STATEMENTS**

31 MARCH 2019

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This Company Management Report for the first quarter of year 2019 presents financial statements' comments and analysis and other important information as regards to the financial position and results of Bulgargaz EAD's activity, comprising the period January 1, 2019 – March 31, 2019.

This report has been made pursuant to Article 39 of the Accountancy Act, Article 187д, Article 247, Paragraph 1, 2 and 3 of the Commercial Act and Article 100н, Paragraph 7, item 2 of the Public Offering of Securities Act.

I. COMPANY OVERVIEW

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

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

Bulgargaz EAD carries out its activities as regards to public supply of natural gas for the territory of the Republic of Bulgaria, in compliance with License No JI-214-14/29.11.2006, issued by the State Energy and Water Regulatory Commission (SEWRC), for a period of 35 years. With an Amendment Act to the Energy Act (amended, State Gazette, issue 17 as of 06.03.2015) the Commission was reorganized into the Energy and Water Regulatory Commission (EWRC).

OWNERSHIP AND MANAGEMENT

Bulgargaz EAD is a sole shareholder joint stock company within the organizational structure of Bulgarian Energy Holding EAD (BEH). The registered share capital is distributed into 231 698 584 ordinary, registered, unprivileged and voting shares with a nominal value of BGN 1. The total amount of the Company share capital is subscribed and entirely paid in by the sole shareholder Bulgarian Energy Holding EAD. The state owns 100% of the registered capital in BEH EAD through the Minister of Energy.

COMPANY STRUCTURE

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

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

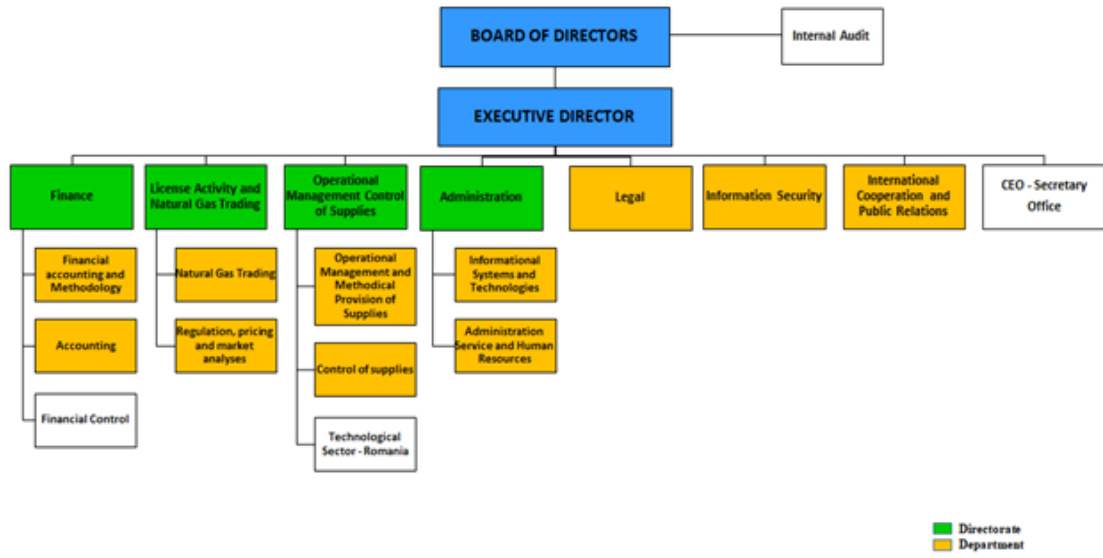
On 22 May 2017, in the Commercial Register a Decision of BEH EAD's BoD was registered, for appointing of a new CEO of Bulgargaz EAD. As at that date the composition of the Board of Directors is as follows:

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

On 1 September 2018, in the Commercial Register a Decision of BEH EAD's BoD was registered, for the election of a new member of the Board of Directors. As at that date, and as at the first quarter of 2019, the composition of the Board of Directors is as follows:

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

BULGARGAZ EAD'S ORGANISATIONAL STRUCTURE



COMPANY'S MANAGEMENT RESPONSIBILITY

The Management confirms that adequate accounting policy is applied during preparation of the financial statements for the first quarter of year 2019, and that the latter are prepared based on a going concern principle.

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

1. INFORMATION ABOUT REMUNERATION of THE BOARD OF DIRECTORS UNDER MANAGEMENT AND CONTROL CONTRACTS

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

Information about BoD members shares in trade companies, as unlimited liability partners; holding more than 25% of other companies' equity, as well as their participation in the management of other companies or co-operations as procurators, managers or Board members (pursuant to the requirements of Article 247, Paragraph 2, Item 4 of the Commercial Act).

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

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

Petyo Angelov Ivanov – Chairman of the Board of Directors, member of the BoD from 01.09.2018:

- does not participate as an unlimited liability partner in trade companies;
- does not own more than 25% of trade companies' equity;
- participates in the management of Bulgarian Energy Holding EAD as a CEO and Member of the Board of Directors, of South Stream Bulgaria AD and of ContourGlobal Operations Bulgaria AD as a member of the Board of Directors.

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

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

Nikolay Angelov Pavlov – CEO, Member of the BoD from 19.02.2016 to 06.02.2017 and from 22.05.2017:

- does not participate as an unlimited liability partner in trade companies;
- does not own more than 25% of trade companies' equity;
- does not participate in the management of other companies, co-operations as procurator, manager or member of BoD.

2. INFORMATION ABOUT CONTRACTS UNDER ARTICLE 240B OF THE COMMERCIAL ACT CONCLUDED THROUGH THE YEAR

In 2019, the Board of Directors or other persons related to them have not entered into any contracts pursuant to Article 240B of the Commercial Act on behalf of the Company that go beyond its normal business or substantially deviate from the market conditions.

II. COMPANY ACTIVITY RESULTS FOR THE FIRST QUARTER OF YEAR 2019

In 2019, Bulgargaz EAD carried out its activities, as well as up to now, in compliance with all the normative regulations. The result of the Company's operations is a profit after taxation of BGN 17 131 thousand (for the first quarter of 2018: profit of BGN 9 579 thousand).

As of March 31, 2019, the registered share capital of Bulgargaz EAD amounted to BGN 231 698 thousand, which exceeded the net assets of the Company at that date by BGN 9 324 thousand, which is in the hypothesis of Article 252, paragraph 1, item 5 of the Commercial Act.

For year 2018, the Company reported a net loss of BGN 31 978 thousand, which resulted from the accrued provision for a fine in Case COMP/B1/AT.39849 - BEH gas amounting to BGN 50 244 thousand, based on a Decision of the European Commission of 17 December 2018. The Company has recognized expenses on provisions of 1/3 (one third) of the value of the fine imposed on BEH EAD, Bulgargaz EAD and Bulgartransgaz EAD, with total amount of EUR 77 068 thousand. The European Commission's Decision sets out **alleged infringements by BEH EAD, Bulgargaz EAD and Bulgartransgaz EAD for past reporting periods from 2010 to 2014.**

GENERAL FACTORS AFFECTING COMPANY'S ACTIVITIES

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

Natural gas public supply is a regulated activity by EWRC. Bulgargaz EAD natural gas purchasing prices are market based, while Company's natural gas selling prices are regulated. The Company has no branch network and does not develop research and development activity.

1. QUANTITATIVE INDICATORS IMPLEMENTATION

DELIVERED AND SOLD NATURAL GAS VOLUMES

Natural gas deliveries guaranteeing the needs of the Company's customers are provided through long-term contracts, mainly with OOO Gazprom Export.

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

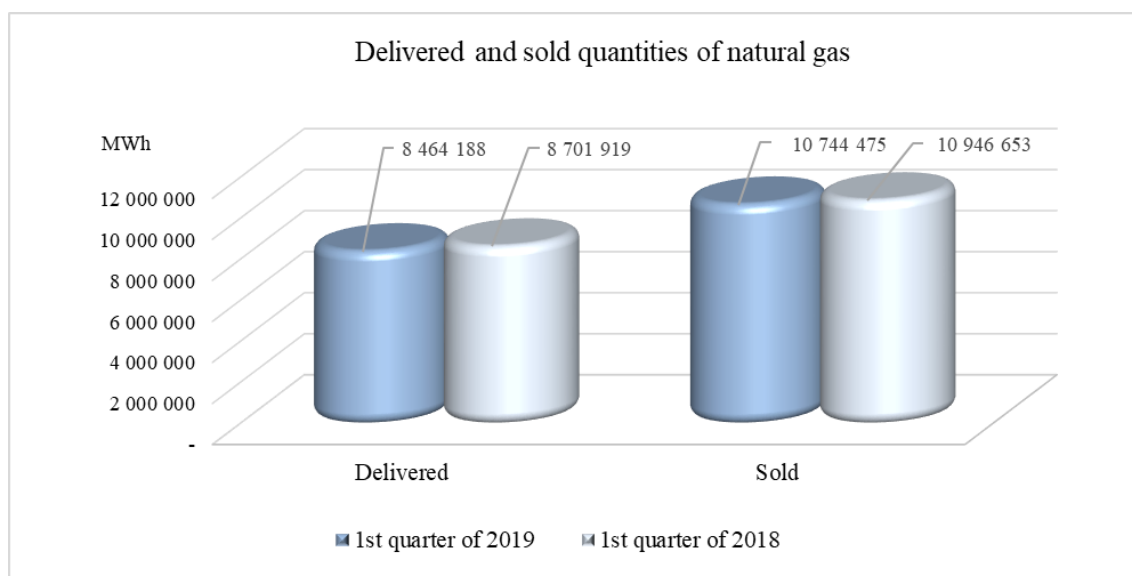
The transmission of natural gas through the territory of the Republic of Bulgaria is carried out by the combined operator Bulgartransgaz EAD.

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

The quantities of natural gas delivered and sold in the first quarter of 2019 compared to the first quarter of 2018 are presented in Table 1 below:

Table No.1

Type of delivery	Unit	First quarter of 2019	First quarter of 2018	Volume change	% Change
Delivered	MWh	8 464 188	8 701 919	(237 731)	(2.73%)
Sold	MWh	10 744 475	10 946 653	(202 178)	(1.85%)



During the reporting period, deliveries totaled 8 464 188 MWh (for year 2018: 8 701 919MWh), which is a decrease of 237 731 MWh, or 2.73%.

During the first quarter of 2019, 10 744 475 MWh natural gas was sold, compared to 10 946 653 MWh for the first quarter of 2018, which is a decrease of 202 178 MWh, or 1.85%. The decrease is mainly due to lower consumption of customers in the glass and porcelain, distribution companies and chemistry sectors.

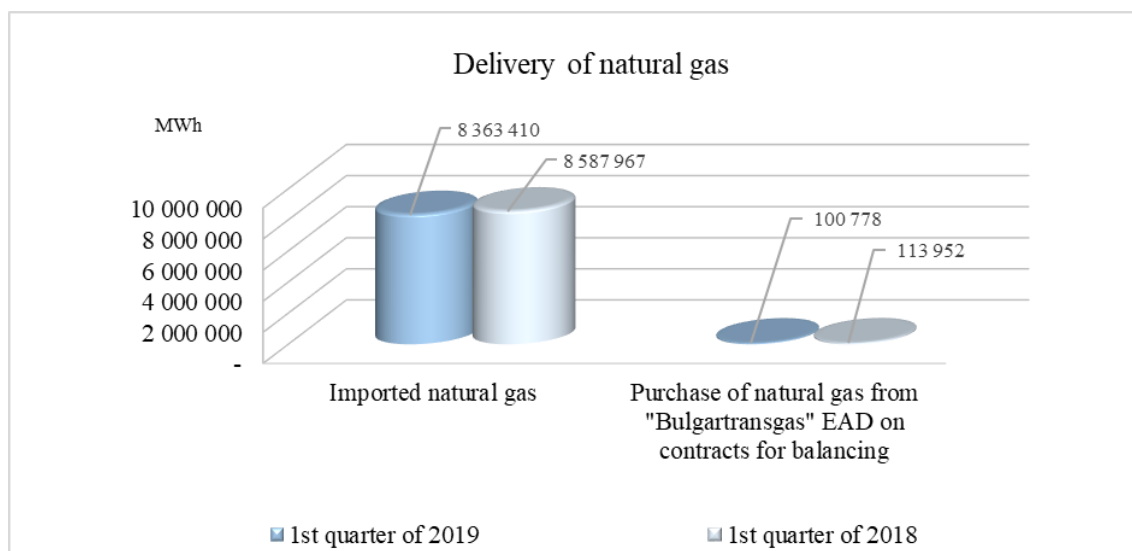
1.1. DELIVERED NATURAL GAS VOLUMES

The delivered natural gas volumes for the first quarter of 2019 and the first quarter of 2018 are presented in Table No. 2 below.

Table No.2

MWh

№	Type of delivery	First quarter of 2019	First quarter of 2018	Relative share		% Change
				First quarter of 2019	First quarter of 2018	
1	Imported natural gas	8 363 410	8 587 967	98.81%	98.69%	(2.61%)
2	Purchase of natural gas from Bulgartransgaz EAD on contracts for balancing	100 778	113 952	1.19%	1.31%	(11.56%)
	Total	8 464 188	8 701 919	100.00%	100.00%	(2.73%)



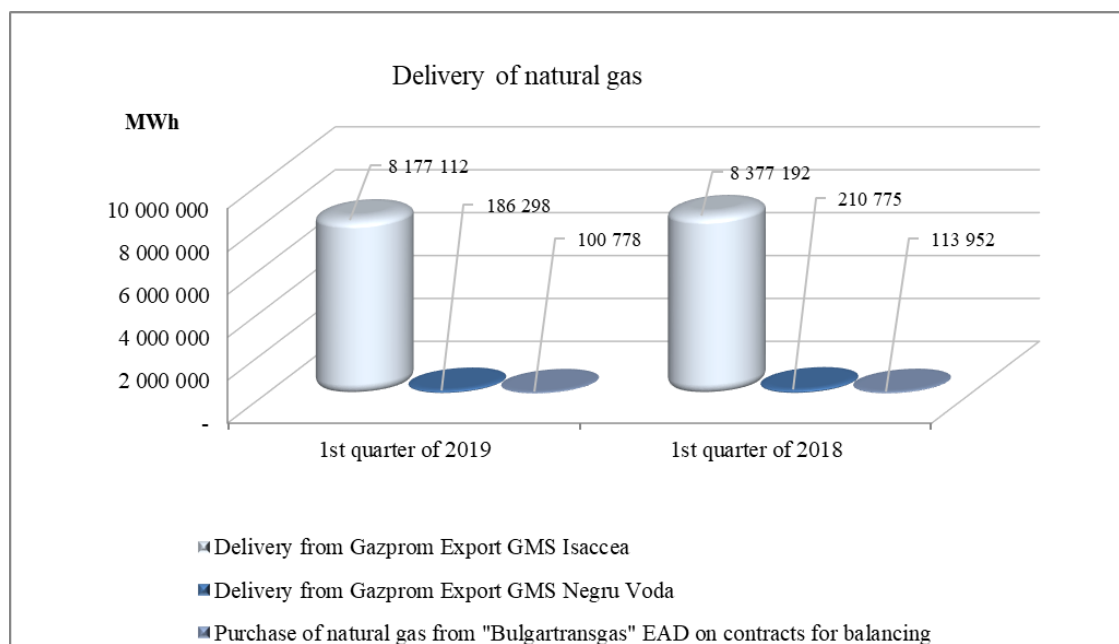
To secure the needs of natural gas to its customers, during the first quarter of 2019 Bulgargaz EAD delivered 8 363 410 MWh of natural gas, which is 98.81% of the total supply, as well as the purchase of natural gas from Bulgartransgaz EAD under contracts for balancing the system – 100 778 MWh.

Delivered natural gas volumes, allocated by sources, are indicated in Table No. 3 below.

Table No.3

MWh

№	Type of delivery	First quarter of 2019	First quarter of 2018	Relative share		% Change
				First quarter of 2019	First quarter of 2018	
1	Imported natural gas	8 363 410	8 587 967	98.81%	98.69%	(2.61%)
1.1.	Gazprom Export:	8 363 410	8 587 967	98.81%	98.69%	(2.61%)
1.1.1	GMS Isaccea	8 177 112	8 377 192	96.61%	96.27%	(2.39%)
1.1.2	GMS Negru Voda	186 298	210 775	2.20%	2,42%	(11.61%)
2	Purchase of natural gas by Bulgartransgaz EAD on contracts for balancing	100 778	113 952	1.19%	1.31%	(11.56%)
	Total	8 464 188	8 701 919	100.00%	100.00%	(2.73%)



1.2. NATURAL GAS PRODUCTION AND INJECTION

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

Natural gas volumes produced and injected in Chiren UGS for the first quarter of 2019 and for the same period of year 2018 are presented in Table No. 4 below.

Table No. 4

MWh

Period	First quarter of 2019			First quarter of 2018			Change in production		Change in injection		
	Production	Change from recalculation in MWh	Injection	Production	Sale to Kostinbrod Gaz	Injection					
January	978 927	-	-	955 710	-	-	23 217	2.43%	-	-	-
February	810 785	-	-	764 090	-	-	46 695	6.11%	-	-	-
March	446 427	(88)	-	510 190	-	-	(63 763)	(12.50%)	-	-	-
Total	2 236 139	(88)	-	2 229 990	-	-	6 149	0.28%	-	-	-

The natural gas volumes produced in the first quarter of 2019 totaled 2 236 139 MWh or an increase of 6 149 MWh (by 0.28%) compared to the first quarter of 2018: 2 229 990 MWh, due to Bulgartransgaz EAD's application of a different conversion factor from volume in energy of the produced quantities.

2. NATURAL GAS SALES

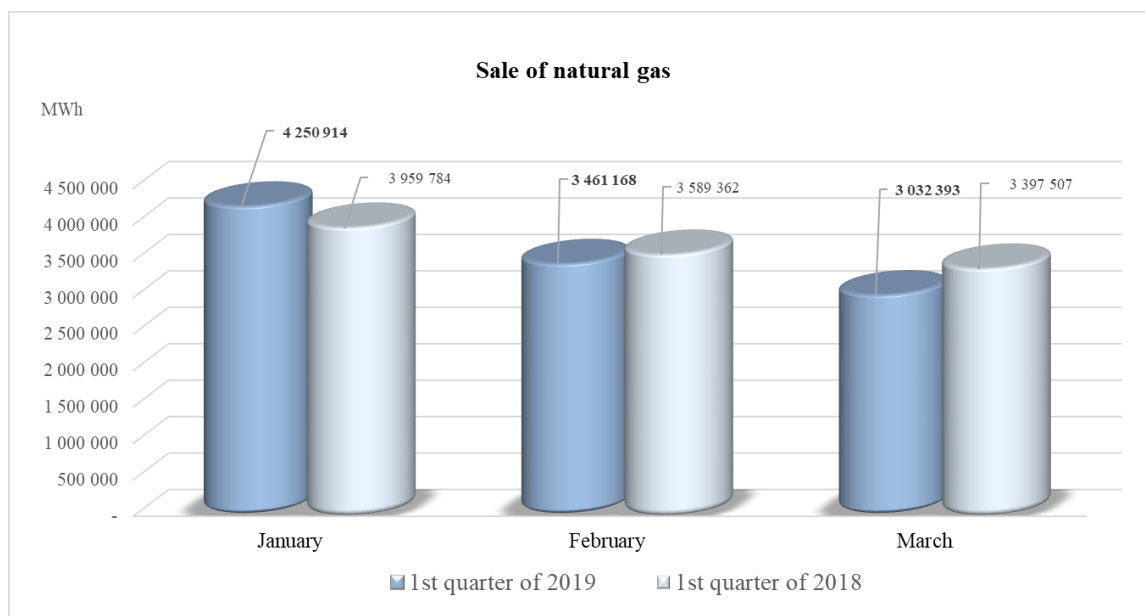
2.1. GENERAL CONSUMPTION

Bulgargaz EAD's ensures reliable supply of natural gas to its customers, in accordance with the quantity and quality contractual requirements. In the first quarter of 2019 the Company sold to its clients 10 744 475 MWh natural gas, which is a decrease of 202 178 MWh, or 1.85%, compared to the gas sold during the same period in the preceding year – 10 946 653 MWh.

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

Table No. 5

Reporting period	First quarter of 2019		First quarter of 2018		Change	
	MWh	Share in %	MWh	Share in %	MWh	%
January	4 250 914	39.56%	3 959 784	36.17%	291 130	7.35%
February	3 461 168	32.21%	3 589 362	32.79%	(128 194)	(3.57%)
March	3 032 393	28.23%	3 397 507	31.04%	(365 114)	(10.75%)
Total	10 744 475	100.00%	10 946 653	100.00%	(202 178)	(1.85%)



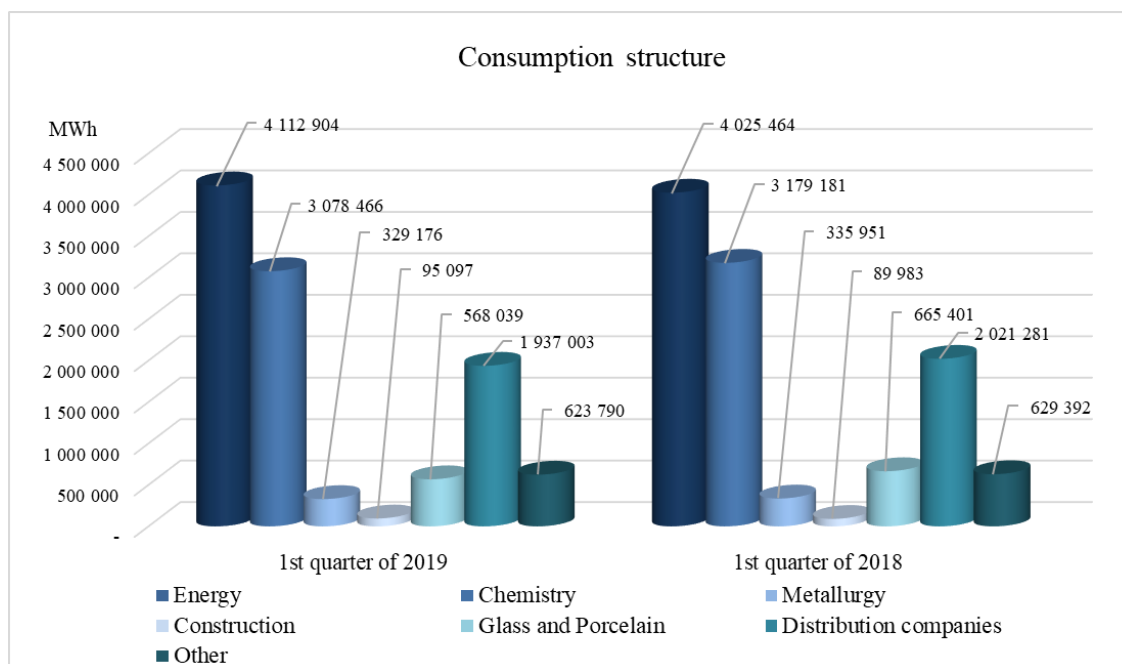
2.2. CONSUMPTION STRUCTURE

Table 6 presents the natural gas sales of Bulgargaz EAD for the first quarter of 2019 and the first quarter of 2018, allocated by main economic sectors.

Table No. 6

Sector	First quarter of 2019		First quarter of 2018		Change	
	MWh	Share in %	MWh	Share in %	MWh	%
Energy	4 112 904	38.28%	4 025 464	36.77%	87 440	2.17%
Chemistry	3 078 466	28.65%	3 179 181	29.04%	(100 715)	(3.17%)
Metallurgy	329 176	3.06%	335 951	3.07%	(6 775)	(2.02%)
Construction	95 097	0.88%	89 983	0.82%	5 114	5.68%
Glass and Porcelain	568 039	5.29%	665 401	6.08%	(97 362)	(14.63%)
Distribution companies	1 937 003	18.03%	2 021 281	18.46%	(84 278)	(4.17%)
Other	623 790	5.81%	629 392	5.75%	(5 602)	(0.89%)
Total	10 744 475	100%	10 946 653	100%	(202 178)	(1.85%)

For the first quarter of 2019, compared to the same period in 2018, the sales decreased by 202 178 MWh (or 1.85%). This is a result of lower consumption of customers in the chemistry and glass and porcelain sectors. The decreased consumption by the district heating companies during the first quarter of 2019 is due to the higher temperatures during the winter months of 2019 compared to the same period in 2018, as well as to failure events to large consumers in the chemical industry.



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

- ✓ the major consumers of natural gas remain the companies in the field of energy and chemical industries;
- ✓ there is an increase in natural gas consumption in the enterprises in the energy and construction industry.
- ✓ in all other sectors there is a decrease in consumption.

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

The comparison between the weighted average delivery and sales prices for the first quarter of 2019, excluding the costs of access and transmission, is shown in Table 7.

Table No. 7

Period	Weighted average delivery price up to the entry of gas transmission system (BGN/MWh)	Weighted average sale price excluding access and transmission fee (BGN/MWh)	Change	
			BGN	%
First quarter of 2019	45.27	44.81	0.46	1.03%
First quarter of 2018	31.83	33.40	(1.57)	(4.70%)

The delivery price at the entry of the gas pipeline network (to the Bulgarian border) includes the cost of purchasing natural gas under the contract with OAO Gazprom Export and the cost of transmission through the territory of Romania.

The weighted average selling price refers to the sales of natural gas to customers in the country during the respective period under a price regulated by the State Energy and Water Regulatory Commission, including sales under a contract for the purchase and sale of natural gas for balancing.

III. RISK FACTORS

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

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

1. REGULATORY/ PRICE RISK

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

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

2. CURRENCY RISK

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

The main risk for Bulgargaz EAD arises out from the necessity to purchase natural gas in USD and sell it in BGN. Thus, the Company is exposed at risk of exchange rate fluctuations. The approved by EWRC marginal price for each regulatory period is determined at a fixed USD-BGN exchange rate.

The Company is exposed at risk of loss of continuous increase of USD exchange rate within the period of prices’ application, compared to the exchange rate, as applied at the time of their approval. The Company is also at risk of realizing a revaluation loss on its currency exposures due to the dynamic movement of the USD exchange rate.

3. CREDIT RISK

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

4. LIQUIDITY RISK

Liquidity risk occurs when the Company is not able to meet its current financial obligations and commitments. They are presented in short term liabilities of the Company, namely payment liabilities for transmission and storage, liabilities towards the State in the form of taxes and excise duties, liabilities under commercial loans and regular payments related to operational activity. Short-term liabilities require a careful planning of all cash inflows and outflows, based on monthly forecasts.

IV. PROSPECTS AND DEVELOPMENT

Company’s development prospects relate to the implementation of its strategic and operational objectives.

1. STRATEGIC OBJECTIVES

Bulgargaz EAD’s main strategic objective is to abide by the responsibilities and obligations contained in the Natural Gas Delivery License, implementing all necessary measures to ensure timely supply of quality natural gas to consumers.

- In order to achieve the objectives, the Company endeavours to provide alternative sources and routes for the supply of natural gas that will increase the geographic supply portfolio and help to increase the security and reliability of gas supply. At present, the supply of natural gas from import is still made

from a single entry point, while the extraction of gas from local deposits in the country is extremely insufficient. The same can be extremely risky, given the conflict between Ukraine and the Russian Federation;

- Maintaining stable financial stability and increasing the economic efficiency of the Company's activity;
- Entering the gas market of neighbouring countries.

2. OPERATIONAL OBJECTIVES

- Maintaining Company's financial stability;
- Providing more flexible customer services in connection with changes in the Natural Gas Trading Rules and the Balancing Rules.

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

V. FINANCIAL AND ECONOMIC POSITION

The financial and economic position of Bulgargaz EAD has been examined and analyzed on the basis of financial and accounting statements prepared: statement of profit or loss and other comprehensive income and cash flow statement for the first quarter of 2019 compared to the same period in 2018, as well as a statement of the financial position of the Company for the first quarter of 2019, compared with the previous period as of the first quarter of 2018.

MAIN FINANCIAL INDICATORS

The main financial and economic results of the Company's operations for the first quarter of 2019 and the first quarter of 2018 are presented as follows:

In thousands BGN

Indicators	First quarter of 2019	First quarter of 2018	Change	Change (%)
Total revenues	514 054	401 751	112 303	27.95%
Total expenses	(495 908)	(388 586)	(107 322)	27.62%
EBITDA	18 246	13 213	5 033	38.09%
EBIT	18 146	13 165	4 981	37.84%
EBT	17 131	8 275	8 856	107.02%

In thousands BGN

Indicators	31.03.2019	31.12.2018	Change	Change (%)
Non-current fixed assets	97	100	(3)	(3.00%)
Total assets	347 074	339 742	7 332	2.16%
Current assets	312 165	325 711	(13 546)	(4.16%)
Current liabilities	74 071	84 183	(10 112)	(12.01%)
Cash	69 807	2 145	67 662	3154.41%
Working capital	238 094	241 528	(3 434)	(1.42%)
Equity	222 374	246 800	(24 426)	(9.90%)
Share capital	231 698	231 698	0	0.00%
Reserves	7 412	7 412	0	0.00%
Retained profit /(accumulated loss)	(33 867)	(1 889)	(31 978)	1692.85%
Profit/loss for the period	17 131	(31 978)	49 109	153.57%
Number of personnel	52	54	(2)	(3.70%)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In thousands BGN

	First quarter of 2019		First quarter of 2018		Change	
	Amount	% of the total	Amount	% of the total	Amount	%
Revenues	514 054	100.00%	401 751	100.00%	112 303	27.95%
Revenues from sale of natural gas	508 831	98.98%	396 315	98.65%	112 516	28.39%
Other income	5 223	1.02%	5 436	1.35%	(213)	(3.92%)
- penalties under overdue receivables	3 356	0.65%	4 490	1.12%	(1 134)	(25.26%)
- sanctions for 105% volume	1 340	0.26%	704	0.18%	636	90.34%
- penalties for volumes not taken under Art.7.4 and 7.5	425	0.08%	242	0.06%	183	75.62%
- other income	102	0.02%	0	0.00%	102	-
Expenses as per economic elements	(495 908)	100.00%	(388 586)	100.00%	(107 322)	27.62%
Cost of sold natural gas	(493 945)	99.60%	(373 792)	96.19%	(120 153)	32.14%
Recovered/ (accrued) impairment	0	0.00%	(13 030)	3.35%	13 030	(100.00%)
- recovered/ (accrued) impairment of receivables	0	0.00%	(13 030)	3.35%	13 030	(100.00%)
Cost of materials	(11)	0.00%	(24)	0.01%	13	(54.17%)
- fuel gas	0	0.00%	(12)	0.00%	12	(100.00%)
- main materials	0	0.00%	(1)	0.00%	1	(100.00%)
- fuels and lubricants	(6)	0.00%	(5)	0.00%	(1)	20.00%
- stationary and consumables	(3)	0.00%	(4)	0.00%	1	(25.00%)
- sanitary materials	(1)	0.00%	(1)	0.00%	-	0.00%
- advertising materials	(1)	0.00%	0	0.00%	(1)	
- other materials	0	0.00%	(1)	0.00%	1	(100.00%)
Costs of hired services	(1 261)	0.25%	(1 033)	0.27%	(228)	22.07%
- natural gas storage costs	(687)	0.14%	(667)	0.17%	(20)	3.00%
- expenses on management contracts	(37)	0.01%	(19)	0.00%	(18)	94.74%
- license fees	(168)	0.03%	(146)	0.04%	(22)	15.07%
- insurances	(27)	0.01%	(25)	0.01%	(2)	8.00%
- rents	(3)	0.00%	(64)	0.02%	61	(95.31%)
- court charges and expenditures	(219)	0.04%	(21)	0.01%	(198)	942.86%
- communications	(23)	0.00%	(22)	0.01%	(1)	4.55%
- audit committee remuneration	(20)	0.00%	(16)	0.00%	(4)	25.00%
- consulting and audit services	(29)	0.01%	(12)	0.00%	(17)	141.67%
- repair and technical maintenance	(7)	0.00%	(5)	0.00%	(2)	40.00%
- public utility	(7)	0.00%	(8)	0.00%	1	(12.50%)
- subscription service	(3)	0.00%	(6)	0.00%	3	(50.00%)
- parking expenses	(5)	0.00%	(5)	0.00%	-	0.00%
- translation services	(5)	0.00%	0	0.00%	(5)	
- security	(15)	0.00%	(12)	0.00%	(3)	25.00%
- labour medicine service	0	0.00%	(1)	0.00%	1	(100.00%)
- EWRC's fee - price approval	(2)	0.00%	(1)	0.00%	(1)	100.00%
- other charges	(4)	0.00%	(3)	0.00%	(1)	33.33%
Depreciation/amortization expenses	(100)	0.02%	(48)	0.01%	(52)	108.33%
Employee benefit expenses	(569)	0.11%	(547)	0.14%	(22)	4.02%
- remuneration expenses	(337)	0.07%	(465)	0.12%	128	(27.53%)
- compensated leaves expenses	(145)	0.03%	(82)	0.02%	(63)	76.83%
- current service costs (retirement benefits)	0	0.00%	(112)	0.03%	112	(100.00%)
- social security expenses	(87)	0.02%	(103)	0.03%	16	(15.53%)
Other expenses	(22)	0.00%	(112)	0.03%	90	(80.36%)
- penalties for overdue payments	0	0.00%	(103)	0.03%	103	(100.00%)
- business trips and representation expenses	(8)	0.00%	(2)	0.00%	(6)	300.00%
- training	0	0.00%	(2)	0.00%	2	(100.00%)
- one-off taxes	(3)	0.00%	(3)	0.00%	-	0.00%
- donations	(8)	0.00%	0	0.00%	(8)	
- membership in organization	(1)	0.00%	0	0.00%	1	(50.00%)
- others	(2)	0.00%	(2)	(3.39%)	0	-
Profit/ (loss) from operating activity	18 146		13 165		4 981	37.84%
Net financial income / (costs)	(1 015)		(4 890)		3 875	79.24%
Financial income	676	100.00%	7	100.00%	669	9557.14%
- effect of discounting financial assets	0	0.00%	0	0.00%	-	-
- interest income on long-term receivables	676	0.13%	7	0.00%	669	9557.14%

	First quarter of 2019		First quarter of 2018		Change	
	Amount	% of the total	Amount	% of the total	Amount	%
Financial costs	(1 691)	100.00%	(4 897)	100.00%	3 206	(65.47%)
- interest expenses under trade payables to related parties	(63)	(0.01%)	(210)	(0.05%)	147	(70.00%)
- interest expense on loans to banks	(1)	(0.00%)	0	0.00%	(1)	-
- interest expenses under repurchase agreements	0	0.00%	(61)	(0.02%)	61	(100.00%)
- interest expenses under overdue tax liabilities	(16)	(0.00%)	0	0.00%	(16)	-
- other interest expenses	(6)	(0.00%)	0	0.00%	(6)	-
- loss from foreign exchange rate differences	(1 454)	(0.28%)	(4 610)	(1.15%)	3 156	(68.46%)
- bank charges	(151)	(0.03%)	(16)	(0.00%)	(135)	843.75%
Profit/ (loss) before tax	17 131		8 275		8 856	107.02%
Income Tax (expense)/ revenue	0	0.00%	1 304	0.32%	(1 304)	(100.00%)
Net profit/ (loss) for the period	17 131		9 579		7 552	78.84%

REVENUE

The company has sold 10 744 475 MWh natural gas at the amount of BGN 508 831 thousand for the first quarter of 2019 (First quarter of 2018: 10 946 653 MWh at the amount of BGN 396 315 thousand). The net result of the sale of natural gas for the first quarter of 2019 amounted to BGN 14 886 thousand (first quarter of 2018: BGN 22 523 thousand), a decrease of BGN 7 637 thousand. In the first quarter of 2019 there is a positive difference between the weighted average sale price and the weighted average delivery price of natural gas of BGN 0.46 compared to the same for the first quarter of 2018 when it is negative in amounting to BGN 1.57 (see Table №7).

EXPENSES

Expenses as per economic types include: cost of natural gas sold, impairment expenses, costs of materials, cost of hired services, depreciation/amortization expenses, labour remunerations expenses, social security and allowances expenses, expenses on provisions, etc. In the first quarter of 2019 they amounted to BGN 495 908 thousand (First quarter of 2018: BGN 388 586 thousand), which is an increase of BGN 107 322 thousand, or 27.62%.

The largest share of 99.60% of total costs is the cost of natural gas sold for the first quarter of 2019 at the amount of BGN 493 945 thousand (first quarter of 2018 96.19%: 373 792 thousand). For the first quarter of 2019, compared to the first quarter of 2018, the cost of the gas sold was 32.14% higher.

In the first quarter of 2019 no impairment was recovered or accrued (first quarter of 2018: BGN 13 030 thousand).

The cost of hired services in the first quarter of 2019 amounted to BGN 1 261 thousand (first quarter of 2018: BGN 1 033 thousand), an increase of BGN 228 thousand or 22.07%. This is due to an increase in the costs of court fees and costs, as well as the cost of natural gas storage.

Other expenses for the first quarter of 2019 amounted to BGN 22 thousand (first quarter of 2018: BGN 112 thousand), a decrease of BGN 90 thousand or 80.36% compared to the previous reporting period. Of those with the largest share are the penalties for delayed payments by dividend due from profits for 2016 to Bulgarian Energy Holding EAD.

The operating result is a profit of BGN 18 146 thousand for the first quarter of 2019 (first quarter of 2018: profit of BGN 13 165 thousand).

The net result of financial income and expenses for the first quarter of 2019 is negative at the amount of BGN 1 015 thousand (first quarter of 2018: negative BGN 4 890 thousand), a decrease of BGN 3 875 thousand. For the reporting period, a loss from a change in foreign exchange rates amounted to BGN 1 454 thousand (first quarter of 2018: loss of BGN 4 610 thousand).

During the reporting period interest expenses on trade payables to related parties amounted to BGN 63 thousand (first quarter of 2018: BGN 210 thousand) or a decrease of BGN 147 thousand due to paid payables under trade agreements.

After reflecting the financial revenues and expenditures for the first quarter of 2019, the financial result before tax is a profit of BGN 17 131 thousand (first quarter of 2018: profit of BGN 8 275 thousand), which is an increase by BGN 8 856 thousand.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019, the Company's assets amounted to BGN 347 074 thousand (as at 31 December 2018: BGN 339 742 thousand). Changes in the asset structure for both periods are shown in the following table:

In thousands BGN

	31.03.2019		31.12.2018		Change	
	TBGN	% of the total	TBGN	% of the total	TBGN	%
Assets						
Non-current assets						
Plant and equipment	97	0.28%	100	0.71%	(3)	(3.00%)
Intangible assets	632	1.81%	117	0.83%	515	440.17%
Trade and other receivables	20 367	58.34%	-	0.00%	20 367	
- trade receivables from sale of natural gas	20 367	58.34%	-	0.00%	20 367	
- other receivables	0	0.00%	-	0.00%	-	
Deferred tax assets	13 813	39.57%	13 814	98.45%	(1)	(0.01%)
Total non-current assets	34 909	100.00%	14 031	100.00%	20 878	148.80%
Current assets						
Inventories	5 568	1.78%	90 943	27.92%	(85 375)	(93.88%)
- natural gas	5 548	1.78%	90 923	27.92%	(85 375)	(93.90%)
- materials	20	0.01%	20	0.01%	-	0.00%
Trade and other receivables	236 790	75.85%	234 668	72.05%	2 122	0.90%
- trade receivables from natural gas sales	148 999	47.73%	143 292	43.99%	5 707	3.98%
- court and awarded receivables	(2)	0.00%	-	0.00%	(2)	
- prepaid advances for supply of natural gas	73 039	23.40%	75 030	23.04%	(1 991)	(2.65%)
- court Corporate Commercial Bank AD	365	0.12%	365	0.11%	-	0.00%
- prepaid advances for delivery of tangible fixed assets	67		-	0.00%	67	
- receivables from related parties (under an assignment agreement)		0.00%	-	0.00%	-	
- receivables from related parties (natural gas, deposits and guarantees)	11 660	3.74%	11 865	3.64%	(205)	(1.73%)
- other receivables	2 662	0.85%	4 116	1.26%	(1 454)	(35.33%)
Cash and cash equivalents	69 807	22.36%	100	0.03%	69 707	69 707.00%
Total current assets	312 165	100.00%	325 711	100.00%	(13 546)	(4.16%)
Total assets	347 074		339 742		7 332	2.16%

NON-CURRENT ASSETS

Non-current assets as at 31 March 2019 amounted to BGN 34 909 thousand (as at 31 December 2018: BGN 14 031 thousand), an increase of BGN 20 878 thousand or 148.80%. Non-current assets during the reporting period are formed from trade receivables from sale of natural gas at the amount of BGN 20 367 thousand, non-current tangible and intangible assets at the amount of BGN 729 thousand and deferred tax assets at BGN 13 813 thousand.

As of 01.01.2019, according to IFRS 16, a unified model of accounting treatment of a contract for a rented asset - an office building - is applied. A "right of use" asset is recognized, amounting to BGN 546 thousand, which will be amortized over the term of the contract and respectively a lease payable under this contract is recognized. As at 31 March 2019, the amount of the lease payable is BGN 493 thousand, a total current and non-current portion.

CURRENT ASSETS

The current assets of the Company as at 31 March 2019 amounted to BGN 312 165 thousand (as at 31 December 2018: BGN 325 711 thousand), a decrease of BGN 13 546 thousand or 4.16% as a result of increase in cash.

Inventories for the first quarter of 2019 amounted to BGN 5 568 thousand (as at 31 December 2018: BGN 90 943 thousand), a decrease of BGN 85 375 thousand or 93.88%. The decrease was due to the extracted natural gas in the reporting period at the amount of 2 236 139 MWh.

Trade and other receivables at 31 March 2019 amounted to BGN 236 790 thousand (as at 31 December 2018: BGN 234 668 thousand), an increase of BGN 2 122 thousand or 0.90% compared to 2018.

The prepaid advance for the supply of natural gas as at 31 March 2019 amounts to BGN 73 039 thousand (as of 31 December 2018: BGN 75 030 thousand), which represents a decrease by BGN 1 991 thousand or 2.65%.

The largest trade receivables for consumed but unpaid natural gas as at 31 March 2019 are among the following companies:

In thousands BGN

Counterparty	Short-term	Of which overdue
TOPLOFIKATSIA SOFIA EAD	93 967	51 486
LUKOIL NEFTOCHIM BURGAS AD	14 216	-
TPP VARNA EAD	6 638	5 267
TOPLOFIKATSIA BURGAS EAD	6 042	-
TOPLOFIKATSIA VARNA EAD	5 811	8
Other:	22 556	5 623
Total	149 230	62 384

Cash in current bank accounts and cash on hand of the Company at the end of the reporting period amounted to BGN 69 807 thousand (as at 31 December 2018: BGN 100 thousand), an increase of BGN 69 707 thousand.

CHANGES IN THE EQUITY AND LIABILITIES STRUCTURE

In thousands BGN

	31.03.2019		31.12.2018		Change	
	TBGN	% of the total	TBGN	% of the total	TBGN	%
Equity and liabilities						
Equity						
Share capital	231 698	104.19%	231 698	112.89%	0	0.00%
Statutory reserves	7 366	3.31%	7 367	3.59%	(1)	(0.01%)
Other reserves	46	0.02%	45	0.02%	1	2.22%
Retained earnings /(accumulated loss)	(16 736)	(7.53%)	(33 867)	-16.50%	17 131	50.58%
Total equity	222 374	100%	205 243	100%	17 131	8.35%
Liabilities						
Non-current liabilities						
Lease payables	313	0.62%	0	0.00%	313	
Provisions	50 244	99.24%	50 244	99.86%	0	0.00%
Liabilities for retirement employee benefits	72	0.14%	72	0.14%	(0)	(0.33%)
Total non-current liabilities	50 629	100.00%	50 316	100.00%	313	0.62%
Current liabilities					0	
Loans	0	0.00%	3 687	4.38%	(3 687)	(100.00%)
- Payables on received bank loans	-	0.00%	3 687	4.38%	(3 687)	(100.00%)
Trade and other payables	73 992	99.89%	80 197	95.27%	(6 205)	(7.74%)
- Trade payables	3 844	5.19%	11 957	14.20%	(8 113)	(67.85%)
- Payables to related parties	2 519	3.40%	13 469	16.00%	(10 950)	(81.30%)
- Received advances from clients for sale of natural gas	36 452	49.21%	15 113	17.95%	21 339	141.20%
- VAT to be paid	29 387	39.67%	37 599	44.66%	(8 212)	(21.84%)
- Excise duty to be paid	985	1.33%	1 762	2.09%	(777)	(44.10%)
- Payables to personnel	116	0.16%	131	0.16%	(15)	(11.45%)

	31.03.2019		31.12.2018		Change	
	TBGN	% of the total	TBGN	% of the total	TBGN	%
- Liabilities to insurance companies	75	0.10%	74	0.09%	1	1.35%
- lease payable, current portion	180	0.24%	0	0.00%	180	
- other payables	434	0.59%	92	0.11%	342	371.74%
Corporate tax	-	0.00%	220	0.26%	(220)	(100.00%)
Liabilities for retirement employee benefit	79	0.11%	79	0.09%	0	0.00%
Total current liabilities	74 071	100.00%	84 183	100.00%	(10 112)	(12.01%)
Total liabilities	124 700		134 499		(9 799)	(7.29%)
Total equity and liabilities	347 074		339 742		7 332	2.16%

SHARE CAPITAL STRUCTURE

The registered share capital as at 31.03.2019 amounts to BGN 231 698 thousand (as of 31.12.2018: BGN 231 698 thousand) and is unchanged during the reporting period.

As at 31.03.2019, the accumulated loss amounted to BGN 16 736 thousand (as of 31.12.2018: accumulated loss of BGN 33 867 thousand). The change as at 31.03.2019 is BGN 17 131 thousand, representing net profit for the first quarter of 2019.

NON-CURRENT LIABILITIES

Non-current liabilities of the Company for the first quarter of 2019 amounted to BGN 50 629 thousand (as of 31 December 2018: BGN 50 316 thousand), an increase of BGN 313 thousand or 0.62% formed by a lease payable, provision for a litigation liability related to *Case COMP/BI/AT.39849 - BEH gas* and compensation for retirement.

CURRENT LIABILITIES

As of the first quarter of 2019, the current liabilities of the Company amounted to BGN 74 071 thousand (as of 31.12.2018: BGN 84 483 thousand), which is a decrease of BGN 10 112 thousand, or 12.01%.

As at 31.03.2019, the Company has undrawn loans (overdrafts) as follows: an overdraft limit of BGN 10 900 thousand from Citibank Europe AD - Bulgaria branch, an overdraft limit of BGN 12 000 thousand from CCB Plc, as well as an overdraft limit in the amount of BGN 10 000 thousand from Expressbank AD.

Trade and other liabilities decrease by BGN 6 205 thousand or 7.74% compared to 2018. Current VAT liabilities to NRA amounted to BGN 29 387 thousand (31.12.2018: BGN 37 599 thousand).

As of 31.03.2019, liabilities to related parties decreased. An increase was marked in trade liabilities for advances received from customers for natural gas of BGN 21 339 thousand.

STATEMENT OF CASH FLOWS

The table below provides data on changes in cash flows as of the first quarter of year 2019 compared to the first quarter of 2018.

In thousands BGN

	First quarter of 2019	First quarter of 2018	Change	
Net cash flows from operating activity	73 617	109 446	(35 829)	(32.74%)
Net cash flows from investing activity	(159)	(86)	(73)	(85.06%)
Net cash flows from financing activity	(64)	(25 220)	25 156	99.75%
Net change in cash and cash equivalents during the year	73 394	84 140	(10 746)	(12.77%)
Cash and cash equivalents at the beginning of the year	(3 587)	2 145	(5 732)	(267.23%)
Cash and cash equivalents at the end of the year	69 807	86 285	(16 478)	(19.10%)

The net cash flow from operating activities of the Company in the first quarter of 2019 was positive and amounted to BGN 73 617 thousand (2018: positive at the amount of BGN 109 446 thousand) - a decrease of BGN 35 829 thousand or 32.74%. It is formed by the difference between receipts from customers for natural gas sold and payments to suppliers of purchased natural gas.

During the reporting period Bulgargaz EAD has paid for tax liabilities the amount of BGN 118 080 thousand (2017: BGN 80 705 thousand).

POST-REPORTING DATE EVENTS

The events are described in Note 21 'Post-reporting date events' of the interim condensed financial statements.

FINANCIAL RATIOS

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

In the first quarter of 2019 the financial ratios show financial stability of the Company and are optimal compared to market levels.

PROFITABILITY

Indicators	31.03.2019	31.03.2018
Return on equity	7.70%	4.25%
Return on assets	4.94%	3.28%

RETURN OF EQUITY

This indicator reveals the equity profitability level. In the first quarter of 2019 the return on equity ratio was 7.70% (31.03.2018: 4.25%).

RETURN ON ASSETS

It reveals the rate of return on the capital of the Company – own capital and attracted funds. It is expressed via ratio of the achieved financial result and assets used therein.

During the reporting period the return on assets was 4.94% (for the same period of year 2018: 3.28%).

LIQUIDITY

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

Indicators	31.03.2019	31.12.2018
Current liquidity ratio	4.21	3.87
Quick liquidity ratio	4.14	2.79
Immediate liquidity ratio	0.94	0.03

The current liquidity ratio for the first quarter of 2019 is 4.21, indicating that current assets can cover over 4 times the current liabilities of the Company (first quarter of 2018: 3.87).

The quick liquidity ratio is above 4, indicating that the current assets reduced by inventories can cover over 4.14 times the current liabilities of the Company.

The absolute (immediate) liquidity ratio shows how much the short-term liabilities of the Company are covered. For the first quarter of 2019, the immediate liquidity ratio is 0.94 (first quarter of 2018: 0.03).

FINANCIAL INDEPENDENCE

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

Indicators	31.03.2019	31.12.2018
Financial autonomy ratio	1.78	1.85
Indebtedness ratio	0.56	0.54

When the financial autonomy ratio is below 1 (one), there is an excess of liabilities over equity. In this case, the current liabilities are not sufficiently secured with Company's property.

When the indicator is above 1 (one), it shows the level of financial independence from using funds from other parties. In the first quarter of 2019 the indicator for financial autonomy ratio was 1.78 (first quarter of 2018: 1.85).

The indebtedness ratio expresses the degree of dependence of the Company on creditors. When the ratio is greater than 1 (one), the company's dependence on external sources of funds is greater. This indicator as of first quarter of 2019 is 0.56 (first quarter of 2018: 0.54).

The information presented and analyzed in the Management Report of Bulgargaz EAD for the first quarter of 2019 shows that the Company fulfills its licensing obligations as a public supplier of natural gas in the Republic of Bulgaria in full compliance with the requirements of the legal framework. The activity is directly related to the business environment, regulatory requirements and financial security. Regardless of the dynamic market conditions during the period under review, the Company reacted promptly and adequately and significantly improved its financial performance, maintaining financial stability and increasing the cost-effectiveness of its operations.

18.04.2019


Stanimir Kostov

Head of Financial Reporting and
Methodology Department


Nikolay Pavlov

Executive Director



BULGARGAZ EAD**CONDENSED STATEMENT OF FINANCIAL POSITION****31 MARCH 2019***(All amounts are in thousands BGN)*

	NOTE	AS AT 31 MARCH 2019	AS AT 31 DECEMBER 2018
ASSETS			
Non-current assets			
Plant and equipment	7	97	100
Intangible assets	8	632	117
Long-term trade receivables	10	20 367	-
Deferred tax assets	12	13 813	13 814
		34 909	14 031
Current assets			
Inventories	9	5 568	90 943
Trade and other receivables	10	236 790	234 668
Cash and cash equivalents	11	69 807	100
		312 165	325 711
TOTAL ASSETS		347 074	339 742
EQUITY AND LIABILITIES			
Equity			
Share capital	13	231 698	231 698
Reserves	14	7 412	7 412
Accumulated loss		(16 736)	(33 867)
		222 374	205 243
Non-current liabilities			
Lease payables	15	313	-
Liabilities for retirement employee benefits		72	72
Provisions	19	50 244	50 244
		50 629	50 316
Current liabilities			
Borrowings		-	3 687
Trade and other payables	15	73 992	80 197
Profit tax liabilities		-	220
Liabilities for retirement employee benefits		79	79
		74 071	84 183
TOTAL LIABILITIES		124 700	134 499
TOTAL EQUITY AND LIABILITIES		347 074	339 742

The interim condensed financial statements were approved by the Board of Directors on 24 April 2019.

Liliya Ivanova

Head of Accounting Department

Nikolay Pavlov

Executive Director




Compiled on: 19 April 2019

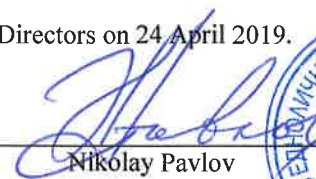
BULGARGAZ EAD**CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
31 MARCH 2019***(All amounts are in thousands BGN)*

	NOTE	3-MONTH PERIOD ENDED ON 31	
		2019	MARCH 2018
Revenues from sale of natural gas		508 831	396 315
Cost of natural gas as sold		(493 945)	(373 792)
Recovered/(accrued) impairment losses	17	-	(13 030)
Cost of hired services		(1 261)	(1 033)
Employee benefits and social security expenses		(569)	(547)
Cost of materials		(11)	(24)
Depreciation/amortization expenses	7, 8	(100)	(48)
Other revenues		5 223	5 436
Other expenses		(22)	(112)
Operating activity profit		18 146	13 165
Financial income		676	7
Financial costs		(1 691)	(4 897)
Financial income/(costs) – net		(1 015)	(4 890)
Profit before tax		17 131	8 275
Income tax expense	18	-	1 304
Net profit for the period		17 131	9 579
Total comprehensive income for the period		17 131	9 579

The interim condensed financial statements were approved by the Board of Directors on 24 April 2019.


 Liliya Ivanova

Head of Accounting Department


 Nikolay Pavlov

Executive Director



Compiled on: 19 April 2019

BULGARGAZ EAD

CONDENSED STATEMENT OF CHANGES IN EQUITY 31 MARCH 2019

(All amounts are in thousands BGN)

	NOTE	Share capital	Reserves	Retained earnings / accumulated loss	Total
AS AT 1 JANUARY 2019	13,14	231 698	7 412	(33 867)	205 243
Comprehensive income					
Profit for the period		-	-	17 131	17 131
Total comprehensive income		-	-	17 131	17 131
AS AT 31 MARCH 2019		231 698	7 412	(16 736)	222 374
AS AT 31 DECEMBER 2017		231 698	6 474	9 468	247 640
Adjustment on initial application of IFRS 9, net of tax		-	-	(6 150)	(6 150)
AS AT 1 JANUARY 2018 (restated)		231 698	6 474	3 318	241 490
Comprehensive income					
Profit for the period		-	-	9 579	9 579
Total comprehensive income		-	-	9 579	9 579
AS AT 31 MARCH 2018		231 698	6 474	12 897	251 069

The interim condensed financial statements were approved by the Board of Directors on 24 April 2019.

Liliya Ivanova

Head of Accounting Department

Nikolay Pavlov

Executive Director



Compiled on: 19 April 2019

BULGARGAZ EAD
CONDENSED STATEMENT OF CASH FLOWS
31 MARCH 2019
(All amounts are in thousands BGN)

	NOTE	3-MONTH PERIOD ENDED ON 31 MARCH	
		2019	2018
CASH FLOWS FROM OPERATING ACTIVITY			
Proceeds from clients		622 936	474 283
Payments to suppliers		(429 336)	(281 333)
Payments to personnel and social security institutions		(607)	(581)
Taxes paid, different from corporate income tax		(118 080)	(80 705)
Profit/(loss) of exchange rate revaluation of cash and cash equivalents		(1 047)	(1 901)
Other proceeds/(payments), net		(249)	(317)
Net cash flows from operating activity		73 617	109 446
CASH FLOWS FROM INVESTING ACTIVITY			
Payments for plant and equipment		(8)	(19)
Payments for intangible assets		(151)	(67)
Net cash flow from investing activity		(159)	(86)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		-	(14 993)
Repaid borrowings and payments under financing agreements		-	(9 924)
Payments of interest under loans and financing agreements		(1)	(93)
Payments of interest under deferred trade payables		(63)	(210)
Net cash flow from financing activity		(64)	(25 220)
Net increase/(decrease) of cash and cash equivalents during the period		73 394	84 140
Cash and cash equivalents at the beginning of the period		(3 587)	2 145
Cash and cash equivalents at the end of the period	11	69 807	86 285

The interim condensed financial statements were approved by the Board of Directors on 24 April 2019.

Liliya Ivanova

Head of Accounting Department

Nikolay Pavlov

Executive Director



Compiled on: 19 April 2019

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2019

1. GENERAL INFORMATION

BULGARGAZ EAD (the Company), UIC 175203485, is a sole shareholder joint stock company, registered under the Commercial Act, with seat and address of management at 47, Petar Parchevich St., Serdika district, Sofia, Bulgaria. The Company is registered in the Bulgarian Registry Agency, under No. 113068, Volume 1534, page 35, company case No. 16440/2006 and was registered on the grounds of Decision No. 1 of 15th January, 2007.

The Company's main activity is the public supply of natural gas as well as purchases and sales related thereto; purchases of natural gas stored in underground gas storage; marketing studies and natural gas market analyses.

The major strategic goal of BULGARGAZ EAD, as a public gas supplier, is to ensure the public interests by providing long-term supplies of natural gas to Bulgaria. The Company has entered into a contract for the supply of natural gas with its major supplier Gazprom Export LLC. The Company is considering and assessing the opportunities for providing alternative sources and routes for natural gas.

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

BULGARGAZ EAD is a sole shareholder joint stock company whose ultimate parent company is Bulgarian Energy Holding EAD. The ultimate owner of the Company is the Bulgarian Republic, through the Minister of Energy.

The organizational structure of BULGARGAZ EAD includes a headquarters office and one technological unit in the Republic of Romania.

The Company does not present segment information by activities due to the fact that the supply of natural gas is the only activity for the period.

The current condensed interim financial statements have been approved for publication by the Board of Directors on 24 April 2019.

2. BASIS OF PREPARATION

The current condensed interim financial statements for the three-month period ended 31 March 2019 was prepared in accordance with IAS 34 Interim Financial Reporting. Same do not contain all the information required for the preparation of a full annual financial statement under International Financial Reporting Standards (IFRS) and should be read in conjunction with the annual financial statements of the Company for the year ended 31 December 2018, prepared in accordance with IFRS, developed and published by the International Accounting Standards Board ("IASB") and adopted for application in the European Union ("EU").

The condensed interim financial statements are presented in Bulgarian lev (BGN), which is also the functional currency of the Company. Unless otherwise stated, all amounts are presented in thousand Bulgarian lev (BGN thousand), including comparative information for year 2018.

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

For the period ending 31 March 2019, the Company reported a profit after tax of BGN 17 131 thousand, a positive cash flow from operating activities of BGN 73 617 thousand and a net increase in cash and cash equivalents the period amounted to BGN 73 394 thousand.

As of 31 March 2019, the financial statements are prepared on a going concern basis, implying that the Company will continue its business for the foreseeable future.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2019

As disclosed in Note 1 "General Information", the Company holds an individual license for public supply of natural gas on the territory of the Republic of Bulgaria issued by the State Energy and Water Regulatory Commission for a period of 35 years. The future operations of the Company as a public supplier of natural gas depend on the business environment, the regulatory requirements, contracts for ensuring natural gas supplies in place, the contracts for natural gas sales to the clients of the Company, as well as from ensuring the financing on the part of the principal company – Bulgarian Energy Holding EAD, in case of necessity. Given the assessment of the expected future cash flows and the group strategy for the activity development in Bulgaria, the Company's management believes that it is appropriate the financial statements be prepared on the going concern principle

3. ACCOUNTING POLICIES

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

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

3.1. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2019.

The Company applies all International Financial Reporting Standards (IFRSs), which are comprised of: International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations (IFRIC) interpretations adopted by the International Accounting Standards Board (IASB) and International Accounting Standards and Interpretations of the Standing Interpretations Committee (SIC) endorsed by the International Accounting Standards Committee (IASB), which have been adopted by the European Union (EU) and are in force on 1 January 2019.

These standards and interpretations include:

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

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

In addition, IFRS 16 requires lessees and lessors to make more detailed disclosures than IAS 17.

The management of the Company has made an assessment of the application of the Standard and, at the date of preparation of these financial statements, the expected effect is as follows:

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2019

	1 January 2019 TBGN
Assets	
Asset with right of use	547
Liabilities	
Lease liabilities	547
Net effect on equity	-

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

IFRIC 23 "Uncertainty Related to Income Taxes Tax Treatment" - (adopted by the EU on 23 October 2018, effective for annual periods beginning on 1 January 2019);

Amendments to Standards "Improvements to IFRSs (Cycle 2015-2017)" - (adopted by the EU on March 14, 2019, effective for annual periods beginning on or after 1 January 2019);

Amendments to IAS 19 "Employee Benefits" - Amendment, curtailment or settlement of the plan - (adopted by the EU on 13 March 2019 in force for annual periods beginning on or after 1 January 2019);

Amendment to IAS 28 "Investments in Associates and Jointly Controlled Undertakings" - (adopted by the EU on 8 February 2019 in force for annual periods beginning on or after 1 January 2019).

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

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

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

Amendments to IFRS 3 Business Combinations - (effective for annual periods beginning on or after 1 January 2020).

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

The Management considers it appropriate to disclose that the following new or revised standards, new interpretations and amendments to existing standards that have already been issued by the International Accounting Standards Board (IASB) at the reporting date but have not yet been approved by the EU and accordingly, are not taken into account when preparing these financial statements. The dates of entry into force will depend on EU approval decisions. The Company does not expect these Standards and Interpretations to have a material impact on the Company's financial position, results and/or disclosures.

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

4. ESTIMATES

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

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2019**

In the preparation of these condensed interim financial statements, the significant management's judgment in the application of the Company's accounting policies and the main sources of uncertainty of the accounting estimates do not differ from those disclosed in the annual financial statements of the Company as at 31 December 2018, with the exception of the changes in the estimate of income tax expense..

5. FINANCIAL RISK MANAGEMENT

5.1. FINANCIAL RISK FACTORS

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

The condensed interim financial statements do not include all the information on risk management and disclosures required in the preparation of annual financial statements and should be read in conjunction with the annual financial statements of the Company as at 31 December 2018. There were no changes to the risk management policy during the period.

5.2. FAIR VALUE MEASUREMENT

The Company has no financial instruments that are classified as such at fair value in the condensed statement of financial position. The fair value for the purposes of disclosure of these financial instruments is assumed to be reasonable approximation of their carrying value:

- Trade and other receivables;
- Cash and cash equivalents;
- Trade and other payables.

6. SEASONALITY OF OPERATIONS

The activity of the Company is characterized by seasonal fluctuation as part of the Company's customers (heat and gas distribution companies) that use natural gas for heat and electricity production or directly deliver it for heating. This is why the seasons have a significant impact on the Company's activities.

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

The realization of natural gas in the first quarter of 2019 is 10 744 475 MWh (first quarter of 2018: 10 946 653 MWh).

The company uses the possibilities of the underground gas storage in the village of Chiren owned by BULGARTRANGAS EAD to compensate for this seasonal imbalance on the natural gas market in the country. In the summer the Company buys natural gas, which is pumped into the underground gas storage facility, and in winter, when gas consumption is very high, it pumps it out.

BULGARGAZ EAD
**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2019**
7. PLANT AND EQUIPMENT

	Plant and equipment	Vehicles	Office equipment	Total
AS AT 1 JANUARY 2019				
Gross carrying amount	91	468	304	863
Depreciation	(52)	(429)	(282)	(763)
Carrying amount	39	39	22	100
3-MONTH PERIOD TO 31 MARCH 2018				
Additions	-	-	7	7
Depreciation	(1)	(4)	(5)	(10)
Ending carrying amount	38	35	24	97
AS AT 31 MARCH 2019				
Gross carrying amount	91	468	311	870
Depreciation	(53)	(433)	(287)	(773)
Carrying amount	38	35	24	97

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

8. INTANGIBLE ASSETS

	License	Software	Assets with right of use, IFRS 16	Total
AS AT 1 JANUARY 2019				
Gross carrying amount	40	887	-	927
Amortization	(7)	(803)	-	(810)
Carrying amount	33	84	-	117
3-MONTH PERIOD TO 31 MARCH 2019				
Additions	-	59	546	59
Amortization	(1)	(28)	(61)	(38)
Ending carrying amount	32	115	485	632
AS AT 31 MARCH 2019				
Gross carrying amount	40	946	546	1 532
Amortization	(8)	(831)	(61)	(900)
Carrying amount	32	115	485	632

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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2019

9. INVENTORIES

	AS AT 31 MARCH 2019	AS AT 31 DECEMBER 2018
Natural gas at cost	5 548	90 923
Natural gas – net realisable value	5 548	90 923
Materials	20	20
Total inventories	5 568	90 943

At the date of the condensed statement of financial position, the Company has analysed the circumstances that would lead to the existence of impairment in the value of natural gas and on the basis of this assessment it was established that the net realizable value of the natural gas is higher than its carrying value, and as of 31 March 2019, no impairment loss was incurred. The main external sources used as an impairment indicator is decision № II-10/28.03.2019 issued by EWRC.

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

10. TRADE AND OTHER RECEIVABLES

	AS AT 31 MARCH 2019	AS AT 31 DECEMBER 2018
Trade receivables	177 373	151 299
Accumulated impairment of trade receivables	(8 007)	(8 007)
Trade receivables, net	169 366	143 292
Court and awarded receivables	201 387	201 389
Accumulated impairment of court and awarded receivables	(201 389)	(201 389)
Court and awarded receivables, net	(2)	-
Receivable from Corporate Commercial Bank AD - insolvent	5 077	5 077
Accumulated impairment of receivable from Corporate Commercial Bank AD-insolvent	(4 712)	(4 712)
Receivable from Corporate Commercial Bank AD-insolvent, net	365	365
Prepaid advances for natural gas delivery	73 106	75 030
Receivables from related parties (Note 20)	11 660	11 865
Other receivables - prepaid expenses, guarantees and deposits	2 662	4 116
Total trade and other receivables	257 157	234 668
Current trade and other receivables	20 367	-
Prepaid advances for natural gas delivery	236 790	234 668

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

	3-MONTH PERIOD TO 31 MARCH	
	2019	2018
At the beginning of period	214 108	225 415
Accrued losses from impairment of receivables	-	20 392
Written-off uncollectible receivables	-	-
Reversals of impairment losses	-	(7 362)
At the end of period	214 108	238 445

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2019

Impairment loss and recovery is recognized in the condensed statesmen of profit or loss and other comprehensive income (Note 17).

The effects of time elapsed/change in the discount rate are reported in financial income/expense - net.

Amounts recognized in the allowance account for credit losses on receivables are written-off when there is no expectation that the Company will be able to obtain additional payments.

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

In 2017, a statement from a partial accounting was published in the Commercial Register for the distribution of the available amounts among the creditors of the bank by the syndics of the CCB AD (insolvent). According to the distribution of the syndics, Bulgargaz EAD should be recovered the amount of BGN 561 thousand.

There are no trade and other receivables that are provided as collateral for the Company's liabilities.

11. CASH AND CASH EQUIVALENTS

	AS AT 31 MARCH 2019	AS AT 31 DECEMBER 2018
Cash on hand	32	22
Cash in current bank accounts	69 775	78
Total cash and cash equivalents in the statement of financial position	69 807	100
Overdrafts *	-	(3 687)
Total cash and cash equivalents in the statement of cash flows	69 807	(3 587)

* As at 31 December 2018, bank overdrafts that form an integral part of the cash management of the Company are included as a component of cash and cash equivalents for the purpose of presentation in the statement of cash flows.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2019

RECONCILIATION OF INITIAL AND FINAL BALANCES IN THE STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2019 OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES.

Liabilities arising from financial activities	On 1 January	Cash flows from financial activities		Changes of a non-monetary nature - dematerialized	On 31 March
		Receipts	Payments	Acquired (increases)	
Short-term bank loans	3 687	-	(3 688)	1	-
Commercial loan related parties	-	-	(63)	63	-
Total liabilities of financial activities:	3 687	-	(3 751)	64	-

12. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, at a tax rate of 10% (2017: 10%), applicable for the year, when they are expected to occur retroactively.

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

	3-MONTH PERIOD TO 31 MARCH	
	2019	2018
AS AT 1 JANUARY	13 814	14 940
Carried as (expense)/income in the condensed statement of profit or loss and other comprehensive income (Note 18)	-	1 304
AS AT 31 MARCH	13 814	16 244

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2019

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

DEFERRED TAX ASSETS	Impairment of inventories	Impairment of trade and other receivables	Pension provisions	Unused paid leaves	Plant and Equipment	Total
AS AT 1 JANUARY 2019	-	(13 786)	(15)	(16)	-	(13 817)
Expense/(Income) in profit or loss	-	-	-	-	-	-
AS AT 31 MARCH 2019	-	(13 786)	(15)	(16)	-	(13 817)
DEFERRED TAX LIABILITIES						
AS AT 1 JANUARY 2019	-	-	-	-	3	3
Expense/(Income) in profit or loss	-	-	-	-	-	-
AS AT 31 MARCH 2019	-	-	-	-	3	3
DEFERRED TAX ASSETS, NET	-	(13 786)	(15)	(16)	3	(13 814)

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2019

13. SHARE CAPITAL

	3-MONTH PERIOD TO 31 MARCH 2019	
	Number of shares	Amount
At the beginning of period	231 698 584	231 698
At the end of the period	231 698 584	231 698

14. RESERVES

	3-MONTH PERIOD TO 31 MARCH 2019			
	Statutory reserves	Revaluation reserves of non-financial assets	Reserve of revaluations of defined benefit plans	Total
At the beginning of period	7 367	53	(8)	7 412
At the end of the period	7 367	53	(8)	7 412

15. TRADE AND OTHER PAYABLES

	AS AT 31 MARCH 2019	AS AT 31 DECEMBER 2018
Related party payables (Note 20)	2 519	13 469
VAT payable	29 387	37 599
Advances received from clients for sale of natural gas	36 442	15 113
Trade payables	3 854	11 957
Lease payables	493	-
Excise duty	985	1 762
Payables to employees	116	131
Liabilities to social security institutions	75	74
Other liabilities	434	92
Total trade and other payables	74 305	80 197
Less non-current portion: lease payables	313	-
Non-current trade and other payables	313	-
Current trade and other payables	73 992	80 197

As of 01.01.2019, according to IFRS 16, a unified model of accounting treatment of a contract for a rented asset - an office building - is applied. A "right of use" asset is recognized, amounting to BGN 546 thousand, which will be amortized over the term of the contract and respectively a lease payable under this contract is recognized. As at 31 March 2019, the amount of the lease payable is BGN 493 thousand, a total current and non-current portion.

16. UNUSUAL ITEMS

There are no expenses in the condensed statement of profit or loss and other comprehensive income as at 31 March 2019 treated as unusual items.

**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2019**

17. IMPAIRMENT LOSS

	3-MONTH PERIOD TO 31 MARCH	
	2019	2018
Impairment loss accrued for trade and other receivables (Note 10)	-	(13 030)
Total impairment losses of assets	-	(13 030)

18. INCOME TAX EXPENSES

	3-MONTH PERIOD TO 31 MARCH	
	2019	2018
Effect of the change in deferred taxes (Note 12)	-	1 304
Income tax expense	-	1 304

Current tax expense is recognized on the basis of the Company's management's estimate of the weighted average annual profit tax expected for the full financial year, which is 10% (2018: 10%).

19. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

European Commission procedures

Case COMP/B1/AT.39849 – BEH Gas

Case COMP/B1/AT.39849 – BEH Gas is related to an alleged infringement of Article 102 of TFUE in connection to alleged actions of BEH EAD and its subsidiaries - Bulgargaz EAD and Bulgartransgaz EAD related to:

- preventing their competitors from getting access to key gas infrastructure (gas transmission network and the gas storage facility) in Bulgaria, such as explicitly or tacitly refusing third party access or delaying;
- preventing competitors from getting access to a major gas import pipeline via booking a capacity, which remains unused.

The proceedings were instigated in 2013 with view of adopting a decision under Chapter 3 (Art.7 and 10 of Regulation 1/2003. On 23 March, 2015 the European Commission (EC) issued a Statement of Objections (SO). Bulgarian Energy Holding EAD and its gas subsidiaries presented their respective replies to the European Commission on 9 July 2015 (Bulgargaz EAD), July 10, 2015 ("Bulgarian Energy Holding" EAD) and July 17, 2015 ("Bulgartransgaz" EAD).

On 24 November 2017, a decision was taken by the 44th National Assembly of the Republic of Bulgaria to take the necessary action for the closing of Case COMP/B1/AT.39849 – BEH Gas, by which the National Assembly supports the closing of the case under Article 7 of Regulation (EC) No 1/2003 without admitting the alleged infringements and without assuming liability for them, by fulfilling the obligations arising from a possible prohibitive decision, including a possible financial sanction. At this time, the European Commission has not taken a formal decision to close the case, including the possible amount of the financial sanction.

On 26 July 2018, a decision was taken by the 44th National Assembly (NA) of the Republic of Bulgaria to take action for the closing of COMP/B1/AT.39849 – BEH Gas pursuant to Article 9 of Regulation (EC) No 1/2003 by entering into commitments on the part of the Bulgarian party and reaching an agreement with the European Commission. The second decision of the NA is motivated by the development of case COMP/B1/AT.39816 between the EC and Gazprom, in which, on 24 May 2018, the Commission

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

31 MARCH 2019

announced that an agreement had been reached and the same was closed under Article 9 of Regulation (EC) No 1/2003 without a financial penalty.

On 17 December 2018, the European Commission notified Decision C (2018) 8806 in case AT.39849 BEH-Gas, by which the European Commission imposed a fine on Bulgarian Energy Holding EAD (BEH), its subsidiary for gas supply Bulgargaz EAD and its subsidiary for gas infrastructure Bulgartransgaz EAD (the BEH group) amounting to EUR 77 068 000 for allegedly blocking competitors' access to key gas infrastructure in Bulgaria in violation of EU antitrust rules. The decision was received in the offices of the three companies on 19.12.2018, which set the start of the appeal period of the EC Decision (two months and ten days after notification of the Decision to the parties) and payment of the fine (three months after the notification of the decision to the Parties), defined in the same.

The appeal against the decision does not delay the payment of the fine. On March 18, 2019, a bank guarantee was issued by a selected bank through a procedure conducted by BEH EAD. The bank guarantee covers 2/3 of the total amount of the fine amounting to EUR 77 068 000. The bank guarantee secures obligations of BEH EAD and Bulgargaz EAD on the imposed fine.

As of December 31, 2018, the Company has charged 1/3 of the amount of the fine at the amount of BGN 50 244 thousand and the judgment is that the settlement is expected to occur after more than 12 months.

Legal claims

There are no significant legal claims against the Company.

In 2018 the Company has brought administrative proceedings to the Supreme Administrative Court on the basis of which the Company disputes the legality of the decisions of the EWRC, with which the Commission approves the price of natural gas in the first and second quarter of 2018.

20. RELATED PARTY TRANSACTIONS

The Company discloses the following related parties:

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

Bulgarian Energy Holding EAD

Sole shareholder of the Parent company

The Bulgarian State through the Minister of Energy

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

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

Associated companies for BEH Group

"ContourGlobal Maritsa Iztok 3" AD, "ContourGlobal Operations Bulgaria" AD, "Energy" Insurance JSC "Allianz Bulgaria" EAD, HEC "Gorna Arda" AD

Joint companies for BEH Group

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

Others - all enterprises related to the State

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2019

Key management of the Company

Petyo Angelov Ivanov – Chairman of the BoD

Iliyan Kirilov Dukov – Member of the BoD

Nikolay Angelov Pavlov – Member of the BoD and Executive Director

Key management of the Parent Company

Petar Asenov Iliev – Chairman of the BoD

Zhivko Dimitrov Dinchev – Member of the BoD

Petyo Angelov Ivanov – Member of the BoD and Executive Director

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

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

(A) SALE OF GOODS AND SERVICES

	3-MONTH PERIOD TO 31 MARCH	
	2019	2018
Companies under common control		
BULGARTRANGAZ EAD	3 588	2 530
Total	3 588	2 530

Sales include natural gas sold for technology and balancing.

(B) PURCHASE OF GOODS AND SERVICES

	3-MONTH PERIOD TO 31 MARCH	
	2019	2018
Parent company		
BULGARIAN ENERGY HOLDING EAD	163	46
Companies under common control		
BULGARTRANGAZ EAD	30 915	28 011
BULGARTEL EAD	2	5
Total	31 080	28 062

Purchases of services from BULGARIAN ENERGY HOLDING EAD include services under a management and control agreement and a bank guarantee maintenance fee related to a property sanction in the BEH Gas case.

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

Purchases of services from BULGARTEL EAD include technical support.

BULGARGAZ EAD**NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
31 MARCH 2019****(C) ACCRUED PENALTY CHARGES**

	3-MONTH PERIOD TO 31 MARCH	
	2019	2018
Parent company		
BULGARIAN ENERGY HOLDING EAD	-	103
Companies under common control		
BULGARTRANGAZ EAD	63	210
Total	63	313

Accrued penalty charges to BEH relate to the obligation to pay dividends, and to Bulgartransgaz EAD – default on current liabilities and interest under the Agreement.

(D) RECEIVABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 MARCH 2019	AS AT 31 DECEMBER 2018
Companies under common control		
BULGARTRANGAZ EAD	11 660	11 865
Total	11 660	11 865

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

(E) PAYABLES FOR PURCHASES OF GOODS AND SERVICES

	AS AT 31 MARCH 2019	AS AT 31 DECEMBER 2018
BULGARIAN ENERGY HOLDING EAD	163	25
Companies under common control		
BULGARTRANGAZ EAD	2 355	13 443
BULGARTEL EAD	1	1
Total current	2 519	13 469
Total	2 519	13 469

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

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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS 31 MARCH 2019

As at 31 March 2019 the long-term portion of rescheduled trade payables is estimated at BGN 0 thousand (31 December 2018: BGN 0 thousand) and the short-term part to BGN 0 thousand principal (31 December 2018: BGN 8 368 thousand).

The current obligations to BULGARTRANS GAS EAD are related to current delivery of natural gas transmission and storage services amounting to BGN 2 355 thousand.

(F) KEY MANAGEMENT PERSONNEL REMUNERATIONS

Key management personnel includes members of the Board of Directors.

Key management personnel remunerations are as follows:

	3-MONTH PERIOD TO 31 MARCH	
	2019	2018
Short term benefits to key management personnel		
- Remunerations	44	39
- Social security costs	4	5
Total	48	44

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

21. POST-REPORTING DATE EVENTS

No significant events have occurred after the end of the current reporting period that has effect on the condensed financial statements as at 31 March 2019, except for the one mentioned below:

By its decision, the Energy and Water Regulation Commission established the marginal prices of natural gas from the Public supplier to end suppliers and customers connected to the gas transmission network for the second quarter of 2019, as follows: BGN 45.17/MWh, excluding excise duty and VAT.

22. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements as at 31 March 2019 (including comparative information) were approved and endorsed by the Board of Directors on 24 April 2019.