



BULGARGAZ EAD

INTERIM ACTIVITY REPORT

INTERIM CONDENSED FINANCIAL STATEMENT

INDEPENDENT AUDITORS' REPORT

30 JUNE 2024

INTERIM ACTIVITY
REPORT OF BULGARGAZ EAD
as at 30 June 2024

This report on Bulgargaz EAD's operations as at 30 June 2024 presents a comment and analysis of the financial statements and other material information regarding the financial position of the Company's operations, including and comparing the results as at 30 June 2023 with the balance sheets as at 31 December 2023.

The report has been prepared in accordance with the requirements of Article 39 of the Accounting Act, Article 187e, Article 247, paragraphs 1, 2 and 3 of the Commerce Act, and Article 100(n), paragraph 7, item 2 of the POSA.

I. GENERAL INFORMATION ABOUT THE COMPANY

Bulgargaz EAD is a sole owner joint stock company, registered in accordance with the Commerce Act with registered office and address of management in the Republic of Bulgaria, Sofia region, Sofia Capital Municipality, Serdika district, Sofia 1000, 47 Petar Parchevich Str.

The Company has no registered branches in the country or abroad.

The registered capital is divided into 231,698,584 ordinary, registered, non-preference shares with voting rights with a nominal value of BGN 1 (one) each. The Company's capital is subscribed and fully paid up by the sole owner of the capital — Bulgarian Energy Holding EAD. The ownership rights of the State, as the sole owner of the capital of Bulgarian Energy Holding EAD, shall be exercised by the Minister of Energy.

The company is active in public supply of natural gas and trade in natural gas, as well as the related purchase and sale, purchase of natural gas for storage in a gas storage plant, market research and analysis of the natural gas market in the country.

The Company does not carry out research and development activities.

Bulgargaz EAD holds a license for public supply of natural gas on the territory of the country issued by the State Energy and Water Regulatory Commission (EWRC) on 29 November 2006 for a period of 35 years.

Pursuant to Article 21, paragraph 1, item 1 and in connection with Article 39, paragraph 1, item 5, second proposal of the Energy Act, with a decision of the Energy and Water Regulatory Commission (EWRC) dated 16 September 2021, No JI-548-15 a license for trade in natural gas No A0435 for a period of 10 years is issued to Bulgargaz EAD.

The Company also holds a license for trading in natural gas in the territory of the Hellenic Republic under Decision No 247/2020 and Decision No 311/2022 for trading in natural gas in the territory of the Hellenic Republic for a period of 20 years.

The main European and national regulations applicable to the Company's activities are as follows:

- Energy Act (EA), promulgated in SG, issue No 107 of 09 December 2003, amend. No 16 of 23 February 2024, effective from 23 February 2024;
- Ordinance No 2 of 19 March 2013 on Natural Gas Price Regulation, issued by the State Energy and Water Regulatory Commission, promulg. State Gazette, Issue No 33 of 05 April 2013, amend. by Decision No
- 3799 of 10 April 2023 of the Supreme Administrative Court of the Republic of Bulgaria. 12 of 09 February 2024, in force from 09 February 2024 (Ordinance 2 of 19 March 2013);
- Ordinance No 3 of 21 March 2013 on Licensing the Activities in the Energy Sector, issued by the President of the State Energy and Water Regulatory Commission, promulgated by the State Gazette, No 33 of 05 April 2013, as amended and supplemented, No 55 of 27 June 2023, in force from 27 June 2023 (Ordinance No 3 of 21 March 2013);

- Rules for trading with natural gas, adopted by the EWRC by decision under Minutes No 137 of 07 July 2015 under item 1, promulg. SG, No 59 of 04 August 2015, amend. No 57 of 19 July 2019;
- Energy Efficiency Act (EEA), promulgated in SG, issue No 35 of 15 May 2015, effective from 15 May 2015, last amend. No 86 of 13 October 2023, effective from 13 October 2023;
- Ordinance No E-ПД-04-3 [E-RD-04-3] of 4 May 2016 on the eligible measures for energy savings in final consumption, the ways of proving the achieved energy savings, the requirements to the methods for their assessment and the ways of their confirmation, promulgated in SG No 38 of 20 May 2016, effective as at 20 May 2016, last amended and supplemented, No 102 of 23 December 2022;
- Directive 2012/27/EU of the European Parliament and of the Council of 25 October 2012 on energy efficiency, amending Directives 2009/125/EC and 2010/30/EU and repealing Directives 2004/8/EC and 2006/32/EC; Regulation (EU) No 2017/1938 of the European Parliament and of the Council of 25 October 2017 concerning measures to safeguard the security of gas supply and repealing Regulation (EU) No 994/2010;
- Council Regulation (EU) 2022/1369 of 5 August 2022 on coordinated demand-reduction measures for gas;
- Council Regulation (EU) 2022/2578 of 22 December 2022 establishing a market correction mechanism to protect Union citizens and the economy against excessively high prices;
- Council Regulation (EU) 2022/2576 of 19 December 2022 on enhancing solidarity through better coordination of gas purchases, reliable price benchmarks and exchanges of gas across borders;
- Regulation (EC) No 715/2009 of the European Parliament and of the Council of 13 July 2009 on conditions for access to the natural gas transmission networks and repealing Regulation (EC) No 1775/2005;
- Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks;
- Commission Regulation (EU) 2017/459 of 16 March 2017 establishing a network code on capacity allocation mechanisms in gas transmission systems and repealing Regulation (EU) No 984/2013.

1. STRUCTURE OF THE COMPANY

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

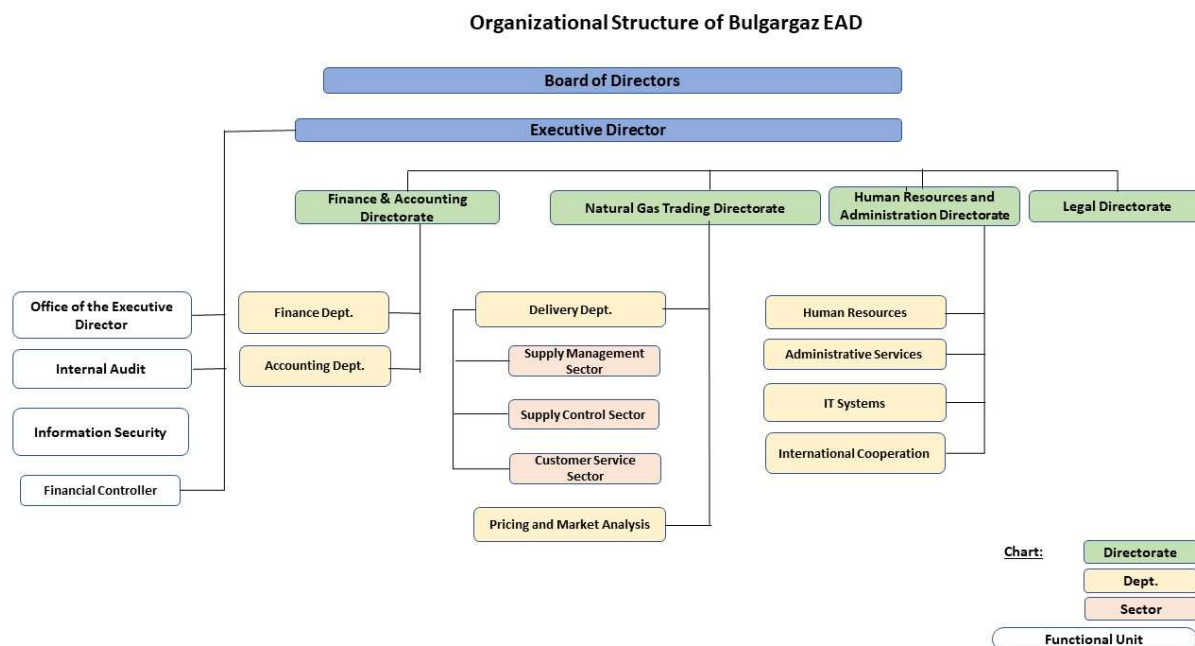
- The sole owner of the capital who decides on the issues within the competence of the General Meeting;
- Board of Directors.

On 02 March 2023, following a competitive procedure, the following members of the Board of Directors of Bulgargaz EAD were elected by Decision No 17-2023 of Bulgarian Energy Holding EAD:

Ivan Dimitrov Topchiysky	Chairman and member of the Board of Directors
Deniza Slatkova Slateva	Member of the Board of Directors and Executive Director
Veselin Sashev Sinabov	Member of the Board of Directors
Dimitar Vladimirov Spasov	Member of the Board of Directors
Tatyana Angelova Petrova-Boyadzhieva	Member of the Board of Directors

On 17 April 2024 by Decision No 41-2024/17 April 2024 of the Board of Directors of Bulgarian Energy Holding EAD the following new members of the Board of Directors of Bulgargaz EAD were elected:

Ivan Dimitrov Topchiysky	Chairman and member of the Board of Directors
Veselin Sashev Sinabov	Member of the Board of Directors and Executive Director
Mihail Mariov Milkov	Member of the Board of Directors
Byanka Svetlozar Racheva	Member of the Board of Directors
Marin Asenov Filipovski	Member of the Board of Directors



2. RESPONSIBILITY OF MANAGEMENT

The Company's management confirms that consistent accounting policies have been applied in the preparation of the interim financial statement as of 30 June 2024 and the statements have been prepared on a going concern basis. By decision of the Board of Directors of Bulgargaz EAD dated 13 September 2023 and decision of the Board of Directors of Bulgarian Energy Holding EAD, as at 01 January 2023, the Accounting Policy of Bulgargaz EAD was amended, reflecting an updated approach in accounting for the cost of sales in accordance with the methodology for pricing according to Ordinance No 2 of 19 March 2013 for the regulation of natural gas prices by market segments — regulated and free market. To overcome the inconsistencies between the new market situation, the new operating model of the company and the preserved regulatory framework, the Company took steps to amend the accounting policy for 2023 when determining the cost of sales and natural gas pumped in at Chiren UGSF. The objectives of the proposed change in accounting policy are:

- as a result of the new business model of the Company, to ensure comparability to the maximum extent when reporting the Company's income and expenses for the reporting period;
- to preserve the delivery value of the natural gas pumped into Chiren, which is pumped out at a later stage and whose cost price is included as a pricing element as well as the Company's capital recovery through the price mechanisms of the market;

- meeting the regulatory requirements of Article 37 of the Energy Act, according to which energy companies must keep separate accounting records for:
 - any activity subject to licensing under this law;
 - activities at regulated and freely negotiated prices.

A change has also been introduced to the reference price used to test the net realizable value of natural gas as a material stock — instead of the previously applied sales price stated by the Energy and Water Regulatory Commission for regulated market for the first period following the reporting period, a comparison is made with the TTFfin market levels according to the published futures on argusmedia.com for the month of January of the following (calendar/financial) year.

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

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

The Company does not possess own shares.

The members of the Board of Directors do not own shares of the Company. They are not provided with privileges or exclusive rights to acquire shares and bonds of the Company. All shares are owned by Bulgarian Energy Holding EAD.

Information on the participation of the members of the Board of Directors in companies as unlimited partners, the ownership of more than 25 percent of the capital of another company, as well as their participation in the management of other companies or cooperatives such as procurators or board members (in compliance with the requirements of Article 247, paragraph 2, item 4 of the Commerce Act):

Deniza Slatkova Slateva — Executive Director and Member of the Board of Directors since from 22 August 2022 to 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator or manager or a member of board.

Ivan Dimitrov Topchiyski — Chairman and member of the Board of Directors from 22 August 2022 to 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Veselin Sashev Sinabov — Member of the Board of Directors from 22 August 2022 to 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Dimitar Vladimirov Spasov — Member of the Board of Directors from 22 August 2022 to 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;

- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Tatyana Angelova Petrova-Boyadzhieva — Member of the Board of Directors 22 August 2022 to 17 April 2024:

- does not participate as a general partner in business companies;
- owns more than 25 percent of the capital of Talenta EOOD and TB Line OOD;
- participates in the management of TB Line OOD as a manager; in Talenta EOOD as the sole owner of the company's capital.

Veselin Sashev Sinabov — Executive Director and Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- owns more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Ivan Dimitrov Topchiysky — Chairman and Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Marin Asenov Filipovski — Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Byanka Svetlozar Racheva — Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

Mihail Marirov Milkov — Member of the Board of Directors since 17 April 2024:

- does not participate as a general partner in business companies;
- does not own more than 25 percent of the capital of business companies;
- does not participate in the management of other cooperative companies as a procurator manager or a member of a board.

4. INFORMATION ABOUT THE CONTRACTS UNDER ARTICLE 240B OF THE COMMERCE ACT CONCLUDED DURING THE YEAR

As at 30 June 2024, the Board of Directors or other related persons have not concluded contracts under Article 240B of the Commerce Act on behalf of the Company, which go beyond its usual activities or significantly deviate from market conditions.

II. RESULTS FROM THE ACTIVITY OF THE COMPANY AS AT 30 June 2024

As at 30 June 2024, Bulgargaz EAD carries out its activities in compliance with all regulations and decisions determined by the sole owner of the capital. As at 30 June 2024 the financial result of the Company is a loss of BGN 258,246 thousand (as at 30 June 2023: loss in the amount of BGN 36,312 thousand) The loss for the period was mainly due to the fact that the Company carried out the production of natural gas that was injected into Chiren UGSF in 2022 at record high acquisition prices for these quantities of natural gas purchased in a highly stressed market. This was the result of a military emergency following Russia's aggression in Ukraine. Increased demand for natural gas in Europe after April 2022 has caused huge price increases in an extremely short timeframe.

On the other hand, sales prices for natural gas produced in the first quarter of 2024 are many times lower than acquisition prices. This resulted in the accumulation of the above loss, which will be partially compensated by the compensation under the Compensation Program for Companies Injecting Natural Gas into Underground Gas Storage in the Period 01 May 2022—11 October 2022, developed by the Ministry of Energy. Bulgargaz EAD submitted an application under the Programme and as of 24 July 2024. The Company signed a contract with the Electricity System Security Fund for payment of the mentioned compensation. Under the terms of the contract, compensation of BGN 150 per MWh is provided, with the maximum amount of natural gas eligible for compensation for the Company being 1,045,167 MWh, in case it is proven that the same was produced from Chiren UGSF after 21 November 2022 until 21 April 2024 and delivered to final customers and/or final suppliers in the European Economic Area.

Bulgargaz EAD provided all requested documentation to the Electricity System Security Fund proving the quantities of natural gas produced in 2022 and the quantities of natural gas sold to end users in the period. On 05 September 2024

Bulgargaz EAD received the compensation from the Electricity System Security Fund in the amount of BGN 156,775 thousand.

1. FACTORS AFFECTING THE ACTIVITY OF THE COMPANY

➤ *Legal and regulatory framework*

The activity of Bulgargaz EAD being public supply of natural gas and trade in natural gas is regulated by the Energy Act and the statutory regulations. Ordinance No 2 of 19 March 2013 determines the procedure for submission and approval of the regulated price used in sales on a regulated market. Prices in a free market are set on a market basis.

According to Article 30, paragraph 1, item 7 of the Energy Act (EA) Bulgargaz EAD sells natural gas at a regulated price to a narrow range of persons. The change entered into force as of 01 January 2020, and Bulgargaz EAD, as a public supplier, sells natural gas at regulated prices only to:

- (i) end suppliers of natural gas;
- (ii) persons who have been issued a license for the production and transmission of heat.

Pursuant to an amendment in the Energy Act in 2019 an organized stock market for natural gas was established, and its operation and the role of market participants thereon has been regulated.

From 16 September 2021, Bulgargaz EAD acquired license No A0435 for trading in natural gas, for a period of 10 years, which allows expanding the scope of the Company's activities by making sales at freely negotiated prices in the conditions of a liberalized domestic market and the newly built interconnections at regional and international level.

Bulgargaz EAD shall conduct its business in compliance with the applicable legislation as follows:

- at prices regulated by the EWRC — on a regulated market;
- at freely negotiated prices — on the free market under the following varieties:
 - contracts with customers directly connected to the gas transmission system;
 - an organized stock market (in the country and in countries where the company has a ‘Trading License’);
 - organized stock market (on the domestic market and on the international markets);
 - sale of services (SWAP operations, secondary market of capacity products and others), extraordinary sales.

Bulgargaz EAD holds license for natural gas trade in the territory of the Republic of Greece under Decision No 247/2020 — indefinite and Decision No 311/2022 for wholesale trade in natural gas in the territory of the Republic of Greece, for a period of 20 years. Since 26 May 2023 Bulgargaz trades natural gas on the Greek Energy Exchange (ENEX) after registering and opening a clearing account at the National Bank of Greece.

Bulgargaz EAD is a registered user of the gas transmission network of GASTRANS d.o.o. in the Republic of Serbia. The GASTRANS pipeline provides the gas interconnection between the gas systems of the Republic of Bulgaria and Hungary — from the exit point of the Zaichar gas transmission network to the exit point of the Horgos gas transmission network. Thus, the Company's ability to provide natural gas amounts to and from Hungary is guaranteed.

Actions have been taken to register the Company as a wholesaler of natural gas and user of the gas transmission networks of Slovakia, Hungary and Romania, with registrations expected to be completed by the end of September 2024.

Ordinance No 2/19 March 2013 on the regulation of the price of natural gas defines the rules under which

Bulgargaz EAD as a public supplier shall prepare and submit for approval to the EWRC the estimates for determining the regulated price for the month. According to the Ordinance:

- Bulgargaz EAD should form a 'mix' of supplies of natural gas quantities, in accordance with the principle of least cost in the formation of the price of natural gas at the input of the gas transmission networks, to cover the needs of the regulated and free market. In compliance with this requirement of Ordinance No 2 for the regulation of natural gas price, supplies with the highest delivery prices remain for sale on the exchange market or for pumping into the gas storage facility at Chiren UGSF. These quantities are included in the mix determining the regulated price when they are extracted from storage during the winter months and only then can the company recover its costs of purchasing them. With the significant dynamics in natural gas prices that characterised 2022, the company injected the highest priced volumes into the Chiren UGSF and during the production period these volumes were already at uncompetitive price levels. As at 01 January 2023, the Company changed the model of formation of the acquisition price of natural gas, applying the principle of formation of the cost of natural gas in two stages — specific-delivery price and formation of the weighted average cost by sales markets. The purpose of this change is to align the costing model to the maximum extent possible with the statutory pricing methodology for the regulated market and to reflect the effect on the Company's sales in other markets, subject to compliance with the regulatory requirements of Ordinance No 2.
- In addition to the price determined above, a 'public supply' component is calculated, set at a maximum of 2.5% per annum. This component is calculated on the basis of the Company's notional fixed costs for the year determined as at 01 January 2024. The component does not include financial expenses for interest, expenses from foreign exchange transactions, expenses on issued guarantees, etc. In the context of the market dynamics in 2023, this component was not sufficient to cover the regulated market related values of the mentioned costs.

- An average exchange rate is used from quotations 45 days before the beginning of the month in which Bulgargaz submits an application for approval of the gas price. Bulgargaz EAD shall submit an application for price approval 20 days before the end of the month preceding the month of price application, while final invoices from suppliers shall be received after the end of the delivery month. The actual exchange rate at which the supply is paid deviates significantly from that used in the calculation of the price submitted for approval by the Energy and Water Regulatory Commission.
- Taking into account the specificities of LNG supply, the actual quantities received usually deviate in quantitative terms from the planned supply.

The presented legal and regulatory framework under which Bulgargaz EAD operates on the market leads to some negative effects on the company's activity:

- The Energy Act obliges Bulgargaz EAD to supply natural gas to the heating and gas distribution companies, but they are not obliged to purchase gas from Bulgargaz EAD and may prefer other suppliers, as they may also purchase gas from the gas exchange. On this grounds, surpluses are reached.
- The application of Ordinance No 2/19 March 2013 with the set requirements for the quantities with the lowest delivery costs to be directed to the market at regulated prices, for sale at freely negotiated prices on the exchange market, in the capacity of Bulgargaz EAD as a trader, remain the quantities with the highest delivery price, often uncompetitive on the market.
- The announcement of the regulated price 20 days before the beginning of the respective month leads to misleading the market due to the volatility of the pricing indices, as well as to advantages for competing suppliers offering alternative supplies at a discount to the price announced by Bulgargaz.
- At commencement and implementation of LNG tanker deliveries, the difference between the estimated and reported cost of delivering natural gas to the entrance of the gas transmission network submitted to the EWRC for approval prior to the start of the delivery month arose due to the following factors:
 - difference between quantities requested and accepted by customers, resulting in both a reduction in reported quantities and a reduction in the associated costs of their delivery for transportation, slot, regasification, terminal operating costs, etc.;
 - the particularities of LNG supply, namely that the contracts are negotiated with a nominal quantity for delivery plus/minus a % tolerance, i.e. for objective reasons the actual quantities delivered differ from the information submitted to the EWRC in the process of approval of the regulated price;
 - costs in connection with the receiving terminal, which shall be determined by the terminal operator after the month of delivery and shall be apportioned to all users according to the quantities of natural gas stored there;
 - the difference between the pricing rate determined under Ordinance No 2 and the take-up rate;

➤ **Operational activity**

The development of the natural gas market in 2024 will continue to follow the trend that began in 2022 and 2023 of an increase in the share of LNG supplies, in view of the reduced supplies of pipeline gas from Russia to Europe.

Consumption constraints imposed on natural gas consumption in Europe, combined with significantly increased LNG supplies, gas storage requirements according to Regulation (EU) 2022/1032 of the European Parliament and of the Council of 29 June 2022 amending Regulation (EU) 2017/1938 and Regulation (EU) No 715/2009 to meet storage fill targets, and high stored gas prices, will limit production from storage in the winter of 2022—2023, resulting in storage fill rates by mid-2023 at levels significantly higher than average.

From the beginning of 2024, the downward trend of natural gas prices on the European gas markets that began in the last two months of 2022 and the whole 2023 continues, due to:

- The filling of gas storage plants;
- Provision of alternative LNG supplies;
- Building new LNG regasification terminals at more European ports;
- The relatively warm winter;
- Limiting the economic activity in Asian markets;
- Continued local and regional supplies of heavily discounted Russian natural gas.

The prices at which Bulgargaz EAD supplies natural gas as of 30 June 2024 refer to the TTF index ‘month ahead’ when purchasing spot LNG cargoes, while deliveries from the Azeri company are made under the terms of the contract signed in 2013.

✓ Supply of pipeline natural gas

Bulgargaz receives supplies of pipeline natural gas under the 2013 contract with the Azerbaijan Gas Company, under the terms of equal daily deliveries and the ‘take or pay’ clause. The long-term contract for the supply of natural gas defines the delivery point as the interconnection point between TAP and the interconnector Greece — Bulgaria (IGB) — Komotini, Greece.

On 01 October 2022, the IGB interconnector was put into commercial operation and the deliveries of the full amounts under the contract with Azerbaijan are made at the price formula of the contract.

Bulgargaz EAD signed an agreement for natural gas transmission with ICGB AD, which coincides with the agreed daily and annual supply quantities from the Azeri company and has a term of 25 years.

✓ Supply of LNG

In 2022, as a result of the changed geopolitical situation and the premature termination of supplies from Gazprom Export LLC, Bulgargaz EAD changed its business model from supplying under a long-term pipeline gas contract (with high daily/monthly/annual supply flexibility from Gazprom Export), to supplying under multiple LNG and Azeri pipeline gas purchase contracts, with equal supplies, i.e. without flexibility and application of a take or pay clause.

Currently, Bulgargaz EAD does not have a long-term LNG supply contract and supplies through tenders for spot cargoes.

✓ Diversification of supply routes

Bulgargaz EAD ensures the supply of natural gas through a long-term contract for the supply of Azerbaijani natural gas from the Shah Deniz gas field through the IGB (Greece-Bulgaria interconnection) gas pipeline with Azerbaijan Gas Supply Company (AGSC), concluded in 2013, with validity period of 25 years from the date of the first delivery — 31 December 2020. Bulgargaz EAD has reserved long-term capacity on the IGB gas pipeline, corresponding to the agreed quantities of Azerbaijani gas for delivery.

In line with the state strategy for diversification of the country's natural gas supply routes and sources and the Decision No 166 of 10 March 2020 of the Council of Ministers, Bulgargaz EAD has reserved the capacity of the LNG terminal near Alexandroupolis for the supply of 5,300,000 MWh/year for a period of 10 years. Pursuant to Decision No 661 of 15 September 2022 of the Council of Ministers (CM), Bulgargaz EAD has reserved additional capacity at the LNG terminal near the town of Alexandroupolis, Hellenic Republic — Gaztrade S.A., in the amount of 5,300,000 MWh/year (≈ 500 mcm/year) for a period of 10 years starting from the year of the commercial operation of the terminal (from 2024), bringing the total reserved capacity to 10,600,000 MWh/year (≈ 1 bcm/year).

At the end of 2022, an Agreement was signed between Bulgargaz EAD and the Turkish state gas company BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş., whereby Bulgargaz EAD secures access to the LNG regasification terminals in the Republic of Turkey for 1.5 billion cubic meters per year and the subsequent transfer of supplied quantities of liquid natural gas to the interconnection point between the Bulgarian and Turkish gas transmission networks — Strandzha/Malkochlar, for the period 2023—2035. The signing of the Agreement with Botaş provides a strategic partnership and enables balancing the supply portfolio of Bulgargaz EAD. Thus, Bulgargaz EAD receives an opportunity for gaining access to three entry points from LNG terminals located in the Aegean Sea — Botaş, Revithoussa and Alexandroupolis. The agreement entered into force after its approval by Decision No 26 of 12 January 2023 by the Council of Ministers of the Republic of Bulgaria.

✓ Storage of natural gas

The main part of the available quantities in the Chiren UGSF are pumped in 2022 at a price significantly above the current 2023 market price. These quantities are calculated in accordance with the adopted Contingency Action Plan and the issued Orders of the Minister of Energy in connection with the imposition of additional public service obligations on Bulgargaz EAD, as well as in accordance with Regulation (EU) 2022/1032 of the European Parliament and the Council of 29 June 2022 amending Regulation (EU) 2017/1938 and Regulation (EC) No 715/2009 in relation to gas storage to meet the target of filling 80% of local gas storage capacity.

To meet the storage fill target of 80%, reduced customer demand and the high cost of gas in storage, production for the 2022-2023 gas season was severely constrained, resulting in large end-of-season natural gas inventories – April 2023.

Taking into account the expected compensation under the Programme for granting compensation to companies that have injected natural gas into the Chiren UGSF, Bulgargaz EAD produced volumes in the period January—April 2024, with the price set for production being significantly below their acquisition cost. This way, the company was able to reduce its stored quantities and market them.

The quantities of natural gas amounting to 1,145 thous. MWh that Bulgargaz EAD failed to extract from Chiren UGSF by 15 April 2024 were transferred as fulfilment of the obligation under the Contingency Plan for the gas year 2024/2025.

In the first half of 2024, the Company's management decided that for accounting purposes, the quantities of natural gas injected into Chiren UGSF will be accounted for as two separate batches —

contingency Plan (the Plan) batch quantities of 2,115,000 MWh and Commercial (Commercial) batch quantities of 20,177.527 MWh (as of 01 May 2024). This separation was necessitated by the high purchase price of the 2022 Plan quantities and more adequate subsequent accounting for these specific quantities of natural gas acquired. The remainder of available natural gas that is pumped for current commercial use is accounted for in the Commercial Quantities batch, which is acquired at market prices and which it could include in its pricing mix and market.

According to the provision of IAS 2, respectively the accounting policy of the company, when determining the net realizable value of inventories for the first half of 2024, The company has recognized a loss from depreciation of the available natural gas in the amount of BGN 17,689 thousand. The reversed impairment loss for natural gas produced that was impaired in a prior period is BGN 108,140 thousand and relates to BGN 1,398 thousand MWh quantities of natural gas sold.

As at 30 June 2024 the accumulated impairment loss on the available quantities of natural gas produced under the Recovery Plan amounts to BGN 100,701 thousand. Despite the impairments, the price of natural gas in the Plan batch continued to be significantly above current market levels.

According to the signed contract with the Electricity System Security Fund, Bulgargaz EAD will receive compensation under the Program for providing compensation for companies that injected natural gas into the underground gas storage in the period 01 May 2022—11 October 2022, developed by the Ministry of Energy, for the amount of 1,045,167 MWh, at a price of up to BGN 150 per MWh. The company has provided all required documents. The estimated amount of compensation is approximately BGN 156 million, which is effectively received in early September, 2024.

✓ *Analysis of the natural gas market and the activities of Bulgargaz EAD as at 30 June 2024.*

As a result of the actions taken by the Ministry of Energy, in connection with the introduction of the mechanism for compensation of part of the volumes pumped in 2022 at high prices in Chiren UGSF and fulfilling the condition of the mechanism — the volumes to be delivered to final customers and/or final suppliers in the European Economic Area, in the period from January 2024 to April 2024, Bulgargaz included in its pricing mix and extracted high-cost quantities from the underground storage at market prices, resulting in significant losses for the Company in the first quarter, which will be covered by the compensation under the mechanism described above.

The Alexandroupolis terminal was not put into commercial operation on the previously announced date of 01 January 2024. This necessitated that the LNG volumes contracted to be delivered under the tenders issued by the Company (Delivery Confirmations with TotalEnergies Gas & Power Limited for January and February 2024) be delivered to terminals in Turkey, in accordance with the Agreement entered into with Botaş. After several postponements of the planned commissioning date for the Alexandroupolis terminal, the date for the start of commercial operations is expected to be 01 October 2024.

As of 30 June 2024, there is also a downward trend in customer consumption relative to the quantities requested in their annual programs, but customer under-consumption is at a significantly lower level compared to the same period in 2023. This is due to 3 main reasons:

- Customers have already foreseen in their annual programs to request smaller quantities for intake from Bulgargaz EAD and have taken into account that they can purchase the difference up to their required quantities from the gas exchange in Bulgaria;
- By extracting volumes from Chiren UGSF at market prices (pending a compensation mechanism), Bulgargaz EAD was able to offer competitive prices;

- The current delivery prices at which Bulgargaz EAD receives the volumes under its long-term contract with the Azeri company are lower than the current prices of the European gas hubs, which enables the company to form a mix between the volumes under the long-term contract and the spot LNG supply contracts at prices close to market levels.

The reduction in the annual volumes requested for 2024 by the Company's customers under bilateral contracts at outlets results in a reduction in the Company's market share. This is mainly due to the following reasons:

- *the presence on the local market of natural gas producers*, which leads to increasing competition on the Bulgarian market. A key example is the competition between the Azeri gas company SOCAR and licensed European traders buying Russian-origin gas at the Strandzha 2/Malkochlar entry point at a significant discount. It should be noted that most of the gas companies in the region, including state-owned ones, still have a supply contract in place with Gazprom export.
- *sharply lower prices in the short-term market*: as a result of the high competition between traders due to surpluses at all importers and traders due to high average daily temperatures during the winter period and reduced consumption. A significant part of the under-collection compared to the contracted quantities by the company's customers is due to the purchase of natural gas on the short-term segment on the Gas Hub Balkan EAD platform at a price lower than the price of Bulgargaz EAD.

All neighbouring countries of Bulgaria, with the exception of Romania (which has its own production that meets its needs), *continue to supply natural gas under their long-term contracts with OOO Gazprom Export at a price below the market*, having a regulatory opportunity to conclude transactions on the Bulgarian market, as well as to sell part of these quantities to the platform of Gas Hub Balkan at prices significantly below the intraday and day ahead European stock market indices, and/or to directly deliver quantities to Bulgargaz customers.
- Reduction of LNG supplies in the region due to their temporal unprofitability compared to pipeline gas supplies directly from producers, even under the best price conditions for regasification, storage and transmission services to Bulgaria.
- The lack of a long-term LNG supply contract at competitive prices until 2027, which leads to the need to purchase spot LNG supplies at market prices.

Consumption of natural gas at exit points of the gas transmission network in Bulgaria					
Year	Total gas consumption in Bulgaria	Change	Share of Bulgargaz EAD (excluding quantities sold under PGE)		Change
	million MWh	%	%	million MWh	%
2019	30.7	-	88.93%	27.3	-
2020	30.7	0.0%	79.15%	24.3	-11.0%
2021	35.3	15.0%	71.95%	25.4	4.5%
2022	28.1	-20.4%	76.16%	21.4	-15.7%
2023	26.3	-6.4%	76.05%	20	-6.5%
2024	26.1	-0.8%	64.44%	16.82	-15.9%

2. PERFORMANCE OF QUANTITATIVE INDICATORS

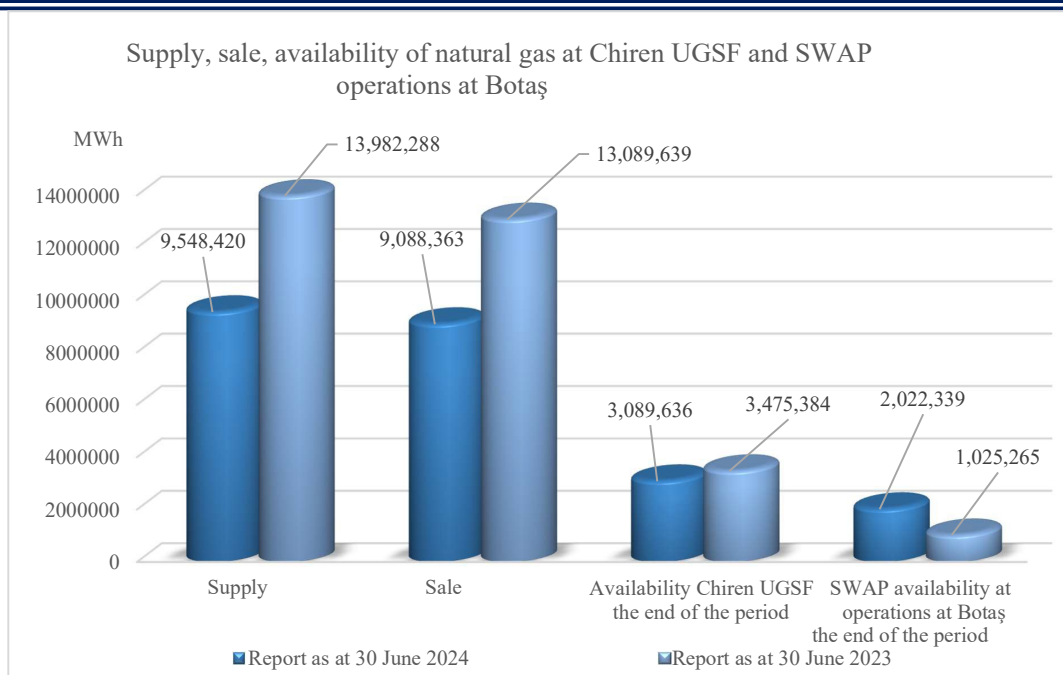
2.1. Purchased and sold amounts of natural gas

The amount of natural gas purchased and sold as at 30 June 2024, compared to 30 June 2023, are presented in Table 1:

Table No 1

MWh

Type of delivery	Unit	As at 30 June 2024	As at 30 June 2023	Change in amounts	Change in (%)
Supply	MWh	9,548,420	13,982,288	(4,433,868)	(31.71%)
Sale	MWh	9,088,363	13,089,639	(4,001,276)	(30.57%)
Availability of Chiren gas storage plant at the end of the period	MWh	3,089,636	3,475,384	(385,748)	(11.10%)
Availability under SWAP operations in Botaş at the end of the period	MWh	2,022,339	1,025,265	997,074	97.25%



During the reporting period, total gas amounts delivered were 9,548,420 MWh (30 June 2023: 30,357,346 MWh), which is a decrease of 4,763,668 MWh or 31.71%.

Natural gas sold as of 30 June 2024 is 9,088,363 MWh compared to 13,089,639 MWh as at 30 June 2023, a decrease of 4,001,276 MWh or 30.57%.

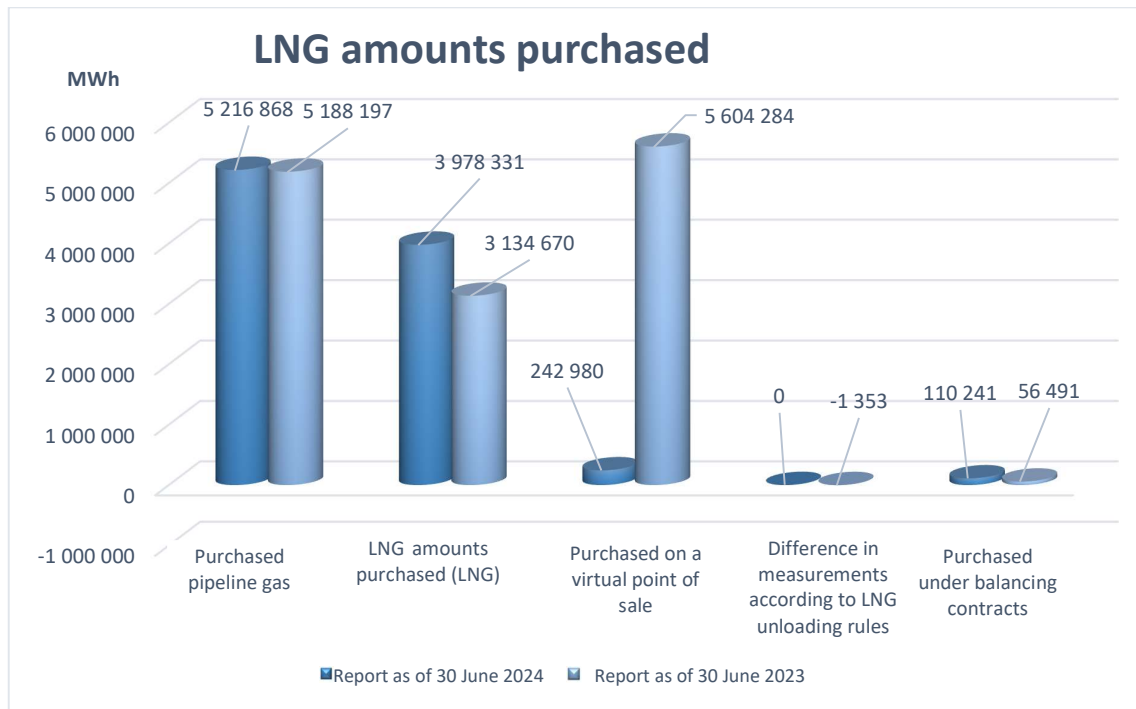
1.2 LNG amounts purchased

Purchased amounts of natural gas as at 30 June 2024 and 30 June 2023 are shown in Table 2.

Table No 2

MWh

Type of delivery	Statement as at 30 June 2024	Statement as at 30 June 2023	Change in amounts	Change in (%)
TOTAL for the period	9,548,420	13,982,288	(4,433,868)	(31.71%)
Purchased pipeline gas	5,216,868	5,188,197	28,671	0.55%
LNG amounts purchased(LNG)	3,978,331	3,134,670	843,662	26.91%
Purchased on a virtual point of sale	242,980	5,604,284	(5,361,304)	(95.66%)
Difference in measurements according to LNG unloading rules	-	(1,353)	1,353	(100.00%)
Purchased under balancing contracts	110,241	56,491	53,750	95.15%



In order to ensure the natural gas needs of its customers as at 30 June 2024, Bulgargaz EAD has purchased 9,548,420 MWh of natural gas (30 June 2023: 13,982,289 MWh).

The purchased quantities of piped natural gas as of 30 June 2024 are in the amount of 5,216,868 MWh, liquefied natural gas 3,978,331 MWh, purchased at a virtual trading point 242,980 MWh and purchased natural gas under balancing contracts 110,241 MWh.

The main supplies of natural gas guaranteeing the consumption of the Company's customers are secured through:

- ✓ The LNG supply contracts for 2024 were concluded as a result of tenders, the deliveries in January and February were made to terminals in Turkey and the delivery in March was made to the Revithoussa LNG terminal, with the regasification slot purchased by Bulgargaz EAD in the tender procedure held by the Greek network operator DESFA in 2022.

In order to secure the supply routes from the LNG terminals to the Bulgarian gas transmission network, Bulgargaz EAD participates in tenders and reserves uninterruptible capacity products at entry-exit points of the Bulgarian gas transmission network. For the entry points where there is a risk of interruption of capacity products (points where only interruptible products are offered), Bulgargaz EAD was able to deliver through swap transactions, thus avoiding the risk of interruption of capacity products.
- ✓ A long-term contract concluded with Azerbaijan Gaz Supply Company (AGSC), which is implemented in full from 01 October 2022 with the launch of the IGB interconnection;
- ✓ Agreement for the purchase and sale of natural gas with Botaş, providing capacity for regasification and transmission to Bulgaria at the Stranja 1/Malkochlar point.

1.3 Extraction and injection of natural gas

In order to guarantee the security and continuity of natural gas supplies and to cover the irregularity for its customers, Bulgargaz EAD uses the capacity of the underground gas storage plant in the Chiren gas storage plant, owned by the combined operator Bulgartransgaz EAD.

The operation of the gas storage is cyclical, with the natural gas injection period being

‘May—October’ and the harvest period — ‘November—April’.

In accordance with the Contingency Plan for the storage of natural gas amounts to compensate for the seasonal unevenness of its customers, Bulgargaz EAD is obliged to inject, store and extract natural gas amounts by participating in public procedure of

Bulgartransgaz EAD for the allocation of storage capacity at Chiren UGSF.

The extracted and injected amounts of natural gas in the Chiren UGSF as at 30 June 2024 versus 30 June 2023 are presented in Table No 3.

Table No 3

MWh

Extraction and injection	As at 30 June 2024	As at 30 June 2023	Change in MWh	Change in %
Amounts available at the beginning of the period	3,213,387	2,937,968	275,419	9.37%
Extraction	1,397,544	298,355	1,099,189	368.42%
Injection	1,194,993	835,771	359,222	42.98%
Transferred from another user	78,800	0	78,800	-
Amounts available at the end of the period	3,089,636	3,475,384	(385,748)	(11.10%)

The extracted amounts of natural gas as at 30 June 2024 are 1,397,544 MWh, which is 1,099,189 MWh or 368.42% more compared to the previous period (30 June 2023: 298,355 MWh). The higher production during the period is related to the condition that the quantities of natural gas subject to compensation must be produced and delivered to final customers and/or final suppliers in the European Economic Area, according to the application of the compensation mechanism under the Compensation Programme for companies that injected natural gas into the underground gas storage in the period 01 May 2022—11 October 2022. The quantities of natural gas pumped as of 30 June 2024 are 359,222 MWh more compared to 30 June 2023 when they were 835,771 MWh.

As at 30 June 2024, the Company has 3,089,636 MWh of gas available at Chiren UGSF, which is a decrease of 385,748 MWh or 11.10% compared to the previous period.

III. SALE OF NATURAL GAS

1. Sales

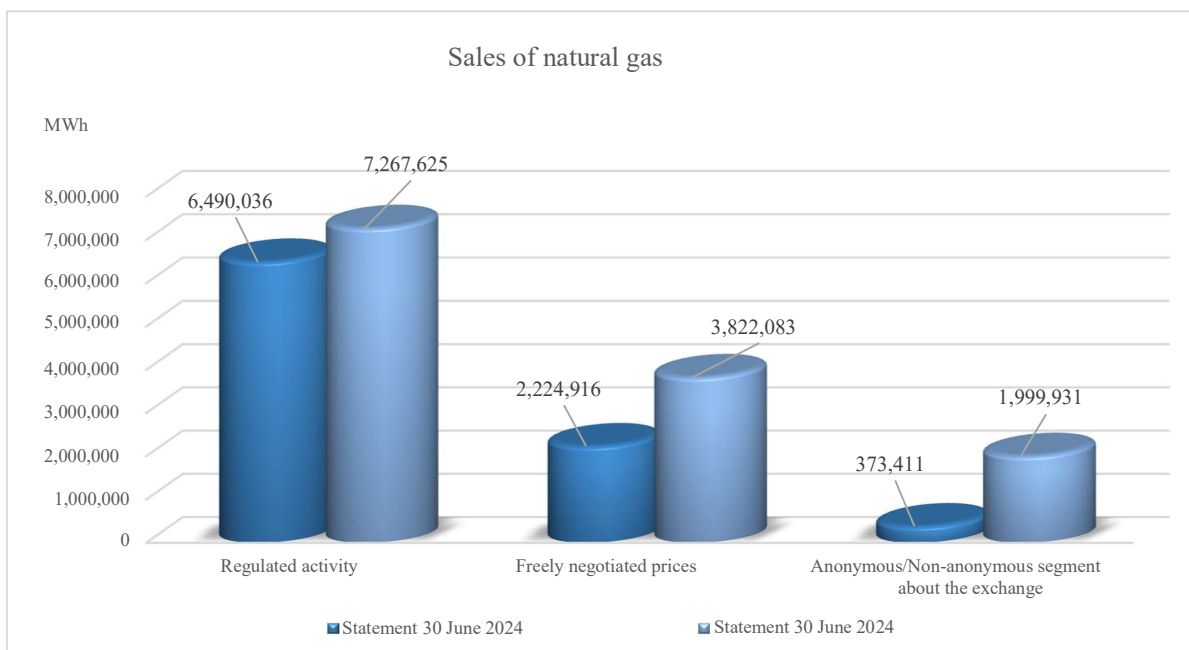
Bulgargaz EAD ensures security and continuity of supply of natural gas to its customers in the country in accordance with contractual requirements. As at 30 June 2024, 9,088,363 MWh of natural gas have been sold, representing a decrease of 4,001,276 MWh or 30.57% compared to the quantities sold as at 30 June 2023 — 13,089,639 MWh.

Natural gas sales for the reporting period are presented in Table No 4:

Table No 4

MWh

Sales	As at 30 June 2024	As at 30 June 2023	Change in amounts	Change in (%)
Regulated activity	6,490,036	7,267,625	(777,589)	(10.70%)
Freely negotiated prices	2,224,916	3,822,083	(1,597,167)	(41.79%)
Anonymous/Non-anonymous segment about the exchange	373,411	1,999,931	(1,626,520)	(81.33%)
Total	9,088,363	13,089,639	(4,001,276)	(30.57%)



2. Structure of sales

Amounts of natural gas sold to the Company's customers by main sectors of the economy as at 30 June 2024 and 30 June 2023 are presented in Table 5.

Table 5

Industry sector	As at 30 June 2024 MWh	As at 30 June 2023 MWh	Change in amounts of MWh	Change in (%)
Energy	4,679,786	5,269,283	(589,497)	(11.19%)
Distribution companies	1,850,029	2,322,148	(472,119)	(20.33%)
Glass and porcelain	817,593	1,235,781	(418,188)	(33.84%)
Metallurgy	479,934	529,016	(49,082)	(9.28%)
Exchange sales	373,411	1,517,649	(1,144,238)	(75.40%)
Chemistry	308,447	1,175,915	(867,468)	(73.77%)
Construction materials	137,465	175,576	(38,111)	(21.71%)
Other	441,698	864,271	(422,573)	(48.89%)
Total	9,088,363	13,089,639	(4,001,276)	(30.57%)

As at 30 June 2024, the sales, compared to those as at 30 June 2023, decreased by 4,001,276 MWh or by 30.57%.

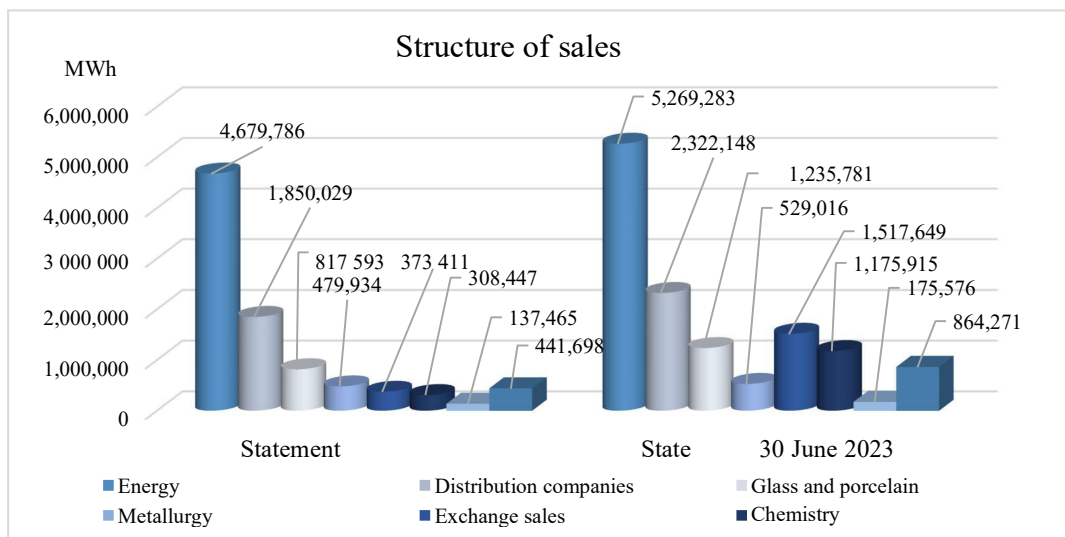
In its capacity of a Public supplier, Bulgargaz EAD provides a service of public interest — supply of natural gas to a range of persons stipulated in the Energy Act, at prices approved by the EWRC ('regulated prices'). Regulated prices are determined pursuant to Ordinance No 2 of 19 March 2013 on the regulation of natural gas prices.

Bulgargaz EAD, according to the License, is obliged to ensure a continuous and high-quality supply of natural gas, maintaining financial stability.

For all other customers connected to the gas transmission network — production enterprises, thermal power plants, greenhouses, etc. ('industrial customers'), Bulgargaz EAD supplies natural gas at freely negotiated prices. Under contracts with customers at freely negotiated prices, Bulgargaz EAD performs the function of a natural gas trader on competitive market terms.

According the legislative amendments, Bulgargaz EAD operates as follows:

- on a regulated market — at prices regulated by the Energy and Water Regulatory Commission (EWRC);
- on a free market — at freely negotiated prices;
- on an organized exchange market — at freely negotiated prices;
- organized stock market (on the domestic market and on the international markets) — at freely negotiated prices.



The data presented in Table No 5 shown in the graph above show the following trend in the structure of natural gas consumption:

- ✓ the main consumers of natural gas remain the enterprises in the field of energy and distribution companies to end consumers;
- ✓ sales reductions were realized in all industries.

IV. RISK FACTORS

The main risk factors in the activity of the Company are: regulatory/price risk, currency risk, credit risk and liquidity risk.

The following types of risks exist in carrying out the Company's activities:

1. Regulatory/Price Risk

The specificity of activity of Bulgargaz EAD stems from the fact that the Company is both a Public Supplier and a Trader of natural gas. The Company purchases natural gas at market prices by selling some of the amounts purchased at regulated prices. The discrepancy between the purchase price based on market levels and the sales price based on the lowest cost to purchase natural gas exposes the Company to the risk of losses and liquidity shortfalls in meeting its functional obligations. If regulated prices which are lower than the delivery prices are validated, sales revenue would not be sufficient to cover the actual cost for purchasing natural gas and the Company would experience difficulties in paying their liabilities towards suppliers.

2. Currency Risk

Currency risk is associated with changes in foreign exchange rates that result in a gain or loss on the revaluation of foreign currency assets.

The main risk for Bulgargaz EAD stems from the need to buy natural gas in US dollars and sell it in BGN. Thus, the Company is exposed to the risk of changes in the exchange rate. The approved marginal price set by the Energy and Water Regulatory Commission for each regulatory period is determined at a fixed exchange rate of the US dollar against Bulgarian lev, averaged for 45 days prior to the month of submission of the application for approval of the EWRC selling price for the next price period. Also, the Company is exposed to the risk of realizing a loss from the revaluation of its foreign exchange exposures due to the dynamic movement of the US dollar exchange rate.

3. Credit risk

The credit risk for the Company arises from receivables from customers and the risk of financial loss in cases where the customer does not fulfil its contractual obligations to pay for the gas supplied. The main customers of the Company are the district heating companies, which commonly claim to have issues with the collection of their receivables from customers and accordingly experience serious difficulties in repaying their liabilities due to maturity. The Company carries out current monitoring and analysis of its receivables, while monitoring the behaviour of its customers and reports in detail the activities of its major debtors. Additional rescheduling agreements are concluded with some of the customer who have difficulties in repaying their current liabilities after providing financial security. As a last resort, the supply of natural gas has been suspended and the receivables of Bulgargaz EAD were collected through the court.

4. Liquidity risk

Liquidity risk arises when the Company is unable to meet its current obligations and financial commitments. They are reflected in the short-term liabilities of the Company, namely liabilities for transfer and storage, liabilities to the state in the form of taxes and excise duties, liabilities under trade borrowings and regular payments related to operating activities. Short-term liabilities require precise planning of cash flows based on monthly forecasts.

5. Regulatory risk

Regulatory risk arises in periods of unstable local political situation and/or the geopolitical situation which has a direct, significant effect on the Company's activity, as well as lack of updated applicable legislation and by-laws that regulate the Company's activity, and do not correspond to the changing business environment in which it operates.

European Commission policies:

- ✓ leading to responsibilities of member states which will be transferred for implementation to local companies (for Bulgaria — Bulgargaz in particular), without providing for the corresponding financial compensation for the companies.

- ✓ imposing a voluntary limitation of the consumption of natural gas, which may lead to the impossibility of the Company to sale the quantities under concluded long-term supply contracts.

6. Inflation risk

In case of inflation exceeding the one set in the macro framework and in the instructions of Bulgarian Energy Holding EAD, there is a risk that the set costs dependent on inflation will not be sufficient and create difficulties for securing the commercial activity.

7. Lack of trained personnel

Human resources are the most important corporate asset and a key factor in achieving efficiency, economic growth and competitiveness. The frequent change of teams and/or the lack of sufficient experience in the implementation of liquefied natural gas supplies (as a result of a change in market models — switching from pipeline supplies to LNG supplies), in participating in capacity tenders or other operational activities of the Company may lead to managerial and functional risks for Bulgargaz EAD.

V. STRATEGIC, MARKET, FINANCIAL AND NON-FINANCIAL GOALS

The development of the Company is related to the realization of the strategic and market goals.

The main strategic goals of BULGARGAZ EAD are related to the responsibilities and obligations for continuity and reliability of the supplies. Guaranteeing the supply of natural gas is of key importance for the energy security of the Republic of Bulgaria. In order to achieve these goals, Bulgargaz EAD makes every effort to provide alternative sources and routes for the supply of natural gas to help increase the security and reliability of gas supplies. This is related to maintaining constant financial stability and increasing the economic efficiency of the Company's operations, under the conditions of market uncertainty in the country and high intercompany indebtedness.

The market goals of Bulgargaz EAD are related to maintaining its market position in the country and entering new regional gas markets. In order to achieve these objectives, Bulgargaz EAD should register as a natural gas trader and access to the gas transmission networks of neighbouring countries, as well as offer flexible and competitive commercial terms.

The financial objectives of Bulgargaz EAD are related to ensuring the financial stability of the Company.

- As regards the regulated market, the regulatory framework regulates the pricing of Bulgargaz EAD for sales on the regulated market. Ordinance No 2 of 19 March 2013 for the regulation of natural gas prices sets an upper limit for the component for the 'public supply' activity to 2.5% per year, which should ensure a return on the Company's costs and capital. However, this component does not include a large part of the company's financial costs.
- With regard to the free market, after 01 January 2020, Bulgargaz EAD, in order to ensure a level playing field between the Company's customers, proposed a uniform approach to the formation of the prices at which it supplies natural gas on the regulated market and, respectively, the prices under the contracts, which were initially concluded under the conditions of regulated prices, and after the entry into force of the Act for amending and supplementing the EA should be executed at freely negotiated prices. In order to ensure a smooth transition and to protect the interests of both parties to the maximum extent, Bulgargaz EAD proposed to its customers that the formation of the sales prices under the Contracts be carried out in accordance with the provisions of Ordinance 2 of 19 March 2013. From 2022, the components forming the sales price set by the Ordinance shall include a surcharge covering the costs of Bulgargaz EAD which are not included in the calculation of the regulated price.

The approach applied by the Company ensures the objective and transparent formation of the gas price. The non-financial goals of Bulgargaz EAD are related to the Company's activities in the context of social responsibility and sustainable development, as well as the results achieved in these directions. Investments in the Company's social policy, as well as publicity and transparency of the activities, development of an integrated and competitive energy market.

- Updating the administrative structure and developing human resources. Human resources are the most important corporate asset and a key factor in achieving efficiency, economic growth and competitiveness.

Creating a strategy for HR management means making a targeted effort by creating rules and mechanisms for their management. A clear concept of HR management goals and outcomes is needed. Sufficient financial resources are also needed to improve the professional qualifications of employees and obtain specific knowledge related to the new conditions of the natural gas market, the diversification of sources and delivery routes, the specifics of concluding LNG transactions and applying European and national legislation.

VI. FINANCIAL AND ECONOMIC POSITION

The financial and economic position of Bulgargaz EAD has been reviewed and analysed on the basis of the annual financial statements, which comprise the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of equity of the Company as at 30 June 2024 compared to the same period in 2023.

The main financial and economic results of the Company's activities as at 30 June 2024 and as at 30 June 2023 are presented as follows:

BGN thousand

Indicators	30 June 2024	30 June 2023	Change	Change (%)
Total operating revenue	662,347	1,599,068	(936,721)	(58.58%)
Total operating expenses	(890,117)	(1,611,935)	721,818	(44.78%)
EBITDA	(227,771)	(12,867)	(214,904)	(1670.20%)
EBIT	(227,990)	(13,059)	(214,931)	(1645.85%)
EBT	(252,954)	(40,305)	(212,649)	(527.60%)

Indicators	30 June 2024	31 December 2023	Change	Change (%)
Fixed tangible assets	292	360	(68)	(19.17%)
Total assets	1,768,742	1,959,482	(190,740)	(9.73%)
Current assets	1,745,119	1,930,651	(185,532)	(9.61%)
Current liabilities	950,797	609,960	340,837	55.88%
Cash balances	1,193	2,265	(1,072)	(47.33%)
Working capital	794,322	1,320,691	(526,369)	(39.86%)
Equity	(132,731)	125,515	(258,246)	(205.75%)
Share capital	231,698	231,698	0	0.00%
Reserves	21,130	21,130	0	0.00%
Accumulated loss/Retained earnings	(127,313)	(74,932)	(52,381)	69.90%
Loss for the current period	(258,246)	(52,381)	(205,865)	(393.01%)
Number of personnel	54	54	4	7.69%

VII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

BGN thousand

STATEMENT OF COMPREHENSIVE INCOME	As at 30 June 2024		As at 30 June 2023		Change	
	BGN thousand	% of the total	BGN thousand	% of the total	BGN thousand	%
Revenue	662,347	100.00%	1,599,068	100.00%	(936,721)	(58.58%)
Revenue from sale of natural gas	628,672	100.00%	1,567,478	98.02%	(938,807)	(59.89%)
Regulated activity	454,542	68.63%	915,006	57.22%	(460,464)	(50.32%)
Unregulated activity freely negotiated prices	155,083	23.41%	441,694	27.62%	(286,611)	(64.89%)
Exchange market / release program	20,939	3.16%	142,745	8.93%	(121,806)	(85.33%)
Related parties — BTG sale of natural gas for balancing	4,717	0.71%	32,701	2.05%	(27,984)	(85.58%)
Other penalties — sanctions for amounts	(6,610)	(1.00%)	35,332	2.21%	(41,942)	(118.71%)
Other revenue	33,675	5.08%	31,590	1.98%	2,085	6.60%
— penalties on overdue receivables/payables	34,753	5.25%	21,785	1.36%	12,968	59.53%
— other revenue	(1,079)	(0.16%)	9,805	0.61%	(10,884)	(111.00%)
Expenses by economic elements	(890,117)	100.00%	(1,611,935)	100.00%	721,818	(44.78%)
Cost of natural gas sold	(690,587)	77.58%	(1,498,418)	92.96%	807,831	(53.91%)
Regulated activity	(503,035)	56.51%	(839,423)	52.08%	336,388	(40.07%)
Unregulated activity freely negotiated prices	(159,702)	17.94%	(371,311)	23.04%	211,609	(56.99%)
Exchange market / release program	(22,104)	2.48%	(238,676)	14.81%	216,572	(90.74%)
Related parties — BTG at cost of natural gas for balancing	(5,747)	0.65%	(49,008)	3.04%	43,261	(88.27%)
Recovered/(accrued) impairment of assets	(51,342)	5.77%	(67,981)	4.22%	16,639	(24.48%)
Recovered/(accrued) impairment of receivables and advances, net	(11,770)	1.32%	(26,359)	1.64%	14,589	55.35%
Recovered/(accrued) impairment of natural gas	(39,573)	(5.97%)	(41,713)	2.59%	2,140	(5.13%)
Cost of materials	(28)	0.00%	(29)	0.00%	1	(3.45%)
— basic materials	(1)	(0.00%)	(2)	0.00%	1	(50.00%)
— fuels and lubricants	(3)	0.00%	(6)	0.00%	3	(50.00%)
— office supplies and consumables	(14)	0.00%	(10)	0.00%	(4)	40.00%
— sanitary materials	(4)	0.00%	(4)	0.00%	-	0.00%
— other materials	(6)	0.00%	(7)	0.00%	1	(14.29%)
Hired services expenses	(11,787)	1.32%	(10,126)	0.63%	(1,661)	16.40%
— costs for storage of natural gas	(6,896)	0.77%	(7,246)	0.45%	350	(4.83%)
— LNG gas transmission services adjustment	(18)	0.00%	-	0.00%	(18)	-

STATEMENT OF COMPREHENSIVE INCOME	As at 30 June 2024		As at 30 June 2023		Change	
	BGN thousand	% of the total	BGN thousand	% of the total	BGN thousand	%
— costs under BEH management contracts	(77)	0.01%	(232)	0.01%	155	(66.81%)
— license fees	(674)	0.08%	(1,338)	0.08%	664	(49.63%)
— fees for Gas Hub Balkan	(140)	0.02%	(237)	0.01%	97	(40.93%)
— insurances	(165)	0.02%	(70)	0.00%	(95)	135.71%
— rents	(129)	0.01%	(129)	0.01%	-	0.00%
— court fees and costs	(1,881)	0.21%	(209)	0.01%	(1,672)	800.00%
— consulting and auditing services	(989)	0.11%	(197)	0.01%	(792)	402.03%
— communications	(175)	0.02%	(114)	0.01%	(61)	53.51%
— remunerations of audit committee members	(72)	0.01%	(74)	0.00%	2	(2.70%)
— utilities	(19)	0.00%	(23)	0.00%	4	(17.39%)
— subscription service	(12)	0.00%	(9)	0.00%	(3)	33.33%
— repair and technical maintenance	(6)	0.00%	(7)	0.00%	1	(14.29%)
— parking spaces and other costs for motor vehicles	(10)	0.00%	(10)	0.00%	-	0.00%
— visa and translation services	(18)	0.00%	(66)	0.00%	48	(72.73%)
— security	(77)	0.01%	(3)	0.00%	(74)	2466.67%
— occupational medicine	(5)	0.00%	-	0.00%	(5)	-
— fees — EWRC for price approval	(7)	0.00%	(28)	0.00%	21	(75.00%)
— other services	(417)	0.05%	(134)	0.01%	(283)	211.19%
Costs for unused capacity	(133,700)	15.02%	(32,669)	2.03%	(101,031)	309.26%
Employee benefits and social security expenses	(2,595)	0.29%	(2,264)	0.14%	(331)	14.62%
— employee benefits expenses	(2,358)	0.26%	(2,050)	0.13%	(308)	15.02%
— social security expenses	(237)	0.03%	(214)	0.01%	(23)	10.75%
Recognized (accrued) provision expenses	-	0.00%	(374)	0.02%	374	(100.00%)
Other expenses	(78)	0.01%	(74)	0.00%	(4)	5.41%
— business trips and entertainment costs	(20)	0.00%	(44)	0.00%	24	(54.55%)
— trainings	(12)	0.00%	(4)	0.00%	(8)	200.00%
— one-off taxes	(26)	0.00%	(5)	0.00%	(21)	420.00%
— membership in the organization	(2)	0.00%	(3)	0.00%	1	(33.33%)
— donations	(12)	0.00%	(18)	0.00%	6	(33.33%)
— others	(5)	0.00%	-	0.00%	(5)	-
Profit before interest depreciation taxes	(227,771)		(12,867)		(214,904)	(1670.20%)
Depreciation charges	(218)	0.02%	(192)	0.01%	(26)	13.54%
Profit/(loss) from operating activities	(227,990)		(13,059)		(214,930)	(1645.84%)
Financial income/(expenses)-net	(24,964)		(27,246)		2,282	8.38%
Financial income	1	100.00%	-	0.00%	1	-
Interest income on cash and cash equivalents	1	100.00%	-	0.00%	1	-
Financial costs	(24,223)	100.00%	(21,858)	100.00%	(2,365)	10.82%
Interest expense on borrowings to related entities — Ministry of Energy	(8,153)	33.66%	(8,290)	37.93%	137	(1.65%)

STATEMENT OF COMPREHENSIVE INCOME	As at 30 June 2024		As at 30 June 2023		Change	
	BGN thousand	% of the total	BGN thousand	% of the total	BGN thousand	%
Interest expense on borrowings to related entities — BEH	(10,353)	42.74%	(10,598)	48.49%	245	(2.31%)
Borrowings to banks	(2,781)	11.48%	(220)	1.01%	(2,561)	1164.09%
Interest expense on tax liabilities	(395)	1.63%		0.00%	(395)	-
— interest expenses under rental agreements	(5)	0.02%	(7)	0.03%	2	(28.57%)
— bank guarantee costs		0.00%	(265)	1.21%	265	(100.00%)
— bank fees	(2,536)	10.47%	(2,478)	11.34%	(58)	2.34%
Other financial revenues/expenses — currency differences	(742)	100.00%	(5,387)	100.00%	4,646	(86.23%)
Foreign exchange rate gain/loss	(742)	100.00%	(5,388)	100.00%	4,646	(86.23%)
Profit/(loss) before tax	(252,954)		(40,305)		(212,648)	527.60%
Income from/(expenses on) profit taxes	(5 292)		3,993		(9 285)	(232.53%)
Net profit/(loss) for the period	(258 246)		(36,312)		(221 934)	611.19%

1. Revenue

The Company's revenues are formed from the sales of natural gas at regulated and freely negotiated prices. The sale at freely negotiated prices includes the sale at exit points to customers directly connected to the transmission network and sale on the exchange market.

The Company has realized revenues in the amount of BGN 662,347 thousand as at 30 June 2024 (as at 30 June 2023 BGN 1,599,068 thousand). The decrease is BGN 936,721 thousand or 58.58% and is due to the fact that Bulgargaz EAD has extracted natural gas that was injected into Chiren UGSF in 2022 in order to fulfil one of the conditions in the compensation mechanism under the Program for providing compensation for companies that injected natural gas into the underground gas storage in the period 01 May 2022—11 October 2022. Acquisition prices for these quantities of natural gas in 2022 were unusually high as they were purchased in a highly stressed market following Russia's aggression in Ukraine.

Another reason for the lower amount of revenue is the decrease in the price compared to the previous reporting period and the reduced consumption compared to the previous year. The net result from the sale of natural gas as at 30 June 2024 amounts to BGN - 28,241 thousand (as at 30 June 2023 it was BGN 69,060 thousand), which makes an increase of BGN 97,301 thousand.

2. Expenses

Expenses by economic elements include: cost of natural gas sold, impairment losses, costs of materials, costs of external services, depreciation charges, employee benefits expenses, social security and allowance expenses, provision expenses and others. As of 30 June 2024 they amount to BGN 890,337 thousand (as of 30 June 2023: BGN 1,611,935 thousand), which represents a decrease by BGN 721,598 thousand or 44.77%.

- The largest relative share of the total expenses is the cost of natural gas sold as at 30 June 2024 in the amount of BGN 690,587 thousand (as at 30 June 2023: BGN 1,498,418 thousand).
- The cost of materials as at 30 June 2024 is BGN 28 thousand (as at 30 June 2023: BGN 29 thousand), which makes a decrease of BGN 1 thousand or 3.45%. Materials costs include stationery and supplies, sanitary materials, auto parts, tires and other materials.

- The hired services expenses as at 30 June 2024 are BGN 11,787 thousand (as at 30 June 2023: BGN 10,125 thousand), which makes an increase of BGN 1,662 thousand or 14.10%.
- The cost of unused capacity as at 30 June 2024 are BGN 133,700 thousand (as at 30 June 2023: BGN 32,670 thousand), which makes an increase of BGN 101,030 thousand or 75.56%. The amount of costs as of 30 June 2024 includes unused capacity from Botaş, ICGB, Desfa, and as of 30 June 2023 from Desfa, Depa.
- Expenses for remuneration and insurance as of 30 June 2024 amount to BGN 2,595 thousand (as of 30 June 2023 BGN 2,264 thousand), which makes an increase of BGN 331 thousand or 12.76%.
- Other expenses as at 30 June 2024 are in the amount of BGN 78 thousand (as at 30 June 2023: BGN 74 thousand), which makes an increase of BGN 4 thousand.

The result from operating activities is a loss of BGN 227,990 thousand as at 30 June 2024 (as at 30 June 2023: loss of BGN 13,060 thousand), which is a decrease of BGN 214,930 thousand or 94.27%. The loss for the period is mainly due to the fact that the Company carried out the production of natural gas that was injected into Chiren UGSF in 2022. Acquisition prices for these quantities of natural gas in 2022 were record high as they were purchased in a highly stressed market. This was the result of a military emergency due to Russia's aggression in Ukraine, the increased demand in natural gas in Europe after April 2022 caused a huge price increase in an extremely short period of time.

On the other hand, sales prices for natural gas produced in the first quarter of 2024 are many times lower than acquisition prices. This resulted in the accumulation of the above loss, which will be partially compensated by the compensation under the Compensation Program for Companies Injecting Natural Gas into Underground Gas Storage in the Period 01 May 2022—11 October 2022, developed by the Ministry of Energy.

After reflecting the financial income and expenses as at 30 June 2024, the financial result before taxes is a loss of BGN 252,954 thousand (as at 30 June 2023: loss: BGN 40,305 thousand), which makes a decrease of BGN 212,649 thousand or 527.60%.

VIII. STATEMENT OF FINANCIAL POSITION

As at 30 June 2024, the Company's assets amount to BGN 1,768,742 thousand (as at 31 December 2023: BGN 1,959,482 thousand). The changes in the structure of assets for both periods are shown in the following table:

BGN thousand

Assets	As at 30 June 2024		As at 31 December 2023		Change	
	BGN thousand	% of the total	BGN thousand	% of the total	BGN thousand	%
Non-current assets						
Plant and equipment	292	1,24%	360	1,25%	(69)	(18.89%)
Intangible assets	396	1,68%	243	0,84%	153	62.96%
Deferred tax assets	22,935	97,08%	28,228	97,91%	(5,293)	(18.75%)
Total amount of non-current assets	23,623	100,00%	28,831	100,00%	(5,208)	(18.06%)
Current assets						
Inventories	371,159	21,27%	499,799	25,89%	(128,640)	(25.74%)
— natural gas	371,148	21,27%	499,788	25,89%	(128,640)	(25.74%)
— materials	11	0,00%	11	0,00%	-	0.00%
Trade and other receivables and contract assets	1,372,768	78,66%	1,428,587	74,00%	(55,819)	(3.91%)
— trade receivables from sale of natural gas	771,085	44,19%	770,716	39,92%	369	0.05%
— contract assets	13,503	0,77%	85,096	4,41%	(71,593)	(84.13%)
— court and awarded receivables, net	33,183	1,90%	31,550	1,63%	1,633	5.18%
— Advance payments	442,402	25,35%	461,485	23,90%	(19,083)	(4.14%)
— prepaid advances for natural gas delivery	436,198	25,00%	461,453	23,90%	(25,255)	(5.47%)
— prepaid services	6,195	0,35%	-	0,00%	6,195	-
— prepaid advances for delivery of fixed assets	9	0,00%	32	0,00%	(23)	(71.88%)
— receivables under contracts with Gazprom	20,554	1,18%	20,554	1,06%	-	0.00%
— receivables from related parties (natural gas, deposits and guarantees)	39,388	2,26%	41,342	2,14%	(1,954)	(4.73%)
— other receivables	52,653	3,02%	17,844	0,92%	34,809	195.07%
Cash and cash equivalents	1,193	0,07%	2,265	0,12%	(1,072)	(47.33%)
Total amount of current assets	1,745,119	100,00%	1,930,651	100,00%	(185,532)	(9.61%)
Total assets	1,768,742		1,959,482		(190,740)	(9.73%)

1. Non-current assets

The non-current assets as at 30 June 2024 amounted to BGN 23,623 thousand (as at 31 December 2023: BGN 28,831 thousand), which makes an increase of BGN 5,208 thousand or 18.06%. Non-current assets during the reporting period are formed by non-current tangible and intangible assets in the amount of BGN 687 thousand and deferred tax assets for BGN 22,935 thousand.

2. Current assets

The current assets as at 30 June 2024 amounted to BGN 1,745,119 thousand as at (31 December 2023: BGN 1,930,651 thousand), representing a decrease of BGN 185,532 thousand or 9.61% mainly as a result of a decrease in inventories.

➤ Receivables from sales of natural gas

Receivables from sales of natural gas are on the rise due to Toplofikacia Sofia EAD's delay in repaying its obligations regularly and on time. As of 30 June 2024, the outstanding gross receivables under the natural gas supply contract of Toplofikacia Sofia EAD to Bulgargaz EAD amount to BGN 801,366 thousand (31 December 2023: BGN 784,047 thousand).

In order to overcome the indebtedness of the district heating company, in September 2022 a Tripartite Agreement was signed between Toplofikacia Sofia EAD, the Electricity System Security Fund, Bulgarian Energy Holding EAD and Bulgargaz EAD, under which the monthly amounts from the Fund's payments are redirected to Bulgargaz EAD and Bulgarian Energy Holding EAD in an 80/20 ratio. The settlement has improved collection rates, but the amount of receivables remains substantial.

➤ *Inventories*

As at 30 June 2024, inventories amount to BGN 371,159 thousand (31 December 2023: BGN 499,799 thousand), which makes a decrease of BGN 128,640 thousand or 25.74%. This is due to higher production in the first quarter of 2024 compared to the same period in 2023 at Chiren UGSF. The usual seasonal nature of the activity implies that in the summer period of the year the Company injects natural gas into Chiren UGSF, and during the winter months produces it for sale. The significant increase in the price of natural gas in 2022, as well as the reduced consumption of customers had a significant impact on the Company's current actions regarding production from the gas storage in the first months of 2023, with production being limited. During the period January — April 2024, the company produced significant amounts of 1,397,544 MWh from Chiren UGSF.

➤ *Prepaid advances*

The prepaid advances as at 30 June 2024 amount to BGN 442,402 thousand (31 December 2023: BGN 461,453 thousand), which makes a decrease of BGN 19,051 thousand or 4.13%. For the most part, these advances represent stocks of liquefied natural gas delivered by the company to Turkish terminals, located in the gas transmission network of Botaş, available for delivery to the Bulgarian gas transmission network, which as of 30 June 2024 is in the amount of 2,022 thousand. MWh (as of 30 June 2023: 1,025 thousand MWh).

➤ *Cash*

The Company's cash in current accounts at the end of the reporting period amounted to BGN 1,193 thousand (as at 31 December 2023: BGN 2,265 thousand), which makes a decrease of BGN 1,072 thousand or 47.33%.

Bulgargaz EAD uses overdrafts from commercial banks to cover its operating expenses - two unsecured bank overdrafts with a total limit of BGN 90,000 thousand and two state guaranteed overdrafts with a total limit of BGN 234,700 thousand. As of 30 June 2024, the disbursements from the overdrafts are as follows:

- unsecured bank loans, overdraft type — drawn down funds as of 30 June 2024 in the amount of BGN 59,263 thousand. (as at 31 December 2023): BGN 24,526 thousand).
- state guaranteed loans, overdraft type — as of 30 June 2024 funds used amounted to BGN 166,051 thousand.

3. Changes in the structure of capital and liabilities

BGN thousand

Equity and liabilities	As at 30 June 2024		As at 31 December 2023		Change	
	BGN thousand	% of the total	BGN thousand	% of the total	BGN thousand	%
Equity						
Share capital	231,698	(174.56%)	231,698	184.60%	-	0.00%
Reserves	21,130	-15.92%	21,130	16.83%	-	0.00%
incl. statutory reserves	21,166	(15.95%)	21,166	16.86%	-	0.00%
Other reserves	(36)	0.03%	(36)	(0.03%)	-	0.00%
Accumulated loss/Retained earnings	(127,313)	95.92%	(74,932)	(59.70%)	(52,381)	(69.90%)
Profit/loss for the current period	(258,246)	194.56%	(52,381)	(41.73%)	(205,865)	(393.01%)
Total equity	(132,731)	100%	125,515	100%	(258,246)	(205.75%)
Liabilities						
Non-current liabilities						
Borrowings	896,667	94.32%	1,170,000	95.59%	(273,333)	(23.36%)
Short-term borrowings from related parties BEH	630,000	66.27%	370,000	30.23%	260,000	70.27%
Borrowings ME	266,667	28.05%	800,000	65.36%	(533,333)	(66.67%)
Lease obligation	127	0.01%	125	0.01%	2	1.60%
Provisions	53,715	5.65%	53,715	4.39%	0	0.00%
Retirement benefits obligations	167	0.02%	167	0.01%	0	0.00%
Total amount of non-current liabilities	950,676	100.00%	1,224,007	100.00%	(273,331)	(22.33%)
Current liabilities						
Borrowings	769,205	80.90%	307,468	50.41%	461,737	150.17%
— related party received borrowings payable	3,674	0.39%	282,942	46.39%	(279,268)	(98.70%)
Borrowings ME	533,333	56.09%	0	0.00%	533,333	
— bank overdraft borrowings payable	232,198	24.42%	24,526	4.02%	207,672	846.74%
Trade and other payables	176,323	18.54%	297,159	48.72%	(120,836)	(40.66%)
— trade payables	119,282	12.55%	196,224	32.17%	(76,942)	(39.21%)
— liabilities to related parties	7,295	0.77%	8,694	1.43%	(1,399)	(16.09%)
— advances received from customers for the sale of natural gas	16,953	1.78%	23,983	3.93%	(7,030)	(29.31%)
— VAT payable	11,855	1.25%	47,240	7.74%	(35,385)	(74.90%)
— excise duty payable	354	0.04%	1,070	0.18%	(716)	(66.92%)
— payables to employees	146	0.02%	252	0.04%	(106)	(42.06%)

Equity and liabilities	As at 30 June 2024		As at 31 December 2023		Change	
	BGN thousand	% of the total	BGN thousand	% of the total	BGN thousand	%
— liabilities to insurance companies	102	0.01%	115	0.02%	(13)	(11.30%)
— other liabilities	20 336	2.14%	19 581	3.21%	755	3.86%
Lease obligation	124	0.01%	188	0.03%	(64)	(34.04%)
Profit tax liability	5 111	0.54%	5 111	0.84%	0	0.00%
Retirement benefits obligations	34	0.00%	34	0.01%	0	0.00%
Total amount of current liabilities	950 797	100.00%	609 960	100.00%	340,837	55.88%
Total liabilities	1 901 473		1 833 967		67,506	3.68%
Total equity and liabilities	1 768 742		1 959 482		(190,740)	(9.73%)

3.1. Capital structure

The registered share capital as at 30 June 2024 amounted to BGN 231,698 thousand, as there is no change compared to the previous reporting period.

As at 30 June 2024, the accrued loss amounted to BGN 385,559 thousand (31 December 2023: accrued loss of BGN 127,313 thousand). The change as at 30 June 2024 is BGN 258,246 thousand. The loss for the period is mainly due to the fact that the Company produced natural gas, which was pumped into Chiren UGSF in 2022, when acquisition prices were at a record high. These quantities of natural gas were purchased in the conditions of a highly stressed market, as a result of Russia's aggression in Ukraine and the increased demand for natural gas in Europe after the month of April 2022 caused a huge increase in prices in an extremely short period of time.

On the other hand, sales prices for natural gas produced in the first quarter of 2024 are many times lower than acquisition prices. This has resulted in the accumulation of the above-mentioned loss, which will be partially offset by the compensation under the Compensation Program. The amount of compensation received is BGN 156 million.

3.2. Non-current liabilities

The non-current liabilities as at 30 June 2024 amounted to BGN 950,676 thousand (as of 31 December 2023: BGN 1,224,007 thousand). Non-current liabilities are formed by a loan received from the sole owner BEH EAD, a loan received from the Ministry of Energy, an accrued provision for a legal liability related to Case COMP/B1/AT.39849 — BEH gas, a lease liability and retirement benefit obligations.

➤ Borrowed funds

As of 30 June 2024, the Company has utilized cash loans from the sole owner BEH EAD for the amount of BGN 630,000 thousand.

As of 30 June 2024, the Company has received a cash loan from the Ministry of Energy for the amount of BGN 800,000 thousand, of which BGN 266,667 thousand is a non-current asset. The maturity of the loan is 12 August 2025.

➤ *Provision related to Case COMP/B1/AT.39849-BEH Gas*

The provision accrued as at 30 June 2024 in Case COMP/B1/AT.39849-BEH Gas is BGN 52,720 thousand, representing one third of the total amount of the pecuniary sanction imposed on BEH EAD,

Bulgartransgaz EAD and Bulgargaz EAD. Case COMP/B1/AT.39849 — BEH gas concerns a possible violation of Article 102 of the Treaty on the Functioning of the European Union (TFEU) in connection with allegations by the European Commission (EC) concerning the actions of Bulgarian Energy Holding EAD and its subsidiaries — Bulgargaz EAD and Bulgartransgaz EAD aimed at:

- preventing their competitors from gaining an access to key gas infrastructure (gas transmission network and natural gas storage facility) in the Republic of Bulgaria, such as explicitly or implicitly denying third parties access or causing delays;
- preventing competitors from gaining an access to the main import pipeline by reserving capacity that remains unused. The proceedings were instituted in 2013 with a view to adopting a decision under Chapter 3 (Articles 7 to 10) of Regulation 1/2003. On 23 March 2015, the European Commission issued a Statement of Objections. Bulgarian Energy Holding EAD and its gas subsidiaries submitted their respective responses to the European Commission on 9 July 2015 (Bulgargaz EAD), 10 July 2015 (Bulgarian Energy Holding EAD) and 17 July 2015 (Bulgartransgaz EAD).

On 24 November 2017, a decision was adopted by the 44th National Assembly (NA) of the Republic of Bulgaria to take the necessary actions to close Case COMP/B1/AT.39849 — BEH gas, whereby the National Assembly supported the closure of the case under Article 7 of Regulation (EC) No 1/2003 without acknowledging the infringements alleged by the European Commission and without taking responsibility for them, fulfilling the obligations arising from a possible prohibition decision, including a possible financial penalty.

On 26 July 2018, a decision was adopted by the 44th National Assembly (NA) of the Republic of Bulgaria to take action to close Case COMP/B1/AT.39849 — BEH gas under Article 9 of Regulation (EC) No 1/2003 by undertaking commitments on the part of Bulgaria and reaching an agreement with the European Commission. The second decision of the National Assembly was motivated by the development of case COMP/B1/AT.39816 between the European Commission and PJSC Gazprom and OOO Gazprom Export, on which on 24 May 2018 the Commission announced that an agreement had been reached and closed under the provisions of Article 9 of Regulation (EC) No 1/2003 without imposing a financial sanction on PJSC Gazprom and OOO Gazprom Export.

On 17 December 2018, the European Commission announced its adopted Decision C(2018)8806 in Case COMP/B1/AT.39849–BEH Gas, whereby the European Commission imposed a fine on Bulgarian Energy Holding EAD (BEH EAD), its supply subsidiary Bulgargaz EAD and its gas infrastructure subsidiary Bulgartransgaz EAD (BEH Group) in the amount of EUR 77,068 thousand 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 determines the beginning of the period for appealing the EC Decision (two months and ten days from notification of the Decision to the Parties) and for payment of the fine (three months from the notification of Decision to the Parties), set out therein.

Appealing the decision does not stop the execution of the decision and the corresponding sanction.

On 18 March 2019 a bank guarantee was issued by a selected banking institution through a procedure conducted by Bulgarian Energy Holding EAD. The bank guarantee covers 2/3 of the total amount of the fine in the amount of EUR 77,068 thousand, which secures the obligations of Bulgarian Energy Holding EAD and Bulgargaz EAD under the imposed fine.

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

On 26 August 2019, the European Commission presented its defense before the General Court in response to an appeal lodged by Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD.

On 29 November 2019, Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD filed a Response against the Defense of the European Commission.

On 20 February 2020 within the specified period by the General Court of the European Union the Republic of Bulgaria through the Ministry of Foreign Affairs (MFA) filed the official position of the Republic of Bulgaria in case T-136/19, provided to the Ministry of Foreign Affairs by the Ministry of Energy, whereby the Bulgarian state intervenes in support of Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD v. European Commission before the General Court of the European Union.

The General Court examined additional documents and requested information in order to clarify all the circumstances attached to the case. By letter of 14 March 2022, the Court requested the European Commission to provide non-confidential versions of the documents listed by the Court. A response from the European Commission is expected.

On 29 September 2022 a hearing on the Case BEH Gas (Case T-136/19 of the General Court of the EU) was held, at which the Court heard the parties and Bulgaria's position on the case was presented. After the hearing, the court asked the parties to submit additional documents, and the deadline for this was extended to 25 November 2022.

On 25 October 2023, the Court of First Instance rendered a judgment in favour of Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD, by which the Court of First Instance annulled in full the fine imposed by the European Commission on the three companies of the BEH Group, which the European Commission amounted to EUR 77,068,000.

On 10 January 2024, an appeal was lodged by the European Commission against the judgment of the Court of First Instance, seeking to set aside the judgment of the General Court in its entirety. Due to the retaliatory actions taken by the EC and the appeal of the European Court of Justice's decision, the management of BEH Group has decided not to reimburse the recognised provision until the case is finally resolved. This decision is supported by the opinion of an independent legal advisor. The Company has recognised interest expense of BGN 615 thousand. (2022: BGN 754 thousand) as an increase in the amount of the interest provision related to the maintenance of collateral in the form of a bank guarantee.

As at 31 December 2023, the bank guarantee securing the obligations of Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD has been released.

The carrying amount of the provision in the lawsuit is BGN 53,715 thousand, including principal of BGN 50,244 thousand (31 December 2023: BGN 50,244 thousand), representing one third of the total amount of the fine imposed and interest thereon as at 25 October 2023 amounting to BGN 3,471 thousand. (31 December 2023: BGN 3,471 thousand). Management's expectation is that final resolution of the dispute will occur more than 12 months from the balance sheet date.

3.3. Current liabilities

As of 30 June 2024, the current liabilities amount to BGN 950,797 thousand (as of 31 December 2023: BGN 609,960 thousand), which makes an increase of BGN 340,837 thousand.

As of 30 June 2024, the Company has utilized loans in the total amount of BGN 769,205 thousand to banking institutions (as of 31 December 2023: BGN 307,468 thousand), which makes an increase of BGN 461,737 thousand.

As of 30 June 2024, under the drawn cash loan from the Ministry of Energy for the amount of BGN 800,000 thousand, the Company has a current liability of BGN 533,333 thousand.

As of 30 June 2024, trade and other liabilities decreased by BGN 120,836 thousand or 40.66% compared to 31 December 2023 mainly due to the net effect of:

- ✓ decrease in trade liabilities by BGN 76,942 thousand or by 39.21% compared to 31 December 2023.
- ✓ decrease of VAT liabilities to the budget by BGN 35,385 thousand or by 74.90% less compared to 31 December 2023.

IX. STATEMENT OF CASH FLOWS

The table shows data on changes in cash flows as at 31 December 2024, compared to 31 December 2023:

Statement of cash flows	As at 30 June 2024	As at 30 June 2023	Change	
	BGN thousand	BGN thousand	BGN thousand	%
Net cash flows from operating activity	(166,090)	(58,152)	(107,938)	(64.99%)
Net cash flows from investing activity	(322)	(217)	(104)	(32.61%)
Net cash flows from financing activity	165,779	(112,994)	278,774	246.72%
Net change in cash and cash equivalents during the period	(635)	(171,363)	170,732	99.63%
Cash and cash equivalents at the beginning of the period	2,270	207,544	(205,274)	9042.91%
Foreign currency gain/(loss) on cash and cash equivalents	(439)	(1,084)	645	146.92%
Expected credit losses on cash	(4)	(58)	54	1350.00%
Cash and cash equivalents at the end of the period	1,192	35,039	(33,843)	(96.59%)

The net cash flow from operating activities of the Company as at 30 June 2024 was negative in the amount of BGN 166,090 thousand (as at 30 June 2023: negative in the amount of BGN 58,152 thousand) It is formed by the difference between the proceeds from customers for sale of natural gas and the amounts paid to natural gas suppliers, as well as the payment of taxes and contributions for the period.

Net cash flows from investing activities are negative in the amount of BGN 322 thousand, which represents an increase by BGN 104 thousand compared to 30 June 2023.

Net cash flows from financial activities are positive in the amount of BGN 165,779 thousand (as of 30 June 2023: negative in the amount of BGN 112,994 thousand), which is due to proceeds from banks on overdrafts.

X. FINANCIAL RATIOS

These are indicators based on the financial statements that aim to provide an overall assessment of the financial position, the profitability and the efficiency in the use of assets to meet operational goals. As at 30 June 2024, the financial ratios show the financial stability of the Company as they are optimal compared to market levels.

1. Liquidity

Liquidity ratios represent the ability of the Company to repay its current liabilities with available current assets.

Indicators	As at 30 June 2024	As at 31 December 2023
Current liquidity ratio	1.84	3.17
Quick liquidity ratio	1.45	2.35

The current liquidity ratio as at 30 June 2024 is 1.84, which shows that the available current assets can cover more than 2 times the current liabilities of the Company (as at 30 June 2023: 3.17).

The quick liquidity ratio is 1.45, which shows that the available current assets reduced by inventories can cover one and a half times the current liabilities of the Company (as of 31 December 2023: 2.35).

2. Solvency

The indicators of solvency show the degree of financial autonomy (solvency) of the Company from creditors and its ability to meet payments on all liabilities in the long run.

Indicators	As at 30 June 2024	As at 31 December 2023
Solvency ratio	-0.07	0.07
Debt ratio	-14.33	14.61

When the financial autonomy ratio is below 1 (one) there is an excess of liabilities to equity. In this case, the existing liabilities are not sufficiently secured by the equity of the Company.

When the ratio is above 1 (one) it shows the degree of solvency from the use of foreign funds. The solvency ratio as at 30 June 2024 is -0.07 (as at 31 December 2023: 0.07).

The debt 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 at 30 June 2024 is -14.33 (as at 31 December 2023: 14.61).

3. Cost-effectiveness ratio

Indicators	As at 30 June 2024	As at 30 June 2023
Cost-effectiveness ratio	0.744	0.992

The results of the calculation of cost-effectiveness ratios allow to determine how much revenue the enterprise receives from the use of a unit of expenditure for the same activity. The coefficient is assumed to be a minimum. It is favourable for the enterprise that the cost efficiency ratio grows.

XI. FINDINGS AND CONCLUSIONS

The information as presented and analysed in the Activity Report of Bulgargaz EAD as at 30 June 2024 shows that the Company fulfils its license obligations as a public supplier and a trader of natural gas on the territory of the Republic of Bulgaria in full compliance with the requirements of the regulations.

The activity is directly dependent on the business environment, the regulatory requirements and the financial security of the Company.

Regardless of the dynamic market conditions during the period under consideration, Bulgargaz EAD strives to respond adequately to market challenges.

XII. EVENTS AFTER THE BALANCE SHEET DATE

The following significant non-adjusting events have occurred after the balance sheet date of 30 June 2024:

1/ In May 2024 Bulgargaz EAD claimed damages against Gazprom Export OOO

of over EUR 400 million against Gazprom Export as a result of the termination of natural gas supplies at the end of April 2022. In accordance with the provisions of the contract, OOO Gazprom Export was sent an invitation to settle the claim voluntarily within a period not exceeding one month. In view of the fact that OOO Gazprom Export refused all possible means for voluntary settlement of the dispute, Bulgargaz EAD initiated arbitration proceedings before the International Court of Arbitration in Paris. The decision on the claim and its amount was based on extensive financial and legal analysis.

2/ On 24 July 2024 Bulgargaz EAD signed a contract with the Electricity System Security Fund for payment of compensation under the Program for provision of compensation for companies that injected natural gas into the underground gas storage in the period 01 May 2022—11 October 2022, developed by the Ministry of Energy. Under the terms of the contract, compensation of 150 BGN per MWh is provided, with the maximum amount of natural gas eligible for compensation for the Company being 1,045,167 MWh, in case it is proven that the same was produced from Chiren UGSF after 21 November 2022 until 21 April 2024 and delivered to final customers and/or final suppliers in the European Economic Area. For the purpose of calculating the compensation per MWh of the beneficiary, the beneficiary shall calculate a weighted average price of the natural gas heated in the period 01 May 2022—11 October 2022 in Chiren UGSF, respecting the principle of 'least cost'. Bulgargaz EAD provided all requested documentation to the Electricity System Security Fund, proving the quantities of natural gas pumped in 2022 and the quantities of natural gas sold to end users at the beginning of 2024. On 05 September 2024 Bulgargaz EAD received the compensation from the Electricity System Security Fund in the amount of BGN 156,775 thousand.

3/ On 02 August 2024 Bulgargaz EAD and Bulgarian Energy Holding EAD re-signed a loan agreement with a limit of BGN 60,000 thousand for a period of one year. The maturity under the contract is 05 July 2025.

4/ Bulgargaz is in the process of renegotiating the Agreement with Botaş in connection with the National Assembly Decision.

There are no adjusting and other non-adjusting events occurring after the reporting period date that require additional disclosure or adjustments as of 30 June 2024.

Date: 02 October 2024

Iliyana Grigorova
Teneva

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Teneva
Date: 2024.10.02 11:17:35 +03'00'

Iliyana Teneva
Chief Accountant

Veselin
Sashev
Sinabov

Digitally signed by
Veselin Sashev
Sinabov
Date: 2024.10.02
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Veselin Sinabov
Executive Director

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BULGARGAZ EAD

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION 30 JUNE 2024

(All amounts are in BGN'000)

	NOTE	AS OF 30 JUNE 2024	AS OF 31 DECEMBER 2023
ASSETS			
Non-current assets			
Plant and equipment		292	360
Intangible assets		396	243
Deferred tax assets	11	22,935	28,228
		23,623	28,831
Current assets			
Inventories	7	371,159	499,799
Trade and other receivables	9	916,862	882,038
Prepaid advances for natural gas delivery	8	442,402	461,453
Assets under contracts with customers		13,503	85,096
Cash and cash equivalents	10	1,193	2,265
		1,745,119	1,930,651
TOTAL ASSETS		1,768,742	1,959,482
EQUITY AND LIABILITIES			
Equity			
Share capital	12	231,698	231,698
Reserves	13	21,130	21,130
Accumulated loss		(385,559)	(127,313)
		(132,731)	125,515
Non-current liabilities			
Borrowings	14	896,667	1,170,000
Lease payables		127	125
Retirement benefits obligations		167	167
Provisions		53,715	53,715
		950,676	1,224,007
Current liabilities			
Borrowings	14	769,205	307,468
Trade and other payables	15	176,323	297,159
Lease payables		124	188
Income tax payables		5,111	5,111
Retirement benefits obligations		34	34
		950,797	609,960
TOTAL LIABILITIES		1,901,473	1,833,967
TOTAL EQUITY AND LIABILITIES		1,768,742	1,959,482

This interim condensed financial statement was approved by the Board of Directors on 18 September 2024 and signed on 02 October 2024.

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Grigorova
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Grigorova Teneva
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Iliyana Teneva
Chief Accountant

Veselin
Sashev
Sinabov

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Veselin Sashev
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Veselin Sinabov
Executive Director

By audit report issued by the joint auditors on 02 October 2024

Grant Thornton OOD,
Audit firm No 032

Mariy Apostolov
Manager

MARIY
GEORGIEV
APOSTOLOV
Digitally signed by MARIY GEORGIEV
APOSTOLOV
Date: 2024.10.02 13:00:29 +03'00'

Emiliya Marinova

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Digitally signed by EMILIYA
GEORGIEVA MARINOVA-LALEVA
Date: 2024.10.02 12:45:55 +03'00'

Registered auditor responsible for the audit

Zaharinova Nexia OOD,
Audit firm No 138

Dimitrina Zaharinova

Dimitrina
Dimitrova
Zaharinova
Digitally signed by Dimitrina Dimitrova
Zaharinova
Sofia, Bulgaria
2024.10.02 14:03:03+03'00'

Stoycho Milev

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Sofia, Bulgaria
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Registered auditor responsible for the audit

BULGARGAZ EAD
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME
30 June 2024

(All amounts are in BGN'000)

	NOTE	6-MONTH PERIOD, ЗАВЪРШИЛ НА 30 ЮНИ	
		2024	2023
Revenue from sale of natural gas	16	628,672	1,567,478
Other revenue		33,675	31,590
Cost of natural gas sold		(690,587)	(1,498,419)
Accrued impairment loss on non-financial assets	7, 8	(39,572)	(41,713)
Accrued impairment loss on financial assets	17	(11,770)	(26,268)
Hired services expenses		(11,787)	(10,125)
Costs for unused capacity	18	(133,700)	(32,670)
Employee benefits and social security expenses		(2,595)	(2,264)
Cost of materials		(28)	(29)
Depreciation expenses on non-financial assets		(219)	(192)
Provision expenses		-	(374)
Other expenses		(78)	(74)
Loss from operating activities		(227,990)	(13,060)
Financial costs		(24,223)	(21,858)
Financial income		1	-
Other financial costs, net		(742)	(5,387)
Financial costs, net		(24,964)	(27,245)
Loss before tax		(252,954)	(40,305)
Expense for/income from income taxes	19	(5,292)	3,993
Net loss for the period		(258,246)	(36,312)
Total comprehensive loss for the period		(258,246)	(36,312)

This interim condensed financial statement was approved by the Board of Directors on 18 September 2024 and signed on 02 October 2024.

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Grigorova
Teneva

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Grigorova Teneva
Date: 2024.10.02 11:13:28+03'00'

Iliyana Teneva
Chief Accountant

Veselin
Sashev
Sinabov

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Veselin Sashev
Sinabov
Date: 2024.10.02
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Veselin Sinabov
Executive Director

By audit report issued by the joint auditors on 02 October 2024

Grant Thornton OOD,
Audit firm No 032

Mariy Apostolov
Manager

MARIY
GEORGIEV
APOSTOLOV

EMILIYA
GEORGIEVA
MARINOVA-
LALEVA

Digitally signed by MARIY GEORGIEV
APOSTOLOV
Date: 2024.10.02 13:00:29 +03'00'

Digitally signed by EMILIYA
GEORGIEVA MARINOVA-LALEVA
Date: 2024.10.02 12:45:55 +03'00'

Registered auditor responsible for the audit

Zaharinoxa Nexia OOD,
Audit firm No 138

Dimitrina Zaharinoxa

Dimitrina
Dimitrova
Zaharinoxa

Dimitrina Dimitrova
Zaharinoxa
Sofia, Bulgaria
2024.10.02 14:03:03+03'00'

Stoycho Milev

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Sofia, Bulgaria
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Registered auditor responsible for the audit

BULGARGAZ EAD
INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
30 June 2024

	Main capital	Reserves	Accumulated loss	Total
AS AT 01 January 2024	231,698	21130	(127,313)	125,515
Loss for the period			(258,246)	(258,246)
Total comprehensive loss	-	-	(258,246)	(258,246)
AS OF 30 JUNE 2024	231 698	21130	(385 559)	(132 731)
AS AT 01 January 2023	231,698	21152	(74,932)	177,918
Loss for the period			(36,312)	(36,312)
Total comprehensive loss	-	-	(36,312)	(36,312)
AS AT 30 June 2023	231,698	21152	(111,244)	141,606

This interim condensed financial statement was approved by the Board of Directors on 18 September 2024 and signed on 02 October 2024.

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Grigorova
Teneva

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Grigorova Teneva
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Iliyana Teneva
Chief Accountant

Veselin
Sashev
Sinabov

Digitally signed by
Veselin Sashev
Sinabov
Date 2024.10.02
11:39:23+03'00'

Veselin Sinabov
Executive Director

By audit report issued by the joint auditors on 02 October 2024

Grant Thornton OOD,
Audit firm No 032
Mariy Apostolov
Manager

MARIY
GEORGIEV
APOSTOLOV
EMILIYA
GEORGIEVA
MARINOVA-
LALEVA

Digitally signed by MARIY GEORGIEV
APOSTOLOV
Date: 2024.10.02 13:00:10 +03'00'

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GEORGIEVA MARINOVA-LALEVA
Date: 2024.10.02 12:46:18 +03'00'

Emiliya Marinova

Registered auditor responsible for the audit

Zaharinoxa Nexia OOD,
Audit firm No 138
Dimitrina Zaharinoxa

Stoycho Milev

Dimitrina
Dimitrova
Zaharinoxa
Stoycho Kirilov
Milev

Dimitrina Dimitrova
Zaharinoxa
Sofia, Bulgaria
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Sofia, Bulgaria
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Registered auditor responsible for the audit

BULGARGAZ EAD

INTERIM CONDENSED STATEMENT OF CASH FLOWS

30 June 2024

(All amounts are in BGN'000)

NOTE

6-MONTH PERIOD ENDED ON

30 JUNE

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITY		
Proceeds from customers	848,051	1,691,688
Cash paid to and refunds from suppliers, net	(863,354)	(1,580,600)
Remuneration and insurances	(2,780)	(2,420)
Income tax payments	-	(3,071)
Taxes paid, different from the income tax	(147,410)	(162,173)
Other payments, net	(597)	(1,576)
NET CASH FLOWS FROM OPERATING ACTIVITY	(166,090)	(58,152)
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisition of plant and equipment	(5)	(31)
Acquisition of intangible assets	(317)	(186)
Net cash flows from investing activity	(322)	(217)
CASH FLOWS FROM FINANCING ACTIVITY		
Proceeds from received loans	16,613	215,000
Payments on borrowings received	(16,613)	(315,000)
Principal and interest payments on lease contract	(93)	(80)
Receipts and payments for overdraft, net	207,672	-
Payments of interest and fees on borrowings received	(41,800)	(12,914)
Net cash flows from financing activity	165,779	(112,994)
Net decrease in cash and cash equivalents during the period	(634)	(171,363)
Cash and cash equivalents at the beginning of the period (total amount)	2,270	207,544
Currency revaluation losses on cash and cash equivalents	(443)	(1,084)
Expected credit losses on cash and cash equivalents for the period	-	(58)
Cash and cash equivalents at the end of the period, net 10	1193	35,039

This interim condensed financial statement was approved by the Board of Directors on 18 September 2024 and signed on 02 October 2024.

Iliyana
Grigorova
Teneva

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Grigorova Teneva
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Iliyana Teneva
Chief Accountant

Veselin
Sashev
Sinabov

Digitally signed by
Veselin Sashev
Sinabov
Date: 2024.10.02
11:37:33+03'00'

Veselin Sinabov
Executive Director

By audit report issued by the joint auditors on 02 October 2024

Grant Thornton OOD,
Audit firm No 032

Mariy Apostolov
Manager

MARIY
GEORGIEV
APOSTOLOV
EMILIYA
GEORGIEVA
MARINOVA-
LALEVA

Digitally signed by MARIY GEORGIEV
APOSTOLOV
Date: 2024.10.02 11:14:11 +03'00'

Digitally signed by EMILIYA
GEORGIEVA MARINOVA-LALEVA
Date: 2024.10.02 12:46:44+03'00'

Emiliya Marinova

Registered auditor responsible for the audit

Zaharinova Nexia OOD,
Audit firm No 138

Dimitrina Zaharinova

Dimitrina
Dimitrova
Zaharinova

Dimitrina Dimitrova
Zaharinova
Sofia, Bulgaria
2024.10.02 14:03:36+03'00'

Stoycho Milev

Stoycho Kirilov
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Stoycho Kirilov Milev
Sofia, Bulgaria
2024.10.02 14:05:22+03'00'

Registered auditor responsible for the audit

BULGARGAZ EAD
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT
30 JUNE 2024

1. GENERAL INFORMATION

Bulgargaz EAD (*'the Company'*), UIC 175203485, is a sole shareholder limited company, registered under the Commerce Act, with seat and registered address at city of Sofia, Serdika District, 47, Petar Parchevich str. The Company is registered in the Bulgarian Registry Agency, under No 113068, Volume 1534, page 35, company case No 16440/2006 and was registered on the grounds of Decision No 1 of 15 January 2007.

The Company's main activity is the public supply of natural gas as well as purchases and sales related thereto.

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

The Company operates under an individual license for public supply of natural gas on the territory of Republic of Bulgaria — License No JI-214-14 [L-214-14] of 29 November 2006, issued by the State Energy and Water Regulatory Commission for a period of 35 years. Since 16 September 2021, the Company holds Natural Gas Trading Licence No JI-548 [L-548] of 16 September 2021 issued by the Energy and Water Regulatory Commission by virtue of Article 31, paragraph 1, item 1, in connection with Article 39, paragraph 5, second sentence of the Energy Act.

Bulgargaz EAD holds a license for trading in natural gas on the territory of the Hellenic Republic under Decision No 247/2020 — indefinite and Decision No 311/2022 for wholesale trading in natural gas on the territory of the Hellenic Republic for a period of 20 years and trades in natural gas on the Hellenic Energy Exchange (ENEX).

The Company is also the holder of a perpetual permit No 2023P 0370 dated 20 June 2023 for trading in natural gas issued by the Slovak Republic — Regulatory Office for Network Industries.

Bulgargaz EAD is a sole shareholder limited company whose share capital is owned by Bulgarian Energy Holding EAD. The ultimate owner of the Company is the Bulgarian Republic, through the Minister of Energy.

The Company has one-tier management system, with governing bodies being the General Meeting of Shareholders and the Board of Directors. As of 30 June 2024 and as at the date of compilation of the interim condensed financial statement, the Company is managed and represented by the Executive Director Veselin Sinabov and has Board of Directors with the following members:

Veselin Sinabov — Executive Member of the Board of Directors;

Ivan Topchiysky — Chairman of the Board of Directors;

Mihail Milkov — Member of the Board of Directors;

Byanka Racheva — Member of the Board of Directors;

Marin Filipovski — Member of the Board of Directors;

As at the date of execution of the present Financial Statements, the Company has an Audit Committee with the following members:

Elena Angelova Stoilova - Dobрева — Chairman

Galya Dimitrova — member

Temenuzhka Lyubenova Hristova — member

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

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT 30 JUNE 2024

This condensed interim financial statement is approved for publishing by the Board of Directors on 18 September 2024.

2. STATEMENT OF COMPLIANCE WITH THE IFRS

These condensed interim financial statements for the 6-month period ended 30 June 2024 are prepared in accordance with IAS 34 Interim Financial Statement. They do not contain all the information required to prepare a complete annual financial statements in accordance with the International Financial Reporting Standards ('IFRS') and should be read together with the Company's annual financial statements for the year ended 31 December 2023 and prepared in accordance with IFRS, developed and published by the International Accounting Standards Board ('IASB'), adopted for implementation in the European Union ('EU').

The interim financial statement is presented in Bulgarian lev (BGN), which is also the functional currency of the Company. All amounts are presented in thousands BGN (including comparative information for 2023), unless otherwise stated.

2.1 *Going Concern Principle*

As disclosed in Note 1 'General information', the Company holds an individual license for public supply of natural gas in the territory of the Republic of Bulgaria, License for trading in natural gas in the territory of the country and License for trading in natural gas in the territory of Greece.

The main purpose of the Company is to perform the function of a public supplier of natural gas in the country.

The future activity of the Company as a public supplier of natural gas depends on the business environment, as well as on the regulatory requirements, the availability of contracts for the provision of natural gas supplies, the availability of contracts for the sale of natural gas to the Company's customers, on maintaining the necessary financial resources for carrying out the activity.

In 2023, there has been a downward trend in natural gas prices in European gas markets due to:

- The filling of gas storage plants;
- Provision of alternative LNG supplies;
- Building new LNG regasification terminals at more European ports;
- The relatively warm winter;
- Limiting the economic activity in Asian markets;
- Continued local and regional supplies of Russian natural gas.

On the basis of the signed on 30 December 2022 Agreement with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş., Bulgargaz EAD provides access to the LNG regasification terminals in Turkey and its subsequent transportation to the territory of the Republic of Bulgaria, subject to the flexibility of supply. The period of the Agreement between Bulgargaz EAD and Botaş is 01 April 2023—31 December 2035, as by Decision No 26 of 12 January 2023, the Council of Ministers of the Republic of Bulgaria approves the signed Agreement. The Agreement provides for regasification capacity of up to 14 cargoes (14,000,000 MWh) of LNG per year and its subsequent transmission to the interconnection point at the border of the Republic of Turkey and the Republic of Bulgaria — Malkochlar/Stranja 1, in the amount of up to 19,000,000 MWh per year. The difference in quantities between the LNG delivery capability and the subsequent transmission is to provide flexibility in receiving the quantities of LNG delivered.

BULGARGAZ EAD
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT
30 JUNE 2024

With a delivery of 14 loads and a transmission entitlement of 14,000,000 MWh, this would mean no flexibility element for the Company, as the same quantity would need to be received each day in a given year in order for all deliveries to be accepted. By contracting for more transmission capacity relative to the delivery capability, significant annual flexibility (estimated at 28% of total volume) is achieved in accepting the quantities delivered. Management's estimate is that in the summer when consumption is lower, the quantities may not be taken in full, as the greater transmission capacity allows these undrawn quantities to be taken in the winter period when consumption is significantly higher. This also provides significant flexibility in requests on a daily basis. In addition, the flexibility enjoyed by the Company in ordering and receiving quantities saves significant financial losses from selling quantities of natural gas below cost on the exchange and/or as a positive imbalance to the transmission system operator, not only in the event of interruptions resulting from repair work, but also in the event of non-receipt by the Company's customers. According to the calculations of the Company for the period January—March 2024, when the supply to customers was provided within the Agreement, a minimum of BGN 30 million losses were saved from selling below cost on the exchange market and/or as a positive imbalance.

In the case of LNG supplies from Greece, the gas transport towards Bulgaria is directly dependent on the flow towards Greece, which creates a risk for supplies along this route. For comparison, during the repair works on 26—27 September 2023, Bulgargaz generated losses of more than BGN 10 million as a result of a capacity interruption in just two days. This risk does not exist for the route via Türkiye.

Furthermore, having such an agreement with terms that provide flexibility in supply management allows, with proper forecasting of natural gas prices, for a profit to be made, such as LNG volumes delivered in the summer period when prices are lower to be marketed in the winter period when prices are higher.

Also, the negotiated price for the service provided under the Agreement is firm for the entire term of the agreement (with annual inflation indexation beginning 01 January 2025), which eliminates the risk to the Company of paying higher prices when demand for storage and regasification slot reservations is high. When Russian supplies to Bulgargaz were halted at the end of April 2022, the only operating terminal in the region, the one in Revithoussa, Greece, had no slots available until the end of 2022. At the auction for storage and regasification slots for 2023 held at the end of 2022, due to the high interest, Bulgargaz EAD was only able to book 2 slots for 2023 and 2 slots for 2024 at significantly higher prices than originally announced.

The term of the Agreement allows for the conclusion of a long-term contract (over 10 years) for the supply of LNG. In the case of long-term LNG contracts, the commodity prices are not linked to the market prices, as is the case for short-term supplies, but are intended to cover the investment for the development of the respective gas field and/or LNG loading terminal.

The conclusion of the Agreement provided a third source of supply for the company, which in turn, in addition to the above advantages, brings security and independence of supply for Bulgarian consumers, as Bulgargaz has thus diversified the routes and sources of supply, providing three interchangeable sources of supply.

On 29 June 2022, Regulation (EU) 2022/1032 of the European Parliament amending Regulation (EU) 2017/1938 and Regulation (EC) No 715/2009 in relation to gas storage to meet the European Union's storage fill targets entered into force. In this regard, Bulgargaz, as well as other users of the gas storage in Chiren, injected amounts of natural gas above the planned ones at significantly inflated prices. In order to achieve the externally imposed requirement of 80% storage fill, it came to maintaining large stocks of natural gas at high prices.

BULGARGAZ EAD

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT

30 JUNE 2024

In addition, the relatively warm winter limited natural gas production. Pursuant to Article 6b, paragraph 1 of the Regulation, the Member States shall take all necessary measures, including the provision of financial incentives or compensation to market participants, in order to achieve the filling targets set under Article 6a of the Regulation.

In this regard, the Ministry of Energy has developed a compensation mechanism under the 'Program for Compensation of High Prices of Natural Gas Injected into Chiren UGSF in the Period 01 May 2022—11 October 2022', for the quantities of natural gas extracted in the months of January—April 2024. The compensation will be paid by the Electricity System Security Fund, with which Bulgargaz EAD signed a contract on 24 July 2024. According to the terms of the contract, compensation of BGN 150 per MWh is provided, with the maximum amount of natural gas eligible for compensation for the Company being 1,045,167 MWh, in case it is proved that the same was extracted from Chiren UGSF after 21 November 2022 until 21 April 2024 and delivered to end customers and/or end suppliers in the European Economic Area. On 05 September 2024 Bulgargaz EAD received the compensation from the Electricity System Security Fund in the amount of BGN 156,775 thousand.

The natural gas market in Europe, in particular in Bulgaria and the region, has undergone significant changes in the last 2 years mainly as a result of the suspension of supplies from Russia to some European countries, including Bulgaria. This has led to active action and efforts by the European Union countries to reduce energy dependence on Russia. The share of LNG supply has doubled in the period August 2022—July 2023 compared to 2019 levels. Natural gas consumption in the European Union is also decreasing, with most member states reported to have met the European Commission's target of a 15% reduction in natural gas consumption compared to the average consumption over the previous 5 years for the period August 2022—March 2023. According to Eurostat, the decline in natural gas consumption for Bulgaria is around 19%.

The market goals of Bulgargaz EAD are related to maintaining its market position in the country and entering other gas markets. In order to achieve these goals, Bulgargaz EAD shall continue to offer flexible and competitive commercial terms on the market. The natural gas market in Bulgaria is relatively small, and at present it can be assumed that natural gas trading is fully liberalised. It is also essential to improve the functioning of the gas exchange (trading platform 'Gas Hub Balkan' EAD), as a mechanism needs to be developed to guarantee the execution of the transactions concluded. The decisions require joint actions of the state, the independent regulator and Bulgargaz EAD as a participant.

The financial objectives of Bulgargaz EAD are related to ensuring the financial stability of the Company. The Company's management has prepared a business plan and a development forecast based on forecast customer requests, current regulations governing natural gas pricing, obligations under existing contracts with natural gas suppliers and forecasts prepared by leading agencies. The pricing of natural gas applied by the company depends on the market in which it is sold:

- on a regulated market — the pricing is carried out in compliance with the requirements of Ordinance No 2 of 19 March 2013.
- on a free market — pricing is market-based — determined by contracts with customers directly connected to the gas transmission system
- an organized exchange market in the country and in the countries where the company has a 'Trading License' — the pricing follows the market conditions of Balkan Gas Hub EAD and the gas exchanges in the respective countries.
- the sale of services and sales outside an organised exchange market (on domestic and international markets) — pricing follows the market conditions at the time. The main approach to selling outside an organised exchange market is the application of the 'TTFm + markup' formula.

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The company forecasts growth in sales on the exchange/regional market in 2025 as a result of the termination of transit of Russian gas through Ukraine. This is expected to lead to an increase in demand for LNG in Central and Eastern Europe and increased interest in supply via the Greece/Türkiye route to Europe. In 2024, the commercial operation of the Alexandroupolis terminal and the launch of LNG supplies to the Bulgarian market are expected.

The main challenges faced by Bulgargaz EAD are related on the one hand to the company's role as a public supplier and trader of natural gas on a liberalised market, and on the other hand to its role in the transition to a carbon-neutral economy (Green Deal). Under these conditions, Bulgargaz EAD should develop its activities as a natural gas trader, at free prices and as each of its competitors strives for a leading role on the Bulgarian market and an expanded presence on the markets in the region. The security of the supplies offered by Bulgargaz EAD, its financial stability and reputation as a reliable partner should be used to its advantage in a freely competitive environment.

The Company's management believes that according to the currently available information, on the basis of which forecasts have been made for the future development of the Company, as well as due to the continued financial and operational support from the sole owner of the capital, the Company will continue its activity and will be able to meet its obligations. The Company will continue to function as a going concern and will settle its liabilities according to their maturities and terms. Taking into account the importance and strategic significance of the activity performed by Bulgargaz EAD, Bulgarian Energy Holding EAD, as the parent company, has neither the intention nor the legal necessity to discontinue the activity of the company, regardless of its financial indicators as of 30 June 2024, which are an accumulated loss of BGN 385,559 thousand, negative equity of BGN 132,731 thousand and negative net cash flow from operating activities for the period of BGN 166,090 thousand. The sole shareholder is committed to the continued operational and financial support of Bulgargaz EAD to achieve a sustainable financial and business development model.

The Company's management has made its assessment of the events, facts and circumstances and as a result of the analysis has concluded that the going concern basis has been appropriately applied in the preparation of the condensed interim financial statement as of 30 June 2024.

3. SIGNIFICANT ACCOUNTING POLICY INFORMATION

3.1. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS EFFECTIVE FROM 1 JANUARY 2024.

The Company has adopted the following new standards, amendments and interpretations to IFRS, issued by the International Accounting Standards Board and approved by EU, which are relevant and effective for the Company's financial statements for the annual period beginning on 1 January 2024.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of accounting effective from 1 January 2024, adopted by EU

The company discloses the material information related to 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 accounting policy information.

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Changes in 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, expenses or the information that companies 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 accounting period and align the wording of the texts in all affected paragraphs to clarify the 'right' to defer the settlement of the liability for at least twelve months. It is 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 defer settlement of the liability; and
- the settlement of liabilities may be effected by the transfer of cash, capital instruments, other assets or services to the counterparty.

Changes related to non-current liabilities linked to financial ratios lead to the following considerations related to their classification and disclosures:

- it is clarified that if the right to defer settlement for at least 12 months is subject to conditions being met by the entity after the reporting period, then those conditions will not affect whether the right to defer settlement exists at the end of the reporting period (the reporting date) for the purposes of classifying the liability as current or non-current; and
- the entity is required to disclose information about:
 - the conditions (e.g. the nature and date by which the entity must comply with the condition);
 - whether the entity would be in compliance based on the circumstances at the reporting date; and
 - whether and how the entity expects to meet the conditions by the date they are to be tested under the contract.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier financing agreements effective as from 1 January 2024 adopted by the EU

The amendments to IAS 7 and IFRS 7 add disclosure requirements, as well as guidance within the existing disclosure requirements, relating to the provision of qualitative and quantitative information about trade payable financing arrangements. These amendments add two disclosure objectives that will require entities to disclose in the explanatory notes information that enables users of financial statements to assess how obligations to suppliers financing arrangements affect an entity's liabilities and cash flows and to understand the effect of financing arrangements of suppliers on the entity's exposure to liquidity risk and how the entity may be affected if arrangements are no longer available to it.

The following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and approved by the EU, which are effective for the annual period beginning on 1 January 2024, are not applicable and do not have a significant impact on the financial results or positions of the Company:

- Amendments to IFRS 16 Leases: Lease liability in a sale and leaseback in force as from 1 January 2024, adopted by the EU
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier financing agreements effective as from 1 January 2024 adopted by the EU

3.2. STANDARDS, AMENDMENTS AND CLARIFICATIONS WHICH HAVE NOT BEEN ENTERED INTO FORCE AND WERE NOT APPLIED FROM AN EARLY DATE BY THE COMPANY

As at the date of approval of these financial statements, new standards, amendments and interpretations have been published to existing standards but have not entered into force or been adopted by the EU for the financial year beginning on 1 January 2024, and were not applied from an earlier date by the Company. The Management expects that all standards and amendments are adopted in the accounting policy of the Company in the first period beginning after their effective date.

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Information about these standards and amendments that have an effect on the financial statements of the Company is presented below.

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

IFRS 14 Regulatory Deferral Accounts allows first-time IFRS adopters to continue recognizing amounts related to regulated prices in accordance with the requirements of their previous accounting basis. In order to improve comparability with statements of companies that already apply IFRS and do not recognize such amounts, the standard requires the effect of the regulated prices to be presented separately.

Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of convertibility, effective as from 1 January 2025, not yet adopted by the EU

The amendments to IAS 21 include:

- specifying when a currency can be exchanged into another currency and when it cannot. A currency is exchangeable when an entity is able to exchange that currency for another currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. A currency cannot be exchanged into another currency if the company can only receive an insignificant amount of the other currency;
- a requirement on how an entity determines the exchange rate to be applied when a currency cannot be exchanged. When a currency cannot be exchanged at the measurement date, an entity measures the spot exchange rate as the rate that would apply in an orderly transaction between market participants at the measurement date and that would fairly reflect prevailing economic conditions.
- a requirement to disclose additional information when the currency is not convertible. When a currency is not convertible, the company discloses information that would enable users of its financial statements to assess how the lack of currency convertibility affects, or is expected to affect, its financial performance, financial position and cash flows.

Amendments to IFRS 9 and IFRS 7 Changes in the Classification and Valuation of Financial Instruments, effective from 1 January 2026, not yet adopted by the EU

Amendments to IFRS 9 and IFRS 7 include:

- Write-off of a financial liability settled by electronic transfer: Amendments to the IFRS 9 application guidance allow a financial liability (or part of a financial liability) that will be settled in cash through an electronic payment system to be considered settled before the settlement date if certain criteria are met. A company that chooses to apply the write-off option will be required to apply it to all settlements made through the same electronic payment system.
- Classification of financial assets:
 - provide guidance on how an entity can assess whether the contractual cash flows of a financial asset are consistent with an underlying lending arrangement. The amendments add examples of financial assets that have contractual cash flows, or have no contractual cash flows, that represent only payments of principal and interest on the outstanding principal amount.
 - the description of the term ‘without recourse’ is improved. According to the amendments, a financial asset has the characteristics of a ‘non-recourse’ financial asset if the entity’s ultimate right to receive cash flows is contractually limited to the cash flows generated by certain assets.
 - explain the characteristics of contractually linked instruments that distinguish them from other transactions. The amendments also note that not all transactions are multiple debt instruments meet the criteria for transactions are multiple contractually related instruments and provide an example. References to instruments in the major group may include financial instruments that are not within the scope of the classification requirements.
- Disclosures:
 - changes disclosures related to investments in equity instruments carried at fair value through other comprehensive income.

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In particular, an entity would be required to disclose the fair value gain or loss presented in other comprehensive income during the period by showing separately the fair value gain or loss relating to investments derecognised during the period and the fair value gain or loss relating to investments held at the end of the period.

- the amendments require disclosure of contractual terms that could change the timing or amount of contractual cash flows upon the occurrence (or non-occurrence) of a contingent event that is not directly related to changes in the underlying credit risks and costs. The requirements apply to each class of financial asset measured at amortised cost or fair value through other comprehensive income and each class of financial liability measured at amortised cost.
- The amendments also include amendments to IFRS 19 Non-publicly accountable subsidiaries: that limit the disclosure requirements for qualifying subsidiaries.

IFRS 18 Presentation and disclosure in financial statements, effective from 1 January 2027, not yet adopted by the EU

IFRS 18 aims to improve the way companies present information in their financial statements by focusing on financial performance information in the income statement. The requirements in IAS 7 Statement of Cash Flows are also partially amended. IFRS 18 replaces IAS 1 Presentation of Financial Statements. The requirements described in IAS 1, which have not been changed, have been transferred to IFRS 18 and other standards. Although IFRS 18 will not affect how companies measure financial performance, it will affect how companies present and disclose financial performance. IFRS 18 aims to improve financial reporting by:

- a requirement for additional defined subtotals in the income statement;
- requiring disclosures about performance indicators set by management;
- adding new principles for grouping information, and requirements on whether information should be contained in the main financial statements or in the notes.

4. ESTIMATES

In preparing the financial statement, the Company's management makes a number of assumptions and estimates regarding the recognition and measurement of assets, liabilities, revenue and costs. The actual results may differ from the Management's assumptions, estimates and assumptions and, in rare cases, are fully consistent with pre-estimated results.

In preparing this condensed interim financial statement, the significant judgements of Company's management in applying the Company's accounting policies and the main sources of uncertainty of accounting estimates do not differ from those disclosed in the Company's annual financial statements as of 31 December 2023, except of 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 statement does not include all the risk management information and disclosures required in the preparation of annual financial statements and should be read in conjunction with the Company's annual financial statements as at 30 June 2024. There have been no changes in the risk management policy during the period.

6. SIGNIFICANT EVENTS AND TRANSACTIONS DURING THE PERIOD

In 2024, the following significant events occurred that had a significant effect on the Company's activity and position:

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1/ On 11 January 2024, an appeal was lodged by the European Commission against the judgment of the Court of First Instance, seeking to set aside the judgment of the General Court in its entirety. On the basis of the appeal, case C-14/24 R was brought before the Court of Justice of the European Union — European Commission v BEH and others. Within the specified two-month period, BEH-Group filed a right of reply. On 10 June 2024. The General Court granted the European Commission's request to file a reply brief by 22 July 2024. Accordingly, within the two-month period specified, the European Commission filed the replication at issue. On 27 July 2024, in light of the reply filed, the Court granted BEH Group until 30 September 2024, to file a reply brief.

2/ By a supplementary agreement of March 2024 between Bulgargaz EAD and TPP Varna EAD, it was agreed that TPP Varna EAD would establish a special pledge in favour of Bulgargaz EAD under the Special Pledges Act, instead of a mortgage, to secure the obligations under the final judgment. For the receivables of Bulgargaz EAD for provided annual capacity product and expenses, totalling BGN 3,746 thousand, a court settlement was concluded on 10 May 2024 between Bulgargaz EAD and TPP Varna EAD, as the receivables were rescheduled with a repayment plan.

3/ On 27 March 2024, by Decree of the Council of Ministers No 63 and Decision of the Council of Ministers No 210, the Minister of Energy was instructed to negotiate and acquire on behalf of the State, by concluding the respective contracts, the receivables of Bulgargaz EAD from Toplofikacia Sofia EAD as at 31 December 2023 for an amount not higher than the market value determined by an independent assessor. Decision of the Council of Ministers No 279 of 12 April 2024 repealed Decision of the Council of Ministers No 210 of 2024.

4/ In May 2024 Bulgargaz EAD claimed damages of over EUR 400 million against OOO Gazprom Export as a result of the termination of natural gas supplies at the end of April 2022. In accordance with the provisions of the contract, Gazprom Export was sent an invitation to settle the claim voluntarily within a period not exceeding one month. In view of the fact that OOO Gazprom Export refused all possible means for voluntary settlement of the dispute, Bulgargaz EAD initiated arbitration proceedings before the International Court of Arbitration in Paris. The decision on the claim and its amount was based on extensive financial and legal analysis.

5/ In 2024 Bulgargaz EAD will continue to organise tenders for the supply of spot cargoes of LNG on a short-term basis.

6/ In May 2024 Bulgargaz EAD launched tendering procedures in connection with the signed Agreement with the Turkish energy company BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A. Ş. These tenders aimed to realise the booked capacity and reduce the cost of unused capacity, as well as to test the market interest in the LNG supply route through Turkey.

7/ In view of item 2 of the Decision of the National Assembly of 19 April 2024 on the Report on the activities of the Interim Committee of the 49th National Assembly on the Agreement between Bulgargaz EAD and the Turkish energy company Botaş of 03 January 2023, which instructed the Minister of Energy to take the necessary actions to renegotiate the Agreement and protect the property and financial interests of Bulgargaz EAD and the Bulgarian side, Bulgargaz EAD held several meetings with Botaş. Negotiations are not yet over.

8/ The start date for commercial operation of the Alexandroupolis floating terminal of 01 January 2024 was not met and was subsequently postponed several times. According to the latest information received from the terminal operator, the terminal will be operational as of 01 October 2024.

9/ Bulgargaz EAD's market share for 2024 is 64.44%, noting that continued local and regional supplies of Russian natural gas volumes create significant competition in the natural gas market. As of 30 June 2024, there is also a downward trend in customer consumption relative to the quantities requested in their annual programs, but customer under-consumption is at a significantly lower level compared to the same period in 2023.

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7. INVENTORIES

	AS AT 30 June 2024	AS OF 31 DECEMBER 2023
Natural gas at cost	471.849	687.015
Impairment to a net realizable value	(100.701)	(187.228)
Natural gas, net realizable value	371.148	499.787
Materials	11	12
Total inventories	371.159	499.799
The movement in inventory impairment is as follows:	6-MONTH PERIOD AS OF 30 JUNE	
	2024	2023
AS OF 01 JANUARY	(187.228)	(175.537)
Recovered inventory impairment losses	104.216	-
Accrued inventory impairment loss	(17.689)	(41.713)
AS OF 30 JUNE	(100.701)	(217.250)

The Company has no inventories that are pledged as collateral of Company's liabilities.

During the period ending 30 June 2024, a total of BGN 690,587 thousand of inventories have been expensed to the Company's profit or loss and other comprehensive income (30 June 2023: BGN 1,498,419 thousand).

In the second half of 2022, Bulgargaz EAD pumped gas quantities above the planned, which were purchased during the period of high market prices. In order to achieve the storage fill rate target of 80% and due to the relatively warm winter, production from Chiren UGSF was severely limited, resulting in the maintenance of large gas inventories at the start of the 2023 reporting period. In accordance with the mechanism developed by the Ministry of Energy under the 'Program for Compensation of High Prices of Natural Gas Injected into Chiren UGSF in the Period 01 May 2022—11 October 2022', for the quantities of natural gas extracted in the months of January-April 2024, the Company signed a contract with the Electricity System Security Fund, according to which Bulgargaz EAD will receive compensation for the quantity of 1,045,167 MWh, at a price of up to BGN 150 per MWh. The company provided all required documents. On 05 September 2024 Bulgargaz EAD received the compensation from the Electricity System Security Fund in the amount of BGN 156,775 thousand.

As of 1 January 2023, when determining the net realizable value of natural gas at the end of the reporting period, the reference TTFm price for January of the following calendar year is used. This management judgment is based on the Company's operating cycle, the seasonal nature of natural gas production and compression, and the commitments made under the Contingency Plan to maintain certain quantities of available natural gas at the Chiren UGSF.

The reversal of impairment losses on inventories is recognized as an adjustment to the cost of natural gas sold during the period. The new impairment losses accrued are presented as such in the statement of profit or loss and other comprehensive income in the line 'Impairment losses on non-financial assets'.

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8. PROVIDED ADVANCES FOR SUPPLY OF NATURAL GAS

	AS AT 30 June 2024	AS AT 31 December 2023
Prepaid advances for natural gas	478.007	475.174
Impairment loss	(35.605)	(13.721)
Prepaid advances for natural gas, net	442.402	461.453

Advances paid for the supply of natural gas in the amount of BGN 442,402 thousand (31 December 2023: BGN 461,453) represent prepaid amounts for natural gas supplies according to effective agreements. For the most part, namely BGN 348,796 thousand, these advances represent inventories of LNG delivered by the Company to Turkish terminals located in the Botaş gas transmission network and available for delivery to the Bulgarian gas transmission network.

The unpredictability of market conditions is caused by the drop in sales due to the warm winter, reduced consumption by customers, including due to the deteriorating macroeconomic situation in the country and Europe, the high levels of inventory at Chiren UGSF. In 2024, Bulgargaz EAD did not have to take actions to renegotiate the delivery programs under the concluded contracts, due to the available flexibility of deliveries, which is rooted in the causes of the concluded contract with Botaş, with the exception of the month of May 2024. For the months of March and April 2024, Bulgargaz EAD ensured the supply of natural gas for its customers, through the delivery of LNG cargoes to the LNG terminal Revithoussa, Greece. In order to secure the customer requests, it was necessary to execute a swap transaction. During the execution of this transaction, Bulgargaz' customers accepted smaller quantities than requested, which necessitated the transfer of natural gas quantities to be received in May 2024.

Prepaid advances for natural gas supplies are subject to impairment testing in accordance with the methods set out in the Company's accounting policies and in accordance with IAS 36. In performing the test as at 30 June 2024, management has made a judgement that an impairment loss is required on one of the advances made of BGN 21,884 thousand, calculated at an estimated TTf price for January 2025 at which the gas supply would be realised.

9. TRADE AND OTHER RECEIVABLES

	AS AT 30 June 2024	AS OF 31 December 2023
Trade receivables	819,094	809,610
Accumulated impairment of trade receivables	(48,017)	(38,894)
Trade receivables from customers, related entities (Note 21)	662	2,617
Trade receivables from customers, net	771,739	773,333
Receivable from natural gas supplier	51,939	51,939
Impairment of receivable from natural gas supplier	(31,386)	(31,386)
Guarantees provided under natural gas supply contracts	49,098	15,626
Guarantees and deposits given to related parties (Note 21)	38,726	38,726
Guarantees given under other contracts	39	39
Other trade receivables	108,416	74,944

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Court and adjudicated receivables	237,816,	233,586,
Accumulated impairment of court and adjudicated receivables	(204,633)	(202,036)
Court and awarded receivables, net	33,183	31,550
Financial receivables, total	913,338	879,827
Non-financial receivables		
Prepaid expenses, guarantees and deposits	3,524	2211
Total non-financial receivables	3,524	2,211
Total trade and other receivables, current	916,862	882,038

All receivables are short-term. The Company's customer trade receivables are related to the sale of natural gas and are due within 12 days of the issuance and receipt of the invoice from the relevant counterparty. The net carrying amount of trade and other receivables is assumed to be a reasonable estimate of their fair value.

All of the Company's finance receivables have been reviewed for events of default. For all trade receivables, a simplified approach has been applied to determine expected credit losses at the end of the period.

Part of the financial receivables in the gross amount of BGN 51,939 thousand and book value after impairment of BGN 20,553 thousand as of 30 June 2024 and as of 31 December 2023, represent a claim from — a supplier of natural gas, which arose in connection with an amount invoiced by OOO Gazprom Export, unrecognized by Bulgargaz EAD, for supplies of natural gas for the first quarter of 2022. The amount refers to a commercial dispute for undelivered but invoiced quantities of natural gas for this period. An expected credit loss of BGN 31,386 thousand has been recognised in 2023, which considers the net exposure to the counterparty to be nil.

The accrual for impairment losses and the reversal of impairment losses are presented on a separate line, net in the interim statement of profit or loss and other comprehensive income. 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 funds.

In calculating the impairment of receivables, the concepts and approaches in the impairment models under IFRS 9 'Financial Instruments'; are considered. The calculations performed include impairment tests of financial assets based on 'models' and a classification approach adopted for court and adjudicated receivables, 'court and adjudicated receivables' and those 'in bankruptcy proceedings'.

The Company's trade receivables from Toplofikacia Sofia EAD are provided as collateral for the borrowing received from the Ministry of Energy in the amount of BGN 800 million.

The Company's court and adjudicated receivables were primarily reclassified from trade receivables that were due from counterparties with financial difficulties. When the Company takes legal action, the receivables are reclassified from commercial to court receivables. This category of receivables is fully impaired unless collateral or other security is obtained to cover the value of the receivable.

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As at 30 June 2024, the Company's most significant court receivable is from TPP Varna. Following procedural actions undertaken by Bulgargaz EAD, an agreement for the repayment of the receivables was concluded and a mortgage on real estate was established in favour of Bulgargaz. The fair value of the property exceeds the carrying value of the receivables. By a supplementary agreement of March 2024 between Bulgargaz EAD and TPP Varna EAD, it was agreed that TPP Varna EAD would establish a special pledge in favour of Bulgargaz EAD under the Special Pledges Act in lieu of a mortgage to secure the obligations under the final judgment. For the remaining receivables of Bulgargaz EAD for the provided annual capacity product and expenses, in total amounting to BGN 3,746 thousand, a court settlement was concluded on 10 May 2024 between Bulgargaz EAD and TPP Varna EAD, as the receivables were rescheduled with a repayment plan.

10. CASH AND CASH EQUIVALENTS

Cash in current bank accounts	AS AT 30 June 2024	AS AT 31 December 2023
Cash accumulated impairment	1,196	2,269,(4)
	(3)	
Total cash and cash equivalents in the statement of financial position	1,193	2,265

11. 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% (2023: 10%), applicable for the year, when they are expected to occur retroactively.

The movement of deferred tax assets as of 30 June 2024, by elements during the period is as follows:

	Impairment of materials and inventories	Impairments of receivables, advances and cash	Pension provisions	Unused paid leaves	Total
DEFERRED TAX ASSETS					
AS AT 01 January 2024	(18,723)	(9,453)	(22)	(30)	(28,228)
Income/ (expense) in profit or loss	8,653	(3,360)			(5,292)
DEFERRED TAX ASSETS, AS OF 30 JUNE 2024	(10,070)	(12,813)	(22)	(30)	(22,935)

The movement of deferred tax assets and liabilities as of 30 June 2023, by elements during the period is as follows:

	Impairment of materials and inventories	Impairment of financial assets — receivables and cash	Pension provisions	Unused paid leaves	Total
DEFERRED TAX ASSETS					
AS AT 01 January 2023	(10,605)	(4,694)	(19)	(20)	(15,336)
Expense in profit or loss	(4172)	(2,626)	-	-	(6,798)
AS AT 30 June 2023	(14,777)	(7,320)	(19)	(20)	(22,134)
DEFERRED TAX ASSETS, AS OF 30 JUNE 2023	(14,777)	(7,320)	(19)	(20)	(22,134)

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12. SHARE CAPITAL

	AS AT 30 June 2024	
	Number of shares	Value
At the beginning of the period	231,698,584	231,698
At the end of the period	231,698,584	231,698

For the interim reporting period, there was no change in the amount and structure of the share capital.

13. RESERVES

	Statutory reserves	Revaluation non-financial assets	Reserve of revaluations of defined plans	of Total of benefit	
					6-MONTH PERIOD AS OF 30 June 2024
At the beginning of the period	21,166		35	(71)	21,130
At the end of the period	21,166		35	(71)	21,130
					6-MONTH PERIOD AS OF 30 June 2023
At the beginning of the period	21,166		35	(49)	21,152
At the end of the period	21,166		35	(49)	21,152

14. BORROWINGS

	AS AT 30 June 2024	AS AT 31 December 2023
Non-current		
Loans to related entities (Note 21)	896,667	1,170,000
Total non-current	896,667	1,170,000
Current		
Bank borrowings	232,198	24,526
Interests to related parties	3,674	22,942
Borrowings from related parties	533,333	260,000
Total current	769,205	307,468
Total borrowings	1,665,872	1,477,468

By 30 June 2024 the Company has liabilities under the following borrowings obtained to secure natural gas supplies:

1/ Borrowings from the sole owner BEH EAD in the total amount of BGN 630,000 thousand. The borrowings are granted and serviced in BGN and are not unsecured.

The debt is long-term in nature, with a repayment period:

- Loan in the amount of BGN 200,000 thousand, maturity April 2025.
- Loan in the amount of BGN 60,000 thousand, maturity July 2025.
- Loan in the amount of BGN 370,000 thousand, maturity December 2028.
- Interest on the respective loans amounted to BGN 2,829 thousand. — all current

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2/ Borrowing from the Ministry of Energy in the amount of BGN 800,000 thousand, received after the Decree of the Council of Ministers No 245 of 11 August 2022 and Decision No 594 of the same date, amended by Decision No 618 of the Council of Ministers, which approved additional payments from the budget of the Ministry of Energy in the amount of BGN 800 million for the purchase of natural gas and provision of working capital. The borrowing is secured by a pledge of present and future receivables from Toplofikacia Sofia EAD. The borrowing shall have a term of 36 months from the date of disbursement of the first tranche, with interest repayment due 18 months from the date of the first tranche. The total amount of the obligation under the loan received from ME as of 30 June 2024 amounts to BGN 800,844 thousand, including BGN 266,666 thousand — long-term part and BGN 534,178 thous. — short-term part.

3/ Two unsecured bank borrowings, overdraft type, with a limit of BGN 90,000 thousand and market interest rate. The overdrafts are granted in BGN and the repayment term is 01 September 2024. The company has absorbed and unpaid overdrafts under these contracts as of 30 June 2024 in the amount of BGN 59,263 thousand. (as at 31 December 2023): BGN 24,526 thousand).

4/ Two bank borrowings, overdraft type with a total limit of BGN 234,700 thousand, which are in BGN and in EUR, with a repayment period of 29 December 2024. The borrowings are secured by a state guarantee up to 90% of the value of the overdrafts on the basis of two Guarantee Agreements dated 29 December 2023 and the term — until 29 December 2024. The company has utilized and unpaid overdrafts under these contracts as of 30 June 2024 in the amount of BGN 166,051 thousand. (as at 31 December 2023): BGN 0 thousand).

15. TRADE AND OTHER PAYABLES

	AS OF 30 JUNE 2024	AS OF 31 DECEMBER 2023
Trade payables	119,281,	196,224
Payables to related parties (Note 21)	7,295	8,694
Total financial liabilities	126,576	204,918
Advances received from customers for sale of natural gas (liabilities under contracts with customers)	16,953	23,983
Deferred income	17,149	17,149
VAT payable	11,460	47,240
Excise duty payable	354	1,070
Payables to employees	146	252
Liabilities to insurance companies	103	115
Other liabilities	3,582	2,432
Total non-financial liabilities	49,747	92,241
Total current trade and other liabilities	176,323	297,159

The Company's trade payables mainly include payables to natural gas suppliers. Liabilities under advances received from customers for the sale of natural gas represent amounts received from customers of the Company in accordance with the terms of the contracts for the supply of natural gas.

The deferred revenue of BGN 17,149 thousand as at 30 June 2024 relates to the acquisition and subsequent sale in 2022 of liquefied natural gas (LNG) to a natural gas supplier of the Company. The subsequent sale was made for the purpose of regasification and transportation to an entry point on the country's gas transmission system. The amount of deferred revenue is calculated as the difference between the purchase and delivery cost of natural gas and will be recognized as current revenue and an adjustment to the cost of natural gas (LNG) in the period of delivery in a subsequent reporting period. The fair values of current trade and other payables do not differ from their carrying values.

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16. REVENUE FROM SALES OF NATURAL GAS

	6-MONTH PERIOD AS OF 30 JUNE	
	2024	2023
Revenue from the sale of natural gas, including by type of activities:	630.564	1,499,445
<i>regulated</i>	<i>454.542</i>	<i>915.006</i>
<i>Freely negotiated</i>	<i>176.022</i>	<i>584.439</i>
Revenues from sale of natural gas for balancing	4.717	32.701
(Loss)/Revenue from penalties for non-performance under contracts with customers for unaccepted and over-collected quantities	(6.609)	35.332
Total revenues from sale of natural gas	628.672	1,567,478

The timing of revenue recognition is over time.

The following table provides information on the accounting policy applied by the Company for revenue recognition and the time of satisfaction of obligations for the performance of contracts with customers in accordance with the requirements of IFRS 15.

Type of product/service	Nature and timing of satisfaction of performance obligations, including material payment terms	Revenue recognition under IFRS15
Revenues from the sale of natural gas (including revenues from penalties on unaccepted or over-collected amounts of gas)	<p>As a public supplier and trader of natural gas, Bulgargaz EAD carries out the supply of natural gas all year round under a continuous routine of operation. The customer:</p> <p>simultaneously receives and consumes all of the benefits;</p> <p>receives control of the commodity (natural gas) by way of transfer of the legal title to the asset;</p> <p>bears the significant risks and rewards related to the ownership of the asset;</p> <p>accepts the asset.</p> <p>As a result of the Company's activity, no asset with an alternative use is created for the Company and the Company has an enforceable right to payment for performance completed to date.</p>	<p>Sales revenue is recognized on each transfer of control over the assets sold when they are delivered to the buyer and there are no outstanding commitments that could affect the purchaser's acceptance of natural gas. Delivery occurs for each asset dispatch to the specific place (pick-up point) and when the risks of potential losses have been transferred to the buyer and he has accepted the assets in accordance with the sales contract.</p> <p>The amounts of natural gas delivered to the customer on each of the days of the respective month is reflected in a Monthly Report containing information about the delivery and the customer's acceptance obligations.</p> <p>The transaction price is the amount of remuneration to which the enterprise expects to be entitled in exchange for the transfer of the promised goods or services to the customer, except for the amounts collected on behalf of third parties (value added tax and excise duty).</p> <p>The consideration from the customer for the sale of natural gas includes fixed and variable amounts. The fixed amount is the selling price of the natural gas. The variable consideration is related to:</p>

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Type of product/service	Nature and timing of satisfaction of performance obligations, including material payment terms	Revenue recognition under IFRS15
		<p>— deviations in the daily agreed amounts of gas</p> <p>— deviations between the declared and actually delivered minimum annual amount of gas;</p> <p>delivered natural gas of deteriorated quality.</p> <p>Sales payments are payable until the 12th day of the month and the issuance of the final invoice for the supply of natural gas, which is in line with market practice.</p>
Revenues from sale of natural gas for balancing	For the performance of the supply of natural gas to the customers Bulgargaz EAD has a contract for access and transmission of natural gas through the territory of Bulgaria with the combined operator Bulgartransgaz EAD. There is a gas purchase and sale agreement for balancing, which is an integral part of the access and transmission agreement. The balancing is also of continuous nature and the customer receives and consumes the benefits simultaneously. The revenue is recognized over time, as with the sale of natural gas described above.	<p>The remuneration from the customer for the sale of natural gas for balancing includes fixed amounts and is based on the price for the sale of natural gas for the current month + a balancing cost component determined and fixed by the EWRC for the gas year.</p> <p>There is no financing component to balancing gas sales, as the payment for the sales is due until the 25th day of the month, which is in accordance with the market practice.</p>

17. ACCRUED AND RECOVERED EXPECTED CREDIT LOSSES FOR FINANCIAL ASSETS, NET

	6-MONTH PERIOD AS OF	
	2024	2023
		30 JUNE
Accrued impairment losses on trade receivables, net (Note 9)	(9,123)	(6,961)
Accrued impairment losses on court and adjudicated receivables, net (Note 9)	(2,647)	(1,843)
Accrued impairment losses on a receivable on commercial dispute (Note 9)		(17,555)
Accrued / recovered cash impairment losses (Note 10)		91
Total accrued expected credit loss on financial assets for the period, net	(11,770)	(26,268)

18. COSTS FOR UNUSED CAPACITY

	6-MONTH PERIOD AS OF 30 JUNE	
	2024	2023
Entry point Strandja1/Malkochlar	(121,429)	(18,870)
Entry point Kulata/Sidirokastro and Agia Triada	(6,421)	(13,800)

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Entry point Stara Zagora	(5,850)	-
Total costs for unused capacity	(133,700)	(32,670)

The Company's unused capacity costs are related to Bulgargaz' obligations to ensure uninterrupted and secure supply of natural gas. This commitment requires access to and provision of secure routes for its delivery. Following the cessation of pipeline gas supplies from Gazprom Export, Bulgargaz EAD had to secure alternative supply routes in the context of limited regasification and transmission capacities (only Revithoussa and the entry-exit point Kulata/Sidirokastro) and their increased competitive demand in 2022. As a result, the prices of transmission capacity products increased in the bidding conditions to 446% above the originally announced price and the value of regasification slots reached prices above 4 EUR/MWh at the Revithoussa terminal.

With the signing of the Agreement for access to the terminals of Botaş and the ensured flexibility of supply from 01 April 2023, Bulgargaz EAD assumed the obligation to pay a daily fee for the provided regasification, storage, capacity, transmission and flexibility services. Quantities shall be made available on request from Bulgargaz at the entry point Malkochlar/Stranja 1.

The cost of unused capacity, above the actual consumption, is a result of the change in the company's business model and the need to provide alternative LNG supply routes, given the limited number of terminals in the region. In the event of non-receipt by customers and a corresponding reduction in the amount of sales generated, the amount of the expense from non-utilization of the provided capacity is charged to the Company's operating expenses.

19. INCOME FROM/EXPENSES ON PROFIT TAX

	6-MONTH PERIOD AS OF	
	2024	30 JUNE 2023
Expenses on current corporate tax	-	(2 804)
Effect of change in deferred taxes (Note 11)	(5 292)	6 798
(Expenses for) /income from income taxes	(5 292)	3 994

The tax expense recognized is based on management's best estimate of the expected annual corporate tax rate for 2024 applied to the financial result realized in the current interim period as at 30 June 2024 (the expected annual rate for the six-month period ending 30 June 2023, was 10%). For the period until 30 June 2024. For the comparable period to 30 June 2023 the current corporate tax was calculated at BGN 2,805 thousand. (total tax revenue for the period as of 30 June 2023 — BGN 3,993 thousand).

20. PROVISIONS, CONDITIONAL ASSETS AND CONDITIONAL LIABILITIES

European Commission procedures

Case COMP/B1/AT.39849 — BEH gas

Case COMP/B1/AT.39849 — BEH gas ('The Case') concerns a possible violation of Article 102 of the Treaty on the Functioning of the European Union (TFEU) in connection with allegations by the European Commission (EC) concerning the actions of Bulgarian Energy Holding EAD and its subsidiaries — Bulgargaz EAD and Bulgartransgaz EAD aimed at:

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- ✓ preventing their competitors from gaining an access to key gas infrastructure (gas transmission network and natural gas storage facility) in the Republic of Bulgaria, such as explicitly or implicitly denying third parties access or causing delays;
- ✓ preventing competitors from gaining an access to the main import pipeline by reserving capacity that remains unused. The proceedings were instituted in 2013 with a view to adopting a decision under Chapter 3 (Articles 7 to 10) of Regulation 1/2003. On 23 March 2015, the European Commission issued a Statement of Objections. Bulgarian Energy Holding EAD and its gas subsidiaries submitted their respective responses to the European Commission on 9 July 2015 (Bulgargaz EAD), 10 July 2015 (Bulgarian Energy Holding EAD) and 17 July 2015 (Bulgartransgaz EAD).

On 24 November 2017, a decision was adopted by the 44th National Assembly (NA) of the Republic of Bulgaria to take the necessary actions to close Case COMP/B1/AT.39849 — BEH gas, whereby the National Assembly supported the closure of the case under Article 7 of Regulation (EC) No 1/2003 without acknowledging the infringements alleged by the European Commission and without taking responsibility for them, fulfilling the obligations arising from a possible prohibition decision, including a possible financial penalty.

On 26 July 2018, a decision was adopted by the 44th National Assembly (NA) of the Republic of Bulgaria to take action to close Case COMP/B1/AT.39849 — BEH gas under Article 9 of Regulation (EC) No 1/2003 by undertaking commitments on the part of Bulgaria and reaching an agreement with the European Commission. The second decision of the National Assembly was motivated by the development of case COMP/B1/AT.39816 between the European Commission and PJSC Gazprom and OOO Gazprom Export, on which on 24 May 2018 the Commission announced that an agreement had been reached and closed under the provisions of Article 9 of Regulation (EC) No 1/2003 without imposing a financial sanction on PJSC Gazprom and OOO Gazprom Export.

On 17 December 2018, the European Commission announced its adopted Decision C(2018)8806 in Case AT.39849 BEH-gas, whereby the European Commission imposed a fine on Bulgarian Energy Holding EAD (BEH EAD), its supply subsidiary Bulgargaz EAD and its gas infrastructure subsidiary Bulgartransgaz EAD (BEH Group) in the amount of 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 December 2018, which determines the beginning of the period for appealing the EC Decision (two months and ten days from notification of the Decision to the Parties) and for payment of the fine (three months from the notification of Decision to the Parties), set out therein.

An appeal against the decision shall not delay payment of the fine. On 18 March 2019, a bank guarantee was issued by a credit institution selected through a procedure conducted by BEH EAD. The bank guarantee covers 2/3 of the total amount of the fine in the amount of EUR 77,068,000, which secures the obligations of BEH EAD and Bulgargaz EAD under the imposed fine.

On 4 July 2019, the Bulgarian state, through the Ministry of Foreign Affairs, submitted an application to intervene in the case in support of BEH EAD and its subsidiaries gas companies. On 26 August 2019, the European Commission presented its defense before the General Court in response to an appeal lodged by Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD. On 29 November 2019, Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD filed a Response against the Defense of the European Commission.

On 20 February 2020 within the specified period by the General Court of the European Union the Republic of Bulgaria through the Ministry of Foreign Affairs (MFA) filed the official position of the Republic of Bulgaria in case T-136/19, provided to the Ministry of Foreign Affairs by the Ministry of Energy, whereby the Bulgarian state intervenes in support of Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD v. European Commission before the General Court of the European Union.

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The General Court examined additional documents and requested information in order to clarify all the circumstances attached to the case. By letter of 14 March 2022, the Court requested the European Commission to provide non-confidential versions of the documents listed by the Court. A response from the European Commission is expected.

On 29 September 2022, oral hearing between the parties was conducted. It should be borne in mind that oral hearings constitute the final phase of the proceedings. After the hearing, the court asked the parties to submit additional documents, and the deadline for this was extended to 25 November 2022.

On 25 October 2023, the Court of First Instance rendered a judgment in favour of Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD, by which the Court of First Instance annulled in full the fine imposed by the European Commission on the three companies of the BEH Group, which the European Commission amounted to EUR 77,068,000.

On 10 January 2024, an appeal was lodged by the European Commission against the judgment of the Court of First Instance, seeking to set aside the judgment of the General Court in its entirety. Due to the retaliatory actions taken by the EC and the appeal of the European Court of Justice's decision, the management of BEH Group has decided not to reimburse the recognised provision until the case is finally resolved. This decision is supported by the opinion of an independent legal advisor. The Company has recognised interest expense of BGN 615 thousand. (2022: BGN 754 thousand) as an increase in the amount of the interest provision related to the maintenance of collateral in the form of a bank guarantee.

As at 31 December 2023, the bank guarantee securing the obligations of Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD has been released.

The carrying amount of the provision in the lawsuit is BGN 53,715 thousand, including principal of BGN 50,244. (31 December 2023: BGN 50,244 thousand), representing one third of the total amount of the fine imposed and interest thereon as at 25 October 2023 amounting to BGN 3,471 thousand. (31 December 2023: BGN 3,471 thousand). Management's expectation is that final resolution of the dispute will occur more than 12 months from the balance sheet date.

Contingent assets

1/ In connection with a trade dispute from preceding periods, Bulgargaz EAD claimed the return of natural gas to fill the Transit 1 gas pipeline. The Company could not resolve extrajudicially the commercial dispute and its claims and initiated International Arbitration Case No 78/2019 before the International Commercial Arbitration Tribunal to the Romanian Chamber of Commerce and Industry, against Transgaz S.A. National Gas Company, Romania. By Decision No 120 of 09 December 2021 under the arbitration case brought before the International Commercial Arbitration Court of the Chamber of Commerce and Industry of Romania, Transgaz S.A., Romania was bound to reimburse Bulgargaz EAD for the amount of natural gas in kind or to refund its cash equivalent to the amount of USD 923 thousand, as well as the statutory interest on the amount, together with the costs incurred in connection with the arbitration. The defendant has applied to a Romanian court for the annulment of the arbitral award, which has become final and for suspension of its enforcement. Cases have been opened on the requests. The request for a stay of execution was rejected. On 09 March 2022 the amounts were received in favour of Bulgargaz EAD.

The decision of the Bucharest Court of Appeal dismissed the action for annulment of arbitral award No 120/09 December 2021 filed by Transgaz S.A., Romania against the defendant Bulgargaz EAD.

An appeal against the decision of the Bucharest Court of Appeal was lodged by Transgaz S.A., Romania before the Supreme Court of Romania.

Bulgargaz EAD is currently awaiting the announcement of the reasoning of the Supreme Court's decision annulling the decision of the Bucharest Court of Appeal rejecting the request of Transgaz S.A. Romania, for the annulment of the arbitral award (rendered in Arbitration Case No 78/2019).

It was ordered that the case be referred back to the Bucharest Court of Appeal for reconsideration of the claim of Transgaz S.A.

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Due to the limited access to the natural gas at issue in the Transit 1 pipeline, it was devalued by the Company in 2021. The indemnification received pursuant to the judgments rendered to date has been recognized as other liabilities until the final settlement of the commercial dispute between the parties.

2/ As at 30 June 2024, the Company has bank guarantees from commercial customers in the amount of BGN 43 million. (31 December 2023: BGN 43 million). The bank guarantees are in accordance with the terms of the commercial gas supply and sales contracts with customers.

Contingent liabilities

1/ There are legal actions filed against the Company. With the exception of those for which provisions have already been accrued, the Management of the Company considers that the claims are unfounded and that they are unlikely to incur expenses for the Company in settling them. This judgment of the Management is supported by the opinion of independent legal consultants. None of the aforementioned claims is set out in detail here, so as not to have a serious impact on the Company's position in dispute resolution.

2/ Natural gas transportation agreement was entered into with ICGB AD based on a preliminary agreement for capacity expansion in 2019.

In connection with this agreement, a corporate guarantee to the amount of EUR 12 million was issued by Bulgarian Energy Holding EAD in favour of ICGB SA. In 2022, the term of the guarantee was extended until 01 December 2023 with its amount equals to EUR 16,102 thousand. In 2023, the term of the guarantee was renewed until 22 December 2028 and its amount — retained.

Commitments made

1/ Pursuant to an agreement entered into in 2020 with a banking institution, the Company has been granted a credit product in the form of a bank guarantee issued in favour of a natural gas supplier. The term is renewed periodically, every six months, and at the last reference — until 11 October 2024 and the amount is USD 145 million

2/ Pursuant to an agreement entered into in 2022 with a banking institution, the Company has been granted a credit product in the form of a bank guarantee issued in favour of a supplier and maturing on 30 November 2024.

3/ On the basis of the signed on 30 December 2022 Agreement with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş., Bulgargaz EAD provides access to the LNG regasification terminals in Turkey and its subsequent transportation to the territory of the Republic of Bulgaria, subject to the flexibility of supply. The period of the Agreement between Bulgargaz EAD and Botaş is 01 April 2023 — 31 December 2035, as by Decision No 26 of 12 January 2023, the Council of Ministers of the Republic of Bulgaria approves the signed Agreement. The Agreement provides for regasification and transmission capacity of natural gas to the interconnection point at the border of the Republic of Turkey and the Republic of Bulgaria — Malkochlar/Stranja 1. It provides flexibility in the acceptance, storage and carry-over of quantities for the following year. This Agreement is related to the diversification of sources and routes of supply in order to achieve a security of supply that is minimally dependent on geopolitical developments. It guarantees continuity of supply for Bulgarian consumers and to a much greater extent has a societal rather than a commercial meaning.

4/ The Company has concluded agreements as at 30 June 2024 with banking institutions for the provision of working capital financing in the form of overdrafts in the amount of up to BGN 324,700 thousand.

Other

Tax authorities may at any time initiate tax inspection revision of the Company within 5 years after the end of the financial year and may impose additional tax liabilities and sanctions. The Company's management has no information about any circumstances, which may lead to potential effective additional tax liabilities in significant amount.

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21. RELATED PARTIES TRANSACTIONS AND BALANCE

The Company discloses the following related parties:

Entity	Country of incorporation	Main activity
<i>Sole owner of the Company, exercising control (Parent company)</i>		
Bulgarian Energy Holding EAD (BEH)		
<i>Sole owner of the Parent company</i>		
The Bulgarian State through the Minister of Energy		
<i>Companies under mutual joint control with the Company (entities within the group)</i>		
Kozloduy NPP EAD	Bulgaria	production of electricity and heat
WPP Kozloduy EAD	Bulgaria	generation and distribution of electricity from hydropower plants
Interpriborservice LTD (in insolvency)	Bulgaria	installation and maintenance of automated systems systems
Kozloduy NPP EAD — new capacities EAD	Bulgaria	operation of a nuclear plant for electricity production Electricity
NPP Service EOOD	Bulgaria	maintenance of automation tools
NPP Construction Supervision LTD	Bulgaria	conformity assessment of investment projects
Bulgartransgaz EAD	Bulgaria	storage and transmission of natural gas building and operating an electronic platform for
Balkan Gas Hub EAD	Bulgaria	trading of natural gas, energy products, green and white certificates, carbon emissions
Elektroenergien sistemen operator EAD	Bulgaria	electricity transmission
ESO Engineering EOOD	Bulgaria	design, consultancy, construction of technologies and projects for energy facilities
ESO Proekt EOOD	Bulgaria	design of energy sites
ECO Charge EOOD	Bulgaria	operation and maintenance of electric and hydrogen refuelling systems
Bulgartel AD	Bulgaria	implementation of telecommunications
	Republic	
Bulgartel-Skopje DOOEL	North Macedonia	implementation of telecommunications
Mini Maritsa Iztok EAD	Bulgaria	extraction and sale of coal
National Electric Company EAD	Bulgaria	generation of electricity and public electricity supplier energy
TPP Maritsa East 2 EAD	Bulgaria	production of electricity and heat
National Energy Operator EAD	Bulgaria	electricity generation exploratory, project-structural, scientific
Minproekt EAD	Bulgaria	research and other activities in the field of opencast and underground coal mining
<i>Jointly controlled entities (of the BEH Group)</i>		
ICGB AD	Bulgaria	construction and operation of gas transmission system
South Stream Bulgaria AD	Bulgaria	construction and operation of gas transmission system

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Transbalkan Electric Power Trading S.A. Greece sale of electricity
— NECO S.A.

Associated enterprises in the BEH Group

ContourGlobal Maritsa East 3 AD	Bulgaria	electricity production
ContourGlobal Operations Bulgaria AD	Bulgaria	operation and maintenance of a thermal power plant
ZAD Energy AD	Bulgaria	insurance company
Allianz Bulgaria Pension Company AD	Bulgaria	pension insurance company construction of hydroelectric power plants
Hydro Power Company Gorna Arda AD	Bulgaria	

Other related parties under joint control

Public sector enterprises under joint control of the Council of Ministers in the Republic of Bulgaria

Key management personnel of the Parent Company as at 30 June 2024

Valentin Alexiev Nikolov	Member of the Board of Directors and Executive Director of BEH EAD
Galina Tsvetanova Todorova	Member of the Board of Directors and Executive Director of BEH EAD
Veselina Lachezarova Kanatova - Vuchkova	Chairman and Member of the Board of Directors of BEH EAD
Kalin Filipov	Vice Chairman and Member of the Board of Directors of BEH EAD
Ivo Ivanov Todorov	Member of the Board of Directors of BEH EAD

Key management personnel of the company as at 30 June 2024

- Ivan Topchiysky — Chairman of the Board of Directors;
- Veselin Sinabov — Executive Member of the Board of Directors;
- Mihail Milkov — Member of the Board of Directors;
- Byanka Racheva — Member of the Board of Directors;
- Marin Filipovski — Member of the Board of Directors;

The 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 borrowings and deferred trade payables) and their settlement is done in cash.

No guarantees have been provided or received for receivables or liabilities from/to related entities, with the exception of a guarantee amount provided to Bulgartransgaz EAD under a natural gas access and transmission contract, a natural gas balancing contract and a natural gas storage contract and provided guarantee amount to ICGB EAD under a contract for the transmission of natural gas.

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

(A) SALE OF GOODS AND SERVICES

Companies under joint control	6-MONTH PERIOD AS OF 30 JUNE	
	2024	2023
Bulgartransgaz EAD	4,717	34,247
Total	4,717	34,247

Sales include natural gas for balancing.

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(B) PURCHASE OF GOODS AND SERVICES

	6-MONTH PERIOD AS OF 30 JUNE	
Parent company	2024	2023
Bulgarian Energy Holding EAD	77	241
Companies under joint control		
Bulgartransgaz EAD	67,608	51,653
Bulgartel EAD	3	3
ICGB AD	22,931	17,014
Balkan Gas Hub EAD	140	236
Total	90,759	69,147

The purchases of services from Bulgarian Energy Holding EAD include services under management and control agreement.

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

The purchases of services from Bulgartel EAD include technical support.

The purchases of services from ICGB AD include natural gas transportation service on the IGB pipeline.

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

(C) ACCRUED CHARGES FOR BANK COMMISSIONS

	6-MONTH PERIOD AS OF 30 JUNE	
Parent company	2024	2023
Bulgarian Energy Holding EAD	-	268
	-	268

The accrued expenses for bank commissions are in connection with bank guarantee maintenance under case COMP/B1/AT.39849 – BEH gas.

(D) RECEIVABLES UNDER SALES OF GOODS AND SERVICES

	AS AT 30 June 2024	AS OF 31 DECEMBER 2023
Companies under joint control		
Bulgartransgaz EAD	26,793	28,747
ICGB AD	12,595	12,595
Total	39,388	41,342

The receivables from Bulgartransgaz EAD represent financial collateral in the form of a credit limit (guarantee amount) and current receivables for the sale of natural gas for balancing, and those from ICGB AD - a guarantee under a contract for the transmission of natural gas.

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(E) LIABILITIES ON PURCHASES OF GOODS AND SERVICES

	AS AT 30 June 2024	AS AT 31 December 2023
Parent company		
Bulgarian Energy Holding EAD	16	20
Companies under joint control		
Bulgartransgaz EAD	2,694	4,105
Bulgartel EAD	1	1
Balkan Gas Hub EAD	23	55
ICGB AD	4,561	4,513
Total current	7,295	8,694

Liabilities to Bulgarian Energy Holding EAD include services under management and control agreement.

Liabilities to Bulgartransgaz EAD are related to received current services for access, transmission and storage of natural gas and current supply of natural gas for balancing. Liabilities to ICGB AD include natural gas transmission services.

(F) LIABILITIES ON RECEIVED LOANS FROM RELATED ENTITIES

	AS AT 30 June 2024	AS AT 31 December 2023
NON-CURRENT		
Loan from the Ministry of Energy		
At the beginning of the period	800,000	806,085
Loan received reclassified to current part	(533,333)	-
Accrued expenses for interests	-	8,291
Accrued interest expense reclassified to current portion	-	(14,376)
Payables on borrowing received at the end of the period	266,667	800,000
Parent company		
At the beginning of the period	370,000	-
Reclassified from current part	260,000	370,000
Payables on borrowing received at the end of the period	630,000	370,000
Total non-current liability on loan received at the end of the period	896,667	1,170,000
CURRENT		
Loan from the Ministry of Energy		
At the beginning of the period	22,942	-
Loan received, reclassified, from non-current part	533,333	-
Accrued interest expense reclassified to non-current portion	-	14,376
Accrued expenses for interests	8,154	8,566
Interest paid	(30,251)	-
Liabilities on loan received at the end of the period	534,178	22,942
Parent company	-	
At the beginning of the period	260,000	718,071
Payments on loans received	-	(492,515)
Loan received	-	405,000

BULGARGAZ EAD
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENT
30 JUNE 2024

Reclassified non-current borrowing	(260,000)	(370,000)
Accrued interest	10,353	21,322
Interest paid	(7,524)	(21,878)
At the end of the period	2,829	260,000
Total current liability on loans	537,007	282,942

As at the end of each of the reporting periods, the Company had no liabilities to key management personnel.

22. EVENTS THAT OCCURRED AFTER THE END OF THE REPORTING PERIOD

1/ In May 2024 Bulgargaz EAD claimed damages of over EUR 400 million against OOO Gazprom Export as a result of the termination of natural gas supplies at the end of April 2022. In accordance with the provisions of the contract, Gazprom Export was sent an invitation to settle the claim voluntarily within a period not exceeding one month. In view of the fact that OOO Gazprom Export refused all possible means for voluntary settlement of the dispute, Bulgargaz EAD initiated arbitration proceedings before the International Court of Arbitration in Paris. The decision on the claim and its amount was based on extensive financial and legal analysis.

2/ On 24 July 2024 Bulgargaz EAD signed a contract with the Electricity System Security Fund for payment of compensation under the Program for provision of compensation for companies that injected natural gas into the underground gas storage in the period 01 May 2022—11 October 2022, developed by the Ministry of Energy. Under the terms of the contract, compensation of 150 BGN per MWh is provided, with the maximum amount of natural gas eligible for compensation for the Company being 1,045,167 MWh, in case it is proven that the same was produced from Chiren UGSF after 21 November 2022 until 21 April 2024 and delivered to final customers and/or final suppliers in the European Economic Area. For the purpose of the calculation of the compensation per 1 MWh the beneficiary shall calculate a weighted average price of the natural gas heated in the period 01 May 2022—11 October 2022 at the Chiren UGSF in compliance with the 'least cost' principle.

Bulgargaz EAD provided all requested documentation to the Electricity System Security Fund, proving the quantities of natural gas pumped in 2022 and the quantities of natural gas sold to end users at the beginning of 2024. On 05 September 2024 Bulgargaz EAD received the compensation from the Electricity System Security Fund in the amount of BGN 156,775 thousand.

3/ On 02 August 2024 Bulgargaz EAD and Bulgarian Energy Holding EAD re-signed a loan agreement with a limit of BGN 60,000 thousand for a period of one year. The maturity under the contract is 05 July 2025.

4/ Bulgargaz is in the process of renegotiating the Agreement with Botaş (BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş.) in connection with the Decision of the National Assembly.

5/ The start date for commercial operation of the Alexandroupolis floating terminal of 01 January 2024 was not met and was subsequently postponed several times. According to the latest information received from the terminal operator, the terminal will be operational as of 01 October 2024.

There are no corrective or other non-corrective events that occurred after the reporting period date that would require additional disclosure or corrections in the interim condensed financial statements of Bulgargaz EAD as of 30 June 2024.

23. APPROVAL OF THE INTERIM CONDENSED FINANCIAL STATEMENT

The condensed interim financial statement as of 30 June 2024, (including comparatives) were approved for issuance by the Board of Directors on 18 September 2024.

Grant Thornton OOD,
address: 26 Cherni Vrah blvd., 1421 Sofia
address: : 111 Knyaz Boris I blvdn, 9000 Varna
tel.: (+3592) 987 28 79, (+35952) 69 55 44
fax: (+3592) 980 48 24, (+35952) 69 55 33
e-mail: office@bg.gt.com
web site: www.grantthornton.bg

Zaharinoва Nexia OOD,
address: 111 Konstantin Velichkov blvd. 157-159,
1309 Sofia
tel.: (+3592) 920 46 70
fax: (+3592) 828 06 32
e-mail: office@zaharinovanexia.com
web site: www.zaharinovanexia.com

INDEPENDENT AUDITORS' REPORT

To the sole shareholder of
Bulgargaz EAD
City of Sofia
47, Petar Parchevich str.

Report on the audit of the interim condensed financial statements

Qualified opinion

We have audited the interim condensed consolidated financial statements of **Bulgargaz EAD** (the 'Company'), which comprise the interim condensed consolidated statement of financial position as at 30 June 2024 and the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in equity, the interim condensed consolidated statement of cash flows for the six months then ended, and notes and information in the interim condensed consolidated financial statements.

In our view, apart from the possible effect of the issues described in the section of our report

'Basis for Qualified Opinion', the accompanying condensed interim financial statements give a true and fair view of the financial position of the Company as at 30 June 2024, its financial performance and its cash flows for the period then ended in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and Bulgarian law.

Basis for expressing of an informed opinion

1. As disclosed in Annexes 2.1 'Going Concern Principle' and 20. 'Provisions, Contingent Assets and Contingent Liabilities', at the end of 2022. The Company has entered into a long-term agreement with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş for access to the LNG regasification terminals in Turkey and its subsequent transportation to the territory of the Republic of Bulgaria for a period of 13 years. As part of the contract implementation, it is disclosed in Annex 18 that for the half year 2024. The Company has reported an unused capacity cost of BGN 121,429 thousand at the Strandzha 1/Malkochlar entry point, which is essentially an unused but paid service. On the basis of its analysis, including and based on all available internal and external information for the Company, the management has come to the conclusion that the agreement between Bulgargaz and BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş does not constitute an onerous contract within the meaning of IAS 37 'Provisions, contingent liabilities and contingent assets'.

As a result of our audit procedures, we were unable to obtain sufficient and appropriate audit evidence that the assumptions and assumptions underlying management's judgment as to whether or not to treat the agreement as onerous are reasonable and adequately reflect the complexity and specifics of the terms of the agreement, including the effect of possible events that could occur outside of management's control and affect the performance of the agreement. In our view, this contract has the characteristics of an 'onerous contract' because the costs that cannot be avoided in performing the obligations under the contract outweigh the economic benefits expected to be received under the contract.

Due to numerous assumptions and uncertainties related to future events, we could not satisfy ourselves with a reasonable degree of certainty as to the extent to which this contract will be utilized by the end of its term. Accordingly, we have not been able to determine whether, and to what extent, adjustments would be required to the carrying value of provisions at 30 June 2024 and, accordingly, to the provision expense for onerous contracts for the first half of 2024. In the event that different judgements were applied to produce the most reliable estimate of the expenditure required to settle the present obligation at the end of the reporting period in accordance with the requirements of IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' in preparing the Company's interim condensed financial statements as at 30 June 2024.

2. As disclosed in Annex 7 'Inventories' to the interim condensed financial statement, the balance sheet value of the Company's natural gas as of 30 June 2024 is BGN 371,148 thousand. In preparing the assessment related to the determination of the net realizable value of the natural gas, the management of the Company has referred to an expected sales price of the natural gas (European index TTF Front month, used as a reference price quote, published in the Argus Media newsletter on 16 August 2024) for the month of January 2025, but applied this price only to a part of the available quantity, which is planned to be realized by the end of the year according to the Contingency Action Plan. As a result, the total balance sheet value of the Company's natural gas as of 30 June 2024 consists of natural gas valued at net realizable value in the amount of BGN 67,834 thousand and natural gas valued at cost in the amount of BGN 303,314 thousand. We were unable to obtain sufficient and appropriate audit evidence that the method so applied to determine the net realisable value and, accordingly, the calculation of the impairment loss on natural gas complied with the requirements of IAS 2 'Inventories'. In the event that the Company had applied a consistent approach to determine the net realizable value of the entire available amount of natural gas as of 30 June 2024, this value would be BGN 121,181 thousand lower than its balance sheet value, and the impairment costs for the half year of 2024 they would be higher by the same amount. Accordingly, the net loss for the period would have increased by BGN 109,063 thousand after deducting the related tax temporary differences of BGN 12,118 thousand.

3. As disclosed in Annex 8 'Prepaid advances for gas supply' as at 30 June 2024, these advances amount to BGN 442,402 thousand. A substantial part of the amount of BGN 230,454 thousand relates to an advance granted to a counterparty for the delivery of a certain quantity of natural gas in a previous period, the delivery of which was deferred to a subsequent period. The Company has not estimated the recoverable amount of the prepaid advance as required by applicable accounting standards. The results of our audit procedures showed that if a consistent approach was used to determine the recoverable value of natural gas advances based on its sales price, the Company would have recorded an additional loss in the amount of BGN 172,754 thousand for the half-year of 2024. Accordingly, the net loss for the period would increase by BGN 155,479 thousand, after deducting the relevant tax temporary differences of BGN 17,275 thousand.

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

Material uncertainty associated with the going concern assumption

We draw attention to Annex 2.1. 'Going concern principle', where detailed information is disclosed regarding management's assessment of the application of the going concern principle when preparing the Company's interim condensed financial statements as of 30 June 2024. A series of events and circumstances mainly related to the military conflict on the territory of Ukraine and dynamics in the natural gas market in the period from 2022 to the present, which are beyond the control of the Company, led to the need to secure natural gas reserves at prices that were significantly higher in 2022 than the current market levels in subsequent periods. In the first half of 2024 Bulgargaz EAD reported a net loss of BGN 258,246 thousand and a negative net cash flow from operating activities of BGN 166,090 thousand. As of 30 June 2024, the Company's equity is a negative amount of BGN 132,731 thousand. The excess of share capital over the value of net assets at the end of the reporting period does not comply with the requirements of Article 252 of the Commercial Act. These circumstances, together with the matters described in the Basis for Expressing a Qualified Opinion section of this report, indicate the existence of a material uncertainty that may cast significant doubt on 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 the Ministry of Energy.

Our opinion is unmodified with respect to this issue.

Key audit issues

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

Except for the matters described in the 'Basis for Expressing a Qualified Opinion' section and the section

'Significant uncertainty related to going concern assumption', we decided that there were no other key audit matters to be communicated in our report.

Information other than the interim condensed financial statements and the auditor's report thereon

Management is responsible for other information. The other information consists of the interim management report prepared in accordance with the Accounting 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 extend to the other information and we do not express any form of assurance conclusion on it, except as expressly stated in our report and to the extent stated. In connection with our audit of the condensed interim financial statements, our responsibility is to read the other information and, in so doing, consider whether that other information is materially inconsistent with the condensed interim financial statements or with our knowledge obtained during the audit, or otherwise appears to contain a material misstatement. In the event that, based on the work we have performed, we conclude that there is material misreporting in this other information, we are required to report that fact.

As described in the Basis for Qualified Opinion section of this report, we were unable to obtain sufficient and appropriate audit evidence on the matters referred to in that section. Accordingly, we are unable to reach a conclusion as to whether the other information contains any material misreporting with respect to these matters.

Responsibility of management and those charged with overall governance for the interim condensed financial report

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

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

The persons charged with general management are responsible for overseeing the financial reporting process of the Company.

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 taken as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high degree of assurance, but is not a guarantee that an audit performed in accordance with the ISAs and the Independent Financial Auditing Act will always detect a material misstatement when one exists. Misstatements may result from fraud or error and are considered material if they could reasonably be expected, individually or in the aggregate, to influence the economic decisions of users made on the basis of these interim condensed financial statements.

As part of an audit in accordance with the ISA, we use professional judgment and maintain professional scepticism 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 to address 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 that results from fraud is higher than the risk of a material misstatement that results from error because fraud can include collusion, forgery, deliberate omissions, statements intended to mislead the auditor, and disregard or circumvention 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;
- assess the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- we 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 about 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 those disclosures are inadequate, to modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to operate as a going concern;

assess the overall presentation, structure and content of the interim condensed financial statements, including the disclosures, and whether the interim condensed financial statements present the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with general governance with a statement that we have complied with applicable ethical requirements in relation to independence and that we will communicate with them all relationships and other matters that could reasonably be regarded as relevant to our independence and, where applicable, related safeguards.

We are jointly and severally responsible for the performance of our audit and for the audit opinion expressed in accordance with the requirements of the FRA as applicable in Bulgaria. In undertaking and performing the joint audit engagement in relation to which we report, we have also been guided by the Joint Audit Guidelines issued on 13 June 2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public Oversight of Registered Auditors in Bulgaria.

Report in relation to other legal and regulatory requirements

In addition to our responsibilities and reporting under the IAS described above in the section 'Other information other than the condensed interim financial statements and the auditor's report thereon' with respect to the activity report, we have also performed the procedures added to those required by the IAS, according to the Guidelines of the professional organization of certified expert accountants and registered auditors in Bulgaria — Institute of Certified Public Accountants (IDES). These procedures involve verifying the existence, as well as reviewing the form and content, of such other information in order to assist us in forming opinions as to whether the other information includes the disclosures and reports required by Chapter Seven of the Accounting Act and the Public Offering of Securities Act applicable in Bulgaria.

Opinion in relation to Article 37, paragraph 6 of the Accounting Act

Based on the procedures performed, it is our opinion that:

- (a) the information included in the interim management report for the financial period for which the interim condensed financial statements have been prepared is consistent with the report on which we have expressed a qualified opinion in the 'Report on our audit of the interim condensed financial statements' above;
- (b) the interim activity report has been prepared in accordance with applicable legal requirements;

- (c) as a result of our acquired knowledge and understanding of the business of the Company and the environment in which it operates, we have not identified any instances of material misstatement in the interim management report, except for the possible effect of the matters described in the section headed 'Other Information Other Than the Interim Condensed Financial Statements' in the 'Report on the Audit of the Interim Condensed Financial Statements'.

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

**Mariy Apostolov
Manager**

MARIY
GEORGIEV
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Digitally signed by MARIY GEORGIEV
APOSTOLOV
Date: 2024.10.02 13:02:07 +03'00'

Emiliya Marinova

EMILIYA
GEORGIEVA
MARINOVA-
LALEVA

Digitally signed by EMILIYA
GEORGIEVA MARINOVA-LALEVA
Date: 2024.10.02 12:58:52 +03'00'

Registered auditor responsible for the audit

02 October 2024
Bulgaria Sofia

**Zaharinova Nexia OOD,
Audit firm No 138**

Dimitrina Zaharinova

Dimitrina
Dimitrova
Zaharinova

Dimitrina Dimitrova
Zaharinova
Sofia, Bulgaria
2024.10.02 14:00:46+03'00'
Stoycho Kirilov Milev
Sofia, Bulgaria
2024.10.02 13:59:40+03'00'

Stoycho Milev

Stoycho Kirilov
Milev

Registered auditor responsible for the audit