



**BULGARGAZ EAD**

**ANNUAL ACTIVITY REPORT  
STATEMENT OF CORPORATE GOVERNANCE  
ANNUAL FINANCIAL STATEMENTS  
INDEPENDENT AUDITORS' REPORT**

**31 December 2024**

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**INDEPENDENT AUDITORS' REPORT**

## **ACTIVITY REPORT**

*of*

**BULGARGAZ EAD**

**as at 31 December 2024**

This report on Bulgargaz EAD's operations as at 31 December 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 31 December 2024 with the results 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 Commercial Act, and Article 100(n), Paragraph 7, Subparagraph 2 of the Public Offering of Securities Act.

### **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 St.

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 facility, 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 [L-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.

On 20 June 2023, by Decision No 0024/2023/P-PE of the Vice President of the Regulatory Office for Network Industries, Slovak Republic, a Permit No 2023P 0370 was issued to Bulgargaz EAD for carrying out activities in the energy sector — gas supply. The validity period of the permit is indefinite.

By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), the economic operator Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The decision is for a period of 1 (one) year.

On 12 December 2024 by Decision No H4955/2024 the Hungarian Energy and Public Utility Regulatory Authority granted Bulgargaz EAD a licence to trade in natural gas in Hungary. This licence shall be valid from the date of notification for an indefinite period of time, provided that the licence holder is actually and lawfully

carrying on gas trading activities in a Member State of the European Union or in another State party to the Agreement on the European Economic Area and holds an operating licence for a specified period of time.

Bulgargaz EAD is a registered user of the gas transmission networks of Bulgartransgaz EAD-Bulgaria, DESFA SA-Greece, TRANSGAZ SA-Romania, ICGB Bulgaria, GASTRANS d.o.o. -Serbia.

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 9 December 2003, amend. No 26 of 27 March 2025, effective from 27 March 2025;
- 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 5 April 2013, amended and supplemented, No 100 of 26 November 2024, in force from 26 November 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 5 April 2013, last amended No 28 of 2 April 2024, in force from 2 April 2024 (Ordinance No 3 of 21 March 2013);
- Rules for trading with natural gas, adopted by the EWRC by decision under Minutes No 137 of 7 July 2015 under item 1, promulg. SG, No 59 of 4 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:

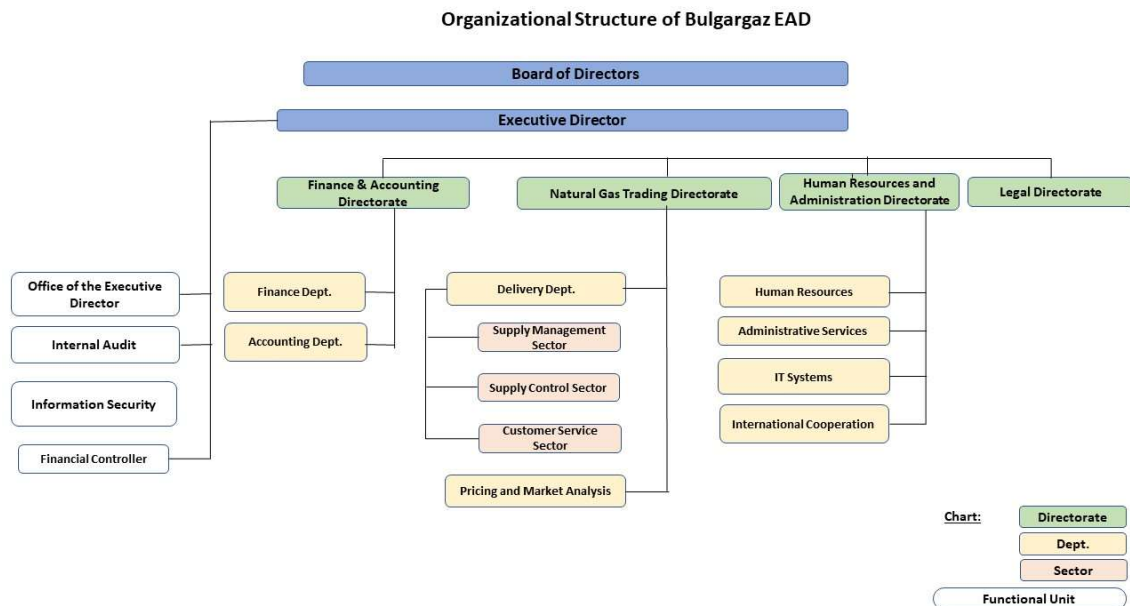
- The sole owner of the capital who decides on the issues within the competence of the General Meeting;
- Board of Directors.

On 2 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**

Management confirms that consistent accounting policies have been applied in the preparation of the annual financial statements as at 31 December 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 injection in at UGS Chiren. 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 injected into Chiren, which is withdrawn 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 TTFfm 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 Topchiysky — 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 Mariov 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 31 December 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 31 December 2024**

As at 31 December 2024, Bulgargaz EAD carries out its activities in compliance with all regulations and decisions determined by the sole owner of the capital. As at 31 December 2024 the financial result of the Company is a loss of BGN 315,889 thousand (as at 31 December 2023: loss in the amount of BGN 52,381 thousand). The loss is mainly due to the cost of unused capacity under the Agreement with the Turkish gas company Botaş (BGN 266,943 thousand), as well as unused capacity along the route from the Alexandroupolis terminal to Bulgaria due to the delay in the date of commissioning of the terminal (BGN 16,828 thousand), as well as losses from impairment of natural gas available at the UGS Chiren injected in the summer of 2022 in the amount of BGN 36,042 thousand, and financial expenses for interest accrued on borrowings received in the amount of BGN 45,292 thousand.

The gross result from natural gas sales in 2024 is a profit of BGN 118,951 thousand (as at 31 December 2023: profit of BGN 159,256 thousand)

On 5 September 2024 Bulgargaz EAD received compensation under the Program for providing compensation to companies that injected natural gas into the underground gas storage in the period 1 May 2022—11 October 2022, developed by the Ministry of Energy. According to the mechanism established, the Company was compensated for 1,045,167 MWh injected in a highly stressed market in 2022 and high natural gas prices.

**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.



By the amendment of Article 30, paragraph 1, item 7 of the Energy Act (EA) promulgated in State Gazette No 79 of 2019, the circle of persons to whom Bulgargaz EAD sells natural gas at a regulated price is significantly narrowed. The change entered into force as at 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.

By an Act for Amendment and Supplement of the Energy Act (AAS of the Energy Act) adopted on 25 September 2019 by the National Assembly and promulgated in State Gazette No 79 of 2019 it was established an organized stock market for natural gas, 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.

Following the amendments in the legislation, Bulgargaz EAD operates 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);

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.

On 20 June 2023, by Decision No 0024/2023/P-PE of the Vice President of the Regulatory Office for Network Industries, Slovak Republic, a Permit No 2023P 0370 was issued to Bulgargaz EAD for carrying out activities in the energy sector — gas supply. The validity period of the permit is indefinite.

By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), the economic operator Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The Decision shall enter into force from the date of notification, for a period of 1 (one) year, but not later than the date of suspension/revocation/termination of the Natural Gas Trading License No JI-549-15 [L-549-15] dated 20 September 2021 issued by the Energy and Water Regulatory Commission of the Republic of Bulgaria.

On 12 December 2024 by Decision No H4955/2024 the Hungarian Energy and Public Utility Regulatory Authority granted Bulgargaz EAD a limited licence to trade in natural gas in Hungary. This licence shall be valid from the date of notification for an indefinite period of time, provided that the licence holder is actually and lawfully carrying on gas trading activities in a Member State of the European Union or in another State party to the Agreement on the European Economic Area and holds an operating licence for a specified period of time.

Bulgargaz EAD is a registered user of the gas transmission networks of Bulgartransgaz EAD-Bulgaria, DESFA SA-Greece, TRANSGAZ SA-Romania, ICGB Bulgaria, GASTRANS d.o.o. -Serbia.

Ordinance No 2/19 March 2013 on the regulation of the price of natural gas sets out 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 injecting into the gas storage facility at UGS Chiren. These injected quantities are included in the mix determining the regulated price when they are withdrawn 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 UGS Chiren 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 forecasted as at 01 January 2024. The component does not include financial expenses for interest, expenses from foreign exchange transactions, expenses on issued guarantees, etc.
- 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. At the end of 2024, an amendment to the Ordinance was adopted concerning the calculation of the average exchange rate, which is calculated as the average rate of the BNB quotations for the month preceding the month of filing of the application.

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 Energy Act obliges Bulgargaz EAD to provide a service of public interest, which cannot be denied, regardless of when it is requested and whether the customer in question has obligations overdue to the public supplier Bulgargaz. This leads to inability to plan the deliveries, respectively to additional financial burdens for the company.
- 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.

➤ **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 withdrawal 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, there was a downward trend in natural gas prices in European gas markets due to:

- The filling of gas storage facilities;
- 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.

From September 2024, natural gas prices on European markets started to rise again.

The prices at which Bulgargaz EAD supplies natural gas in 2024 refer to the TTF index ‘month ahead’ when purchasing spot LNG cargoes, while the supplies from the Azerbaijani 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 1 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 (operator of the Greece-Bulgaria interconnector), 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 OOO Gazprom Export, 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.

✓ *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 ( $\approx 500$  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 ( $\approx 1$  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 Agreement with Botaş provides a security of the supplies through diversification of the sources of supply. This provides Bulgargaz EAD with the opportunity for gaining access to three entry points from LNG terminals located in the Aegean Sea — Turkey, 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.

The Minister of Energy has been assigned by the Resolution of the National Assembly of 19 April 2024 with the taking the necessary actions to renegotiate the Agreement between Bulgargaz EAD and Botaş. Bulgargaz EAD and Botaş are in active negotiations for the renegotiation of the Agreement, with the Ministry of Energy providing the necessary institutional and political support.

✓ *Storage of natural gas*

The main part of the available quantities in the UGS Chiren are injected in 2022 at a price significantly above the current 2023 market price. These quantities are injected 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 capacity target of 80%, reduced customer demand and the high cost of gas in storage, withdraw for the 2022—2023 gas season was severely constrained, resulting in large end-of-season natural gas inventories — April 2023.

Bulgargaz EAD withdrew volumes in the period January—April 2024, with the price for withdraw being significantly below their acquisition price. This way, the company was able to reduce its stored quantities and market them.

The quantities of natural gas that Bulgargaz EAD failed to withdraw from UGS Chiren by 15 April 2024 were transferred as fulfilment of the obligation under the Contingency Plan for the gas year 2024/2025.

After completion of the withdrawal season in April 2024, for accounting purposes, the quantities of natural gas injected into UGS Chiren were formed as two separate batches – the Contingency Plan (Plan) Quantities Batch and the Commercial Quantities (Commercial) Batch. This separation was necessitated by the high purchase price

of the quantities injected under the 2022 Plan and more adequate subsequent accounting for these specific quantities of natural gas acquired. The remainder of available natural gas that is injected for current commercial use is accounted for in the Commercial Quantities batch, which is acquired at market prices and can be sold on the market.

According to the provision of IAS 2, respectively the accounting policy of the company, when determining the net realizable value of inventories as at the end of 2024, The company has recognized a loss from depreciation of the available natural gas in the amount of BGN 36,385 thousand. The reversed impairment loss for natural gas produced that was impaired in a prior period is BGN 111,596 thousand and relates to BGN 2,200 thousand MWh quantities of natural gas sold.

As at 31 December 2024, the accumulated impairment loss on the available quantities of natural gas withdrawn under the Contingency Plan amounts to BGN 109,736 thousand. Despite the impairments, the price of injected 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 a compensation in the amount of BGN 157 million 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 amount received recovered much of the loss incurred as a result of selling these quantities below prime cost in the period from January to April 2024.

✓ *Analysis of the natural gas market and the activities of Bulgargaz EAD as at 31 December 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 injected in 2022 at high prices in UGS Chiren 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 withdrew from the underground storage facility part of the quantities injected in 2022, which had a high cost, their sale was at market prices, resulting in significant losses for the Company in the first quarter of 2024, which were covered by the compensation in accordance with the mechanism described above.

The Alexandroupolis terminal was not put into commercial operation on the previously announced date of 1 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 of the Alexandroupolis terminal, the terminal was put into commercial operation on 01 October 2024. This delay also resulted in loss of unused capacity envisaged for delivery from Alexandroupolis.

As at 31 December 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:

- When concluding the annual programs for 2024, the customers of Bulgargaz EAD provided more correct annual programs, taking into account that they can purchase the difference to their required quantities from the organized exchange market;
- By withdrawing volumes from UGS Chiren 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 regional 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 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 reduced market share 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 withdraw 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.

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

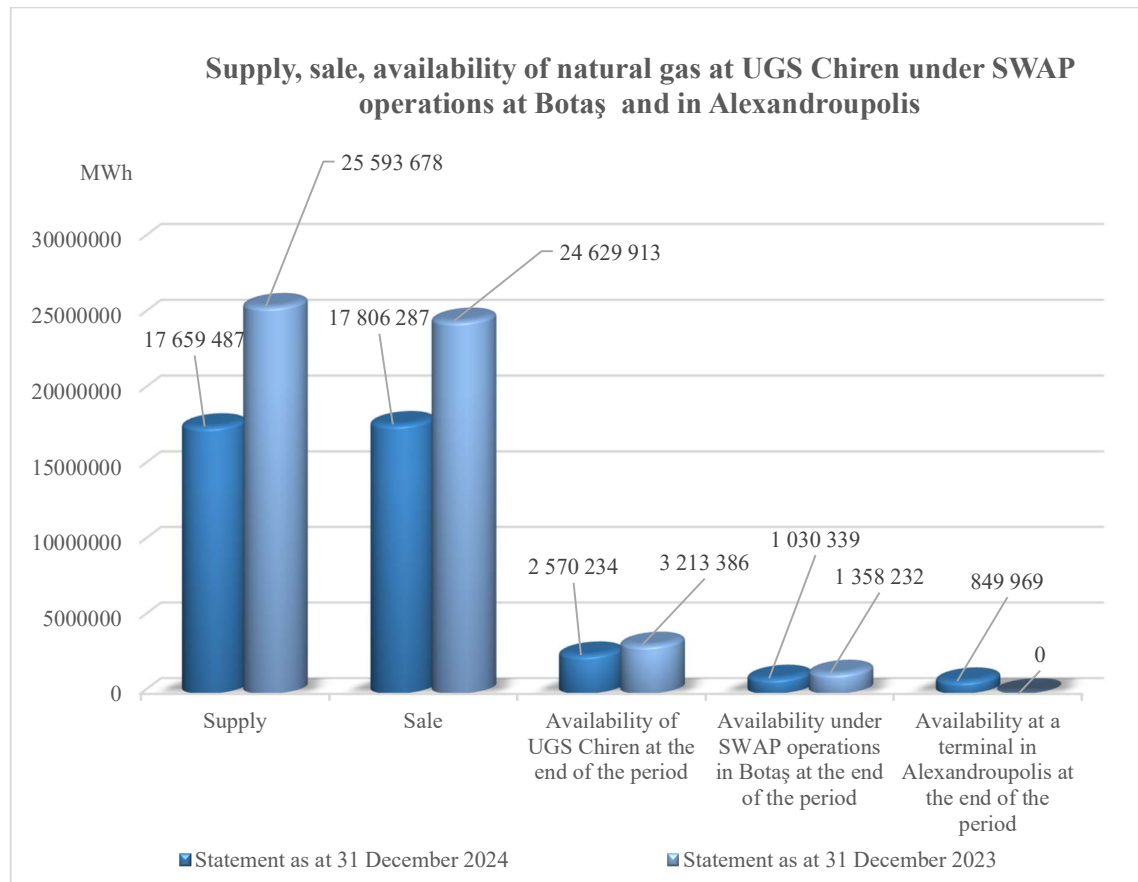
### 2.1. Purchased and sold amounts of natural gas

The amount of natural gas purchased and sold as at 31 December 2024, compared to 31 December 2023, are presented in Table 1:

Table No 1

MWh

Type of delivery	Unit	As at 31 December 2024	As at 31 December 2023	Change in amounts	Change in (%)
Supply	MWh	17,659,487	25,593,678	(7,934,191)	(31,00%)
Sale	MWh	17,806,287	24,629,913	(6,823,626)	(27,70%)
Availability of UGS Chiren at the end of the period	MWh	2,570,234	3,213,386	(643,152)	(20,01%)
Availability in Botaş at the end of the period	MWh	1,030,339	1,358,232	(327,893)	(24,14%)
Availability in Alexandroupolis at the end of the period	MWh	849,969	-	849,969	-





During the reporting period, total gas amounts delivered were 17,659,487 MWh (31 December 2023: 25 593 678 MWh), which is a decrease of 7,934,191 or 31.00%.

Natural gas sold as at 31 December 2024 is 17,806,287 MWh compared to 24,629,913 MWh as at 31 December 2023, a decrease of 6,823,626 MWh or 27.70%.

The decrease in quantities sold is due to more accurate supply planning, leading to fewer sales of surplus, on the Gas Hub Balkan platform, and hence fewer financial losses for the Company. Natural gas sold as of 31 December 2024 is 708,585 MWh compared to 4,057,227 MWh as at 31 December 2023, which is a decrease of 3,348,642 MWh or 82.54%.

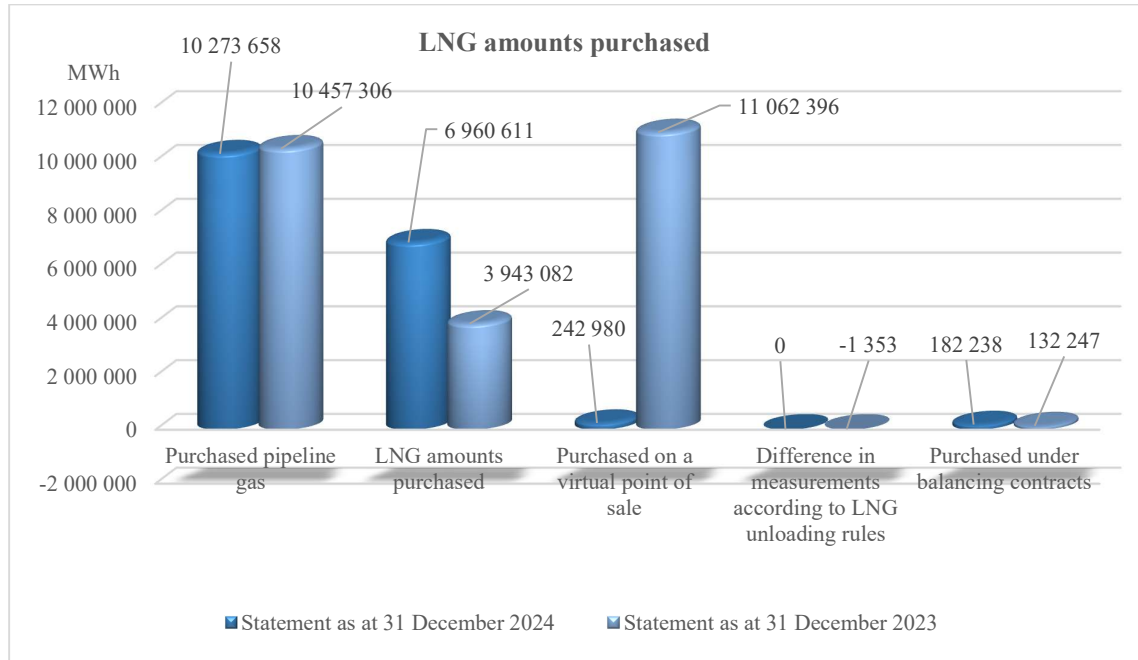
## 1.2 LNG amounts purchased

Purchased amounts of natural gas as at 31 December 2024 and 31 December 2023 are shown in Table 2.

Table No 2

MWh

Type of delivery	Statement as at 31 December 202 4	Statement as at 31 December 202 3	Change in amounts	Change in (%)
<b>TOTAL for the period</b>	<b>17,659,487</b>	<b>25,593,678</b>	<b>(7,934,191)</b>	<b>(31.00%)</b>
Purchased pipeline gas	10,273,658	10,457,306	(183,648)	(1.76%)
LNG amounts purchased(LNG)	6,960,611	3,943,082	3,017,529	76.53%
Purchased on a virtual point of sale	242,980	11,062,396	(10,819,416)	(97.80%)
Difference in measurements according to LNG unloading rules	-	(1,353)	1,353	(100.00%)
Purchased under balancing contracts	182,238	132,247	49,991	37.80%





In order to ensure the natural gas needs of its customers as at 31 December 2024, Bulgargaz EAD has purchased 17,659,487 MWh of natural gas (31 December 2023: 25 593 678 MWh).

The purchased quantities of piped natural gas as at 31 December 2024 are in the amount of 10,273,658 MWh, liquefied natural gas 6,960,611 MWh, purchased at a virtual trading point 242,980 MWh and purchased natural gas under balancing contracts 182,238 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, and the supplies in October, November and December were made at the terminal in Alexandroupolis.

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 1 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 Strandzha 1/Malkochlar point.
- ✓ On 1 October 2024, the Alexandroupolis terminal was commissioned and liquefied natural gas (LNG) supplies to the Bulgarian market were launched. The capacity reserved by Bulgargaz EAD for the next 10 years is 10,600,000 MWh/year.

### **1.3 Withdraw 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 facility in the UGS Chiren, owned by the combined operator Bulgartransgaz EAD.

The operation of the gas storage facility is cyclical, with the natural gas injection period being May—October, and the withdraw period being 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 withdraw natural gas amounts by participating in Bulgartransgaz EAD's public procedure for the allocation of storage capacity at the UGS Chiren.

The withdrawn and injected amounts of natural gas in the UGS Chiren as at 31 December 2024 versus 31 December 2023 are presented in Table No 3.

Table No 3

MWh

Withdraw and injection	As at 31 December 2024	As at 31 December 2023	Change in MWh	Change in %
<b>Amounts available at the beginning of the period</b>	<b>3,213,386</b>	<b>2,937,967</b>	<b>275,419</b>	<b>9.37%</b>
Withdraw	2,199,675	601,552	1,598,123	265.67%
Injection	1,556,523	876,971	679,552	77.49%
<b>Amounts available at the end of the period</b>	<b>2,570,234</b>	<b>3,213,386</b>	<b>(643,152)</b>	<b>(20.01%)</b>

The withdrawn amounts of natural gas as at 31 December 2024 are 1,602,742 MWh, which is 1,200,304 MWh or 265.67% more compared to the previous period (31 December 2023: 601,552 MWh). The higher withdraw 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 Program for providing compensation to companies that injected natural gas into the underground gas storage in the period 1 May 2022—11 October 2022. The quantities of natural gas injected as at 31 December 2024 are 679,552 MWh more compared to 31 December 2023 when they were 876,971 MWh.

As at 31 December 2024, the Company has 2,570,234 MWh of gas available at UGS Chiren, which is a decrease of 643,152 MWh or 20.01% compared to the previous period.

### III. SALE OF NATURAL GAS

#### 1. Sales

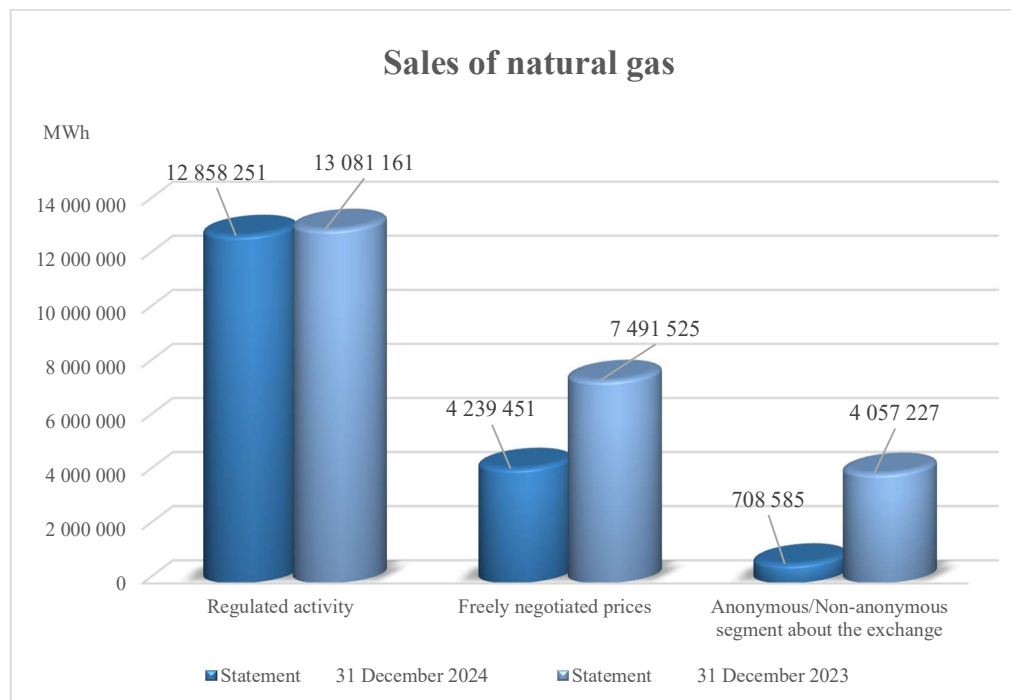
Bulgargaz EAD ensures security and continuity of supply of natural gas to its customers in the country in accordance with contractual requirements. As at 31 December 2024, 17,806,287 MWh of natural gas have been sold, which is a decrease of 6,823,626 MWh or 27.70% compared to the quantities sold as at 31 December 2023 — 24,629,913 MWh.

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

Table No 4

MWh

Sales	As at 31 December 2024	As at 31 December 2023	Change in amounts	Change in (%)
Regulated activity	12,858,251	13,081,161	(222,910)	(1.70%)
Freely negotiated prices	4,239,451	7,491,525	(3,252,074)	(43.41%)
Anonymous/Non-anonymous segment about the exchange	708,585	4,057,227	(3,348,642)	(82.54%)
<b>Total</b>	<b>17,806,287</b>	<b>24,629,913</b>	<b>(6,823,626)</b>	<b>(27.70%)</b>



## 2. Structure of sales

Amounts of natural gas sold to the Company's customers by main sectors of the economy as at 31 December 2024 and 31 December 2023 are presented in Table No 5.

Table 5

Industry sector	As at 31 December 2024 MWh	As at 31 December 2023 MWh	Change in amounts MWh	Change in (%)
Energy	8,970,485	9,347,065	(376,580)	(4.03%)
Distribution companies	3,920,246	4,072,856	(152,610)	(3.75%)
Chemistry	643,844	2,760,318	(2,116,474)	(76.68%)
Exchange sales	708,585	4,057,227	(3,348,642)	(82.54%)
Glass and porcelain	1,538,973	1,996,283	(457,310)	(22.91%)
Metallurgy	880,112	1,033,505	(153,393)	(14.84%)
Building materials and construction	257,665	345,328	(87,663)	(25.39%)
Other	886,377	1,017,331	(130,954)	(12.87%)
<b>Total</b>	<b>17,806,287</b>	<b>24,629,913</b>	<b>(6,823,626)</b>	<b>(27.70%)</b>

As at 31 December 2024, the sales, compared to those as at 31 December 2023, decreased by 6,823,626 MWh or by 27.70%.

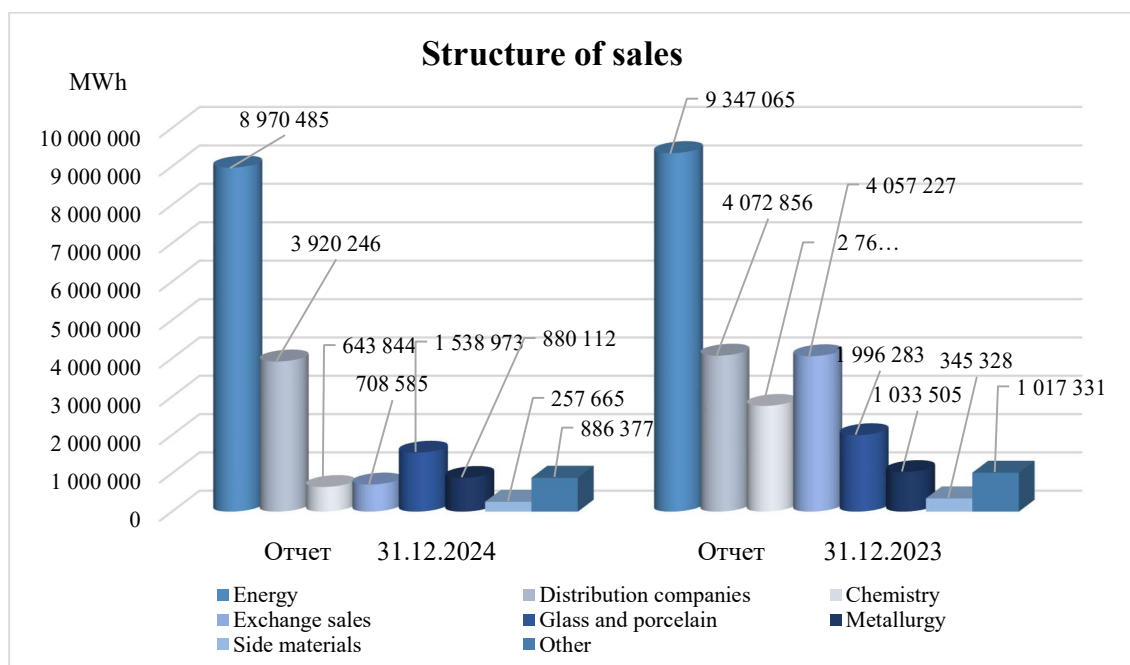
In its capacity of a Public supplier, Bulgargaz EAD provides a service of public interest — supply of natural gas to a range of persons stipulated in the Energy Act, at prices approved by the EWRC ('regulated prices'). Regulated prices are determined pursuant to Ordinance No 2 of 19 March 2013 on the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

#### **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. The change in the Ordinance concerning the method of calculation of the pricing rate, adopted at the end of 2024 as a result of repeated requests made by Bulgargaz EAD to change it, mitigates this risk.

##### **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 loans 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 31 December 2024 compared to the same period in 2023.

The main financial and economic results of the Company's activities as at 31 December 2024 and as at 31 December 2023 are presented as follows:

*000' BGN*

Indicators	31 December 2024	31 December 2023	Change	Change (%)
Total operating revenue	1,498,243	2,566,942	(1,068,699)	(41.63%)
Total operating expenses	(1,752,917)	(2,566,242)	813,325	(31.69%)
<b>EBITDA</b>	(254,674)	700	(255,374)	(36 482.00%)
<b>EBIT</b>	(255,102)	301	(255,403)	(84 851.50%)
<b>EBT</b>	(311,819)	(50,213)	(261,606)	520.99%

Indicators	31 December 2024	31 December 2023	Change	Change (%)
Fixed tangible assets	223	360	(137)	(38.06%)
Total assets	1,899,646	1,959,482	(59,836)	(3.05%)
Current assets	1,874,953	1,930,651	(55,698)	(2.88%)
Current liabilities	1,466,067	609,960	856,107	140.35%
<b>Cash balances</b>	1,254	2,265	(1,011)	(44.64%)
<b>Working capital</b>	408,886	1,320,691	(911,805)	(69.04%)
<b>Equity</b>	(190,371)	125,515	(315,886)	(251.67%)
Share capital	231,698	231,698	-	0.00%
Reserves	21,133	21,130	3	0.01%
Accumulated loss/ Retained earnings	(127,313)	(74,932)	(52,381)	69.90%
<b>Loss for the current period</b>	(315,889)	(52,381)	(263,508)	(503.06%)
<b>Number of personnel</b>	54	56	(2)	(3.57%)

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

000' BGN

STATEMENT OF COMPREHENSIVE INCOME	As at 31 December 2024		As at 31 December 2023		Change	
	000' BGN	% of the total	000' BGN	% of the total	000' BGN	%
<b>Revenue</b>	<b>1,498,243,</b>	<b>100.00%</b>	<b>2,566,942</b>	<b>100.00%</b>	<b>(1,068,699)</b>	<b>(41.63%)</b>
<b>Revenues from sale of natural gas</b>	<b>1,435,529,</b>	<b>100.00%</b>	<b>2,507,716</b>	<b>97.69%</b>	<b>(1,072,186)</b>	<b>(42.76%)</b>
Regulated activity	1,066,872	71.21%	1,374,487	53.55%	(307,615)	(22.38%)
Unregulated activity freely negotiated prices	297,230	19.84%	725,954	28.28%	(428,724)	(59.06%)
Organized stock market/ Anonymous segment	29,737	1.98%	237,380	9.25%	(207,643)	(87.47%)
Organised stock market/ Non-anonymous segment	14,866	0.99%	44,407	1.73%	(29,541)	(66.52%)
LNG for technological needs at the Alexandroupolis terminal	4,404	0.29%	-		4,404	-
Related parties — BTG sale of natural gas for balancing	12,134	0.81%	41,746	1.63%	(29,612)	(70.93%)
Other penalties — sanctions for amounts	10,286	0.69%	83,742	3.26%	(73,456)	(87.72%)
<b>Other revenue</b>	<b>62,714</b>	<b>4.19%</b>	<b>59,226,</b>	<b>2.31%</b>	<b>3,488</b>	<b>5.89%</b>
— penalties on overdue receivables/payables	60,116	4.01%	55,645	2.17%	4,471	8.03%
— other revenue	2,598,	0.17%	3,581,	0.14%	(983)	(27.45%)
<b>Expenses by economic elements</b>	<b>(1,752,917)</b>	<b>100.00%</b>	<b>(2,566,242)</b>	<b>100.00%</b>	<b>813,325</b>	<b>(31.69%)</b>
<b>Prime cost of natural gas sold</b>	<b>(1,316,578)</b>	<b>75.11%</b>	<b>(2,348,460)</b>	<b>91.51%</b>	<b>1,031,882</b>	<b>(43.94%)</b>
Regulated activity	(963,490)	54.96%	(1,277,905)	49.80%	314,415	(24.60%)
Unregulated activity freely negotiated prices	(291,266)	16.62%	(623,045)	24.28%	331,779	(53.25%)



STATEMENT OF COMPREHENSIVE INCOME	As at 31 December 2024		As at 31 December 2023		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
Organized stock market/ Anonymous segment	(29,787)	1.70%	(348,831)	13.59%	319,044	(91.46%)
Organised stock market/ Non-anonymous segment	(13,853)	0.79%	(38,954)	1.52%	25,101	(64.44%)
Estimated retained LNG	(4,404)	0.25%	-		(4,404)	-
Related parties — BTG at cost of natural gas for balancing	(13,778)	0.79%	(59,725)	2.33%	45,947	(76.93%)
<b>Recovered/(accrued) impairment of assets</b>	<b>(105,277)</b>	<b>6.01%</b>	<b>(85,058)</b>	<b>3.31%</b>	<b>(20,219)</b>	<b>23.77%</b>
Recovered/(accrued) impairment of receivables, net	(68,516)	3.91%	(29,769)	1.16%	(38,747)	130.16%
Increase (accrual) in unrestricted cash	2	0.00%	145	-0.01%	(143)	(98.62%)
Recovered/(accrued) impairment of natural gas	(36,042)	2.06%	(41,713)	1.63%	5,671	(13.60%)
Recovered/(accrued) impairment of advances of natural gas	(721)	0.04%	(13,721)	0.53%	13,000	(94.75%)
<b>Cost of materials</b>	<b>(54)</b>	<b>0.00%</b>	<b>(95)</b>	<b>0.00%</b>	<b>41</b>	<b>(43.16%)</b>
- basic materials	(3)	(0.00%)	(29)	0.00%	26	(89.66%)
- fuels and lubricants	(6)	0.00%	(9)	0.00%	3	(33.33%)
- office supplies and consumables	(21)	0.00%	(23)	0.00%	2	(8.70%)
- sanitary materials	(9)	0.00%	(7)	0.00%	(2)	28.57%
- promotional materials	(8)	0.00%	(14)	0.00%	6	(42.86%)
- other materials	(7)	0.00%	(13)	0.00%	6	(46.15%)
<b>Hired services expenses</b>	<b>(26,807)</b>	<b>1.53%</b>	<b>(20,339)</b>	<b>0.79%</b>	<b>(6,468)</b>	<b>31.80%</b>
- costs for storage of natural gas	(14,318)	0.82%	(13,228)	0.52%	(1,090)	8.24%
- LNG gas transmission services adjustment	36	(0.00%)	-	0.00%	36	-
- costs under BEH management contracts	(111)	0.01%	(283)	0.01%	172	(60.78%)
- license fees	(1,351)	0.08%	(2,671)	0.10%	1,320	(49.42%)
- fees for Gas Hub Balkan	(219)	0.01%	(588)	0.02%	369	(62.76%)
- insurances	(335)	0.02%	(396)	0.02%	61	(15.40%)
- rents	(258)	0.01%	(259)	0.01%	1	(0.39%)
- court fees and costs	(5,977)	0.34%	(601)	0.02%	(5,376)	894.51%
- consulting and auditing services	(2,851)	0.16%	(1,507)	0.06%	(1,344)	89.18%
- communications	(373)	0.02%	(249)	0.01%	(124)	49.80%
- remunerations of audit committee members	(152)	0.01%	(130)	0.01%	(22)	16.92%
— building maintenance	(1)	0.00%	(2)	0.00%	1	(50.00%)
- utilities	(42)	0.00%	(45)	0.00%	3	(6.67%)
- subscription service	(26)	0.00%	(18)	0.00%	(8)	44.44%
- repair and technical maintenance	(8)	0.00%	(11)	0.00%	3	(27.27%)
- parking spaces and other costs for motor vehicles	(19)	0.00%	(20)	0.00%	1	(5.00%)

STATEMENT OF COMPREHENSIVE INCOME	As at 31 December 2024		As at 31 December 2023		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
- visa and translation services	(32)	0.00%	(26)	0.00%	(6)	23.08%
- security	(149)	0.01%	(134)	0.01%	(15)	11.19%
- occupational medicine	(6)	0.00%	(4)	0.00%	(2)	50.00%
- fees — Energy and Water Regulatory Commission (EWRC) for price approval	(13)	0.00%	(34)	0.00%	21	(61.76%)
- other services	(602)	0.00%	(133)	0.01%	(469)	352.63%
<b>Costs for unused capacity</b>	<b>(295,219)</b>	<b>16.84%</b>	<b>(106,038)</b>	<b>4.13%</b>	<b>(189,181)</b>	<b>178.41%</b>
<b>Employee benefits and social security expenses</b>	<b>(4,917)</b>	<b>0.28%</b>	<b>(4,516)</b>	<b>0.18%</b>	<b>(401)</b>	<b>8.88%</b>
- employee benefits expenses	(4,255)	0.25%	(3,830)	0.15%	(425)	11.10%
- compensated leaves costs	(161)	0.01%	(238)		77	(32.35%)
- employment service costs (retirement)	(28)	0.00%	(22)	0.00%	(6)	27.27%
- social security expenses	(473)	0.03%	(426)	0.02%	(47)	11.03%
<b>Recognized (accrued) provision expenses</b>	<b>-</b>	<b>0.00%</b>	<b>(615)</b>	<b>0.02%</b>	<b>615</b>	<b>(100.00%)</b>
<b>Other expenses</b>	<b>(4,065)</b>	<b>0.23%</b>	<b>(1,121)</b>	<b>0.04%</b>	<b>(2,944)</b>	<b>262.62%</b>
- penalties on delayed payments	-	0.00%	(15)	0.00%	15	(100.00%)
- business trips and entertainment costs	(45)	0.00%	(78)	0.00%	33	(42.31%)
- trainings	(18)	0.00%	(13)	0.00%	(5)	38.46%
- one-off taxes	(40)	0.00%	(21)	0.00%	(19)	90.48%
- membership in the organization	(17)	0.00%	(5)	0.00%	(12)	240.00%
- donations	(12)	0.00%	(28)	0.00%	16	(57.14%)
- Costs for reinvoiced capacity	(3,933)	0.22%	(961)	0.04%	(2,972)	309.26%
<b>Profit before interest depreciation taxes</b>	<b>(254,674)</b>		<b>700</b>		<b>(255,374)</b>	<b>(36 482.00%)</b>
<b>Depreciation charges</b>	<b>(428)</b>	<b>0.02%</b>	<b>(399)</b>	<b>0.02%</b>	<b>(29)</b>	<b>7.27%</b>
<b>Profit/(loss) from operating activities</b>	<b>(255,102)</b>		<b>301</b>		<b>(255,403)</b>	<b>(84 851.50%)</b>
<b>Financial income/(expenses)-net</b>	<b>(56,717)</b>		<b>(50,514)</b>		<b>(6,203)</b>	<b>(12.28%)</b>
<b>Financial income</b>	<b>244</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>	<b>244</b>	<b>-</b>
- Interest income on cash and cash equivalents	244	100.00%	-	-	244	-
<b>Financial costs</b>	<b>(51,996)</b>	<b>100.00%</b>	<b>(44,157)</b>	<b>100.00%</b>	<b>(7,839)</b>	<b>17.75%</b>
- Interest costs on payment of obligations according to defined benefit plans	(10)	0.02%	(10)	0.02%	-	0.00%
Interest expense on loans to related entities — Ministry of Energy	(16,331)	31.41%	(16,857)	38.18%	526	(3.12%)
Interest expense on loans to related entities — BEH	(20,742)	39.89%	(21,321)	48.28%	579	(2.72%)

STATEMENT OF COMPREHENSIVE INCOME	As at 31 December 2024		As at 31 December 2023		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
Interest expense on loans to banks	(8,220)	15.81%	(10)	0.02%	(8,210)	82 100.00%
Interest expense on tax liabilities	(395)	0.76%	(220)	0.50%	(175)	79.55%
- interest expenses under rental agreements	(8)	0.01%	(12)	0.03%	4	(33.33%)
- bank guarantee costs	(1,056)	2.03%	(467)	1.06%	(589)	125.12%
- bank fees	(5,234)	10.07%	(5,260)	11.91%	26	(0.49%)
Other financial revenues/expenses — currency differences	(4,965)	100.00%	(6,357)	100.00%	1,392	(21.90%)
Foreign exchange rate gain/loss	(4,965)	100.00%	(6,357)	100.00%	1,392	(21.90%)
<b>Profit/(loss) before tax</b>	<b>(311,819)</b>		<b>(50,213)</b>		<b>(261,606)</b>	<b>520.99%</b>
<b>Income from/(expenses on) profit taxes</b>	<b>(4,070)</b>		<b>(2,168)</b>		<b>(1,902)</b>	<b>87.73%</b>
<b>Net profit/(loss) for the period</b>	<b>(315,889)</b>		<b>(52,381)</b>		<b>(263,508)</b>	<b>503.06%</b>

## 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 1,498,243 thousand as at 31 December 2024 (as at 31 December 2023: BGN 2,566,942 thousand). The decrease of BGN 1,068,699 thousand or 41.63% is due to both the decrease in price compared to the previous reporting period and the decrease in consumption compared to the previous year. The net result from the sale of natural gas as at 31 December 2024 amounts to profit of BGN 118,951 thousand (as at 31 December 2023 it was BGN 159,256 thousand), which makes an increase of BGN 40,305 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, expenses for remunerations of key management staff, social security and allowance expenses, provision expenses and others. As at 31 December 2024, they amount to BGN 1,752,917 thousand (as at 31 December 2023: BGN 2,566,242 thousand), which is a decrease of BGN 813,325 thousand or 31.69%.

- The largest relative share of the total expenses is the cost of natural gas sold as at 31 December 2024 in the amount of BGN 1,316,578 thousand (as at 31 December 2023: BGN 2,348,460 thousand).
- The impairment cost as at 31 December 2024 is BGN 105,277 thousand (as at 31 December 2023: BGN 85,058 thousand, which represents an increase of BGN 20,219 thousand. These costs include accounts receivable impairment costs, natural gas impairment costs, and a cost of written-off accounts receivable for uncollected 2023 minimum annual volumes, which were uncollected receivables. In 2024, as a result of active actions by the management of Bulgargaz, agreements were reached and customers signed additional agreements, whereby in exchange for the amount paid on the basis of clause 5.2 of the Supply Contract, they should receive in the calendar year 2025 the minimum annual quantities not accepted in 2023. The revenue from these agreements will be reflected in 2025 as the delivery of the unaccepted quantities under the concluded supplemental agreements will then take place. Also included are expenses

for a written-off receivable from a penalty under a recognized force majeure with the customer Toplofikacia Ruse in the amount of BGN 15,008 thousand.

- The cost of materials as at 31 December 2024 is BGN 54 thousand (as at 31 December 2023: BGN 95 thousand), which makes a decrease of BGN 41 thousand or 43.16%. Materials costs include stationery and supplies, sanitary materials, auto parts, tires and other materials.
- The hired services expenses as at 31 December 2024 are BGN 26,807 thousand (as at 31 December 2023: BGN 20,339 thousand), which makes an increase of BGN 6,468 thousand or 31.80%.
- The cost of unused capacity as at 31 December 2024 are BGN 295,219 thousand (as at 31 December 2023: BGN 106,038 thousand), which makes an increase of BGN 189,181 thousand or 178.41%. The amount of costs as at 31 December 2024 includes unused capacity from Botaş, ICGB, Desfa, and Gastrade and as at 31 December 2023 from Desfa, Depa.
- Expenses for remuneration and insurance as at 31 December 2024 amount to BGN 4,917 thousand (as at 31 December 2023: BGN 4,516 thousand), which makes an increase of BGN 401 thousand or 8.88%. This increase is due to the increase in the maximum insurable income in 2024 compared to 2023 by 10%.
- Other expenses as at 31 December 2024 are in the amount of BGN 4,065 thousand (as at 31 December 2023: BGN 1,121 thousand), which makes a decrease of BGN 2,944 thousand.

The result from operating activities is a loss of BGN 255,102 thousand as at 31 December 2024 (as at 31 December 2023: profit amounting to BGN 301 thousand), which is an increase of the loss by BGN 255,405 thousand. The loss for the period is attributable to the unused capacity costs as well as impairment costs concerning financial and non-financial assets.

After reflecting the financial income and expenses as at 31 December 2024, the financial result before taxes is a loss of BGN 311,819 thousand (as at 31 December 2023: loss: BGN 50,213 thousand), which is an increase of the loss by BGN 261,606 thousand or 520.99%.

## VIII. STATEMENT OF FINANCIAL POSITION

As at 31 December 2024, the Company's assets amount to BGN 1,899,646 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:

Assets	As at 31 December 2024		As at 31 December 2023		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
<b>Non-current assets</b>						
Plant and equipment	223	0.90%	360	1.25%	(137)	(38.06%)
Intangible assets	313	1.27%	243	0.84%	70	28.81%
Deferred tax assets	24,157	97.83%	28,228	97.91%	(4,071)	(14.42%)
<b>Total amount of non-current assets</b>	<b>24,693</b>	<b>100.00%</b>	<b>28,831</b>	<b>100.00%</b>	<b>(4,138)</b>	<b>(14.35%)</b>
<b>Current assets</b>						
<b>Inventories</b>	<b>305,980</b>	<b>16.32%</b>	<b>499,799</b>	<b>25.89%</b>	<b>(193,819)</b>	<b>(38.78%)</b>
- natural gas	305,969	16.32%	499,788	25.89%	(193,819)	(38.78%)
- materials	11	0.00%	11	0.00%	-	0.00%
<b>Trade and other receivables and contract assets</b>	<b>1,567,719</b>	<b>83.61%</b>	<b>1,428,587</b>	<b>74.00%</b>	<b>139,132</b>	<b>9.74%</b>

000'BGN

Assets	As at 31 December 2024		As at 31 December 2023		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
- trade receivables from sale of natural gas	953,765	50.87%	770,716	39.92%	183,049	23.75%
- contract assets	37,014	1.97%	85,096	4.41%	(48,082)	(56.50%)
- court and awarded receivables, net	33,565	1.79%	31,550	1.63%	2,015	6.39%
<b>- Advance payments</b>	<b>456,017</b>	<b>24.32%</b>	<b>461,485</b>	<b>23.90%</b>	<b>(5,468)</b>	<b>(1.18%)</b>
- prepaid advances for natural gas delivery	453,424	24.18%	461,453	23.90%	(8,029)	(1.74%)
- prepaid services	2,593	0.14%	-	0.00%	2,593	-
- prepaid advances for delivery of fixed assets	0	0.00%	32	0.00%	(32)	(100.00%)
- receivables under contracts with Gazprom	21,861	1.17%	20,554	1.06%	1,307	6.36%
- receivables from related parties (natural gas, deposits and guarantees)	40,007	2.13%	41,342	2.14%	(1,335)	(3.23%)
- other receivables	25,490	1.36%	17,844	0.92%	7,646	42.85%
<b>Cash and cash equivalents</b>	<b>1,254</b>	<b>0.07%</b>	<b>2,265</b>	<b>0.12%</b>	<b>(1,011)</b>	<b>(44.64%)</b>
<b>Total amount of current assets</b>	<b>1,874,953</b>	<b>100.00%</b>	<b>1,930,651</b>	<b>100.00%</b>	<b>(55,698)</b>	<b>(2.88%)</b>
<b>Total assets</b>	<b>1,899,646</b>		<b>1,959,482</b>		<b>(59,836)</b>	<b>(3.05%)</b>

## 1. Non-current assets

The non-current assets as at 31 December 2024 amounted to BGN 24,693 thousand (as at 31 December 2023: BGN 28,831 thousand), which makes an increase of BGN 4,138 thousand or 14.35%. Non-current assets during the reporting period are formed by non-current tangible and intangible assets in the amount of BGN 536 thousand and deferred tax assets for BGN 24,157 thousand.

## 2. Current assets

The current assets of the Company as at 31 December 2024 amount to BGN 1,874,953 thousand (as at 31 December 2023: BGN 1,930,651 thousand), representing a decrease of BGN 55,698 thousand or 2.88% 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 at 31 December 2024, the outstanding gross receivables under the natural gas supply contract of Toplofikacia Sofia EAD to Bulgargaz EAD amount to BGN 985,525 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 31 December 2024, inventories amount to BGN 305,980 thousand (31 December 2023: BGN 499,799 thousand), which makes a decrease of BGN 193,819 thousand or 38.78%. This is due to higher withdrawal in 2024 compared to the same period in 2023 at UGS Chiren. The usual seasonal nature of the activity implies that in the summer period of the year the Company injects natural gas into UGS Chiren, and during the winter months withdraws 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 withdrawal from the gas storage in 2023, with production being limited. During the period January—December 2024, the company withdrew significant amounts of 675 MWh from UGS Chiren.

➤ *Prepaid advances*

The prepaid advances as at 31 December 2024 amount to BGN 456,017 thousand (31 December 2023: BGN 461,485 thousand), which makes a decrease of BGN 5,468 thousand or 1.18%. 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 at 31 December 2024 is in the amount of 1,030 thousand. MWh (as at 31 December 2023: 1,358 thousand MWh).

➤ *Cash*

The Company's cash in current accounts at the end of the reporting period amounted to BGN 1,254 thousand (as at 31 December 2023: BGN 2,265 thousand), which makes an increase of BGN 1,011 thousand or 44.64%.

Bulgargaz EAD uses overdrafts from commercial banks in 2024 to cover its operating expenses — two state-guaranteed overdrafts with a total limit of BGN 234,700 thousand. As at 31 December 2024, the disbursements from the overdrafts are as follows:

- unsecured bank loans of an overdraft type — as at 31 December 2024 the overdrafts are repaid and the contracts are terminated (as at 31 December 2023 the funds withdrawn amounted to BGN 24,526 thousand).
- state guaranteed loans of an overdraft type — as at 31 December 2024 funds used amounted to BGN 199,020 thousand. (as at 31 December 2024, the withdrawn part is 0 BGN)

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

000 'BGN

Equity and liabilities	As at 31 December 2024		As at 31 December 2023		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
<b>Equity</b>						
Share capital	231,698	(121.71%)	231,698	184.60%	-	0.00%
<b>Reserves</b>	<b>21,133</b>	<b>(11.10%)</b>	<b>21,130</b>	<b>16.83%</b>	<b>3</b>	<b>0.01%</b>
incl. statutory reserves	21,166	(11.12%)	21,166	16.86%	-	0.00%
Other reserves	(33)	0.02%	(36)	(0.03%)	3	8.33%
Accumulated loss/Retained earnings	(127,313)	66.88%	(74,932)	(59.70%)	(52,381)	69.90%
Profit/loss for the current period	(315,889)	165.93%	(52,381)	(41.73%)	(263,508)	503.06%
<b>Total equity</b>	<b>(190,371)</b>	<b>100%</b>	<b>125,515</b>	<b>100%</b>	<b>(315,886)</b>	<b>(251.67%)</b>
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Loans:	<b>570,000</b>	<b>91.35%</b>	<b>1,170,000</b>	<b>95.59%</b>	<b>(600,000)</b>	<b>(51.28%)</b>
- Short-term loans from related parties BEH	570,000	91.35%	370,000	30.23%	200,000	54.05%
- Loans ME	0	0.00%	800,000	65.36%	(800,000)	(100.00%)
Lease obligation	59	0.01%	125	0.01%	(66)	(52.80%)
Provisions	53,715	8.61%	53,715	4.39%	0	0.00%
Retirement benefits obligations	176	0.03%	167	0.01%	9	5.39%
<b>Total amount of non-current liabilities</b>	<b>623,950</b>	<b>100.00%</b>	<b>1,224,007</b>	<b>100.00%</b>	<b>(600,057)</b>	<b>(49.02%)</b>
<b>Current liabilities</b>						
<b>Borrowings</b>	<b>1,060,603</b>	<b>72.34%</b>	<b>307,468</b>	<b>50.41%</b>	<b>753,135</b>	<b>244.95%</b>
- related party received loans payable	861,453	58.76%	282,942	46.39%	578,511	204.46%
- bank overdraft loans payable	199,020	13.58%	24,526	4.02%	174,494	711.47%
- bank overdraft loans payable	130	0.01%	0	0.00%	130	-
<b>Trade and other payables</b>	<b>405,304</b>	<b>27.65%</b>	<b>297,159</b>	<b>48.72%</b>	<b>108,141</b>	<b>36.39%</b>
- trade payables	293,471	20.02%	196,224	32.17%	97,247	49.56%
- liabilities to related parties	10,210	0.70%	8,694	1.43%	1,516	17.44%
- advances received from customers for the sale of natural gas	36,421	2.48%	23,983	3.93%	12,438	51.86%
- VAT payable	40,557	2.77%	47,240	7.74%	(6,683)	(14.15%)
- excise duty payable	1,412	0.10%	1,070	0.18%	342	31.96%
- payables to employees	208	0.01%	252	0.04%	(44)	(17.46%)
- liabilities to insurance companies	115	0.01%	115	0.02%	0	0.00%
- other liabilities	22,910	1.56%	19,581	3.21%	3,329	17.00%
<b>Lease obligation</b>	<b>129</b>	<b>0.01%</b>	<b>188</b>	<b>0.03%</b>	<b>(59)</b>	<b>(31.38%)</b>
<b>Profit tax liability</b>	<b>-</b>	<b>0.00%</b>	<b>5,111</b>	<b>0.84%</b>	<b>(5,111)</b>	<b>(100.00%)</b>
<b>Retirement benefits obligations</b>	<b>31</b>	<b>0.00%</b>	<b>34</b>	<b>0.01%</b>	<b>(3)</b>	<b>(8.82%)</b>
<b>Total amount of current liabilities</b>	<b>1,466,067</b>	<b>100.00%</b>	<b>609,960</b>	<b>100.00%</b>	<b>856,107</b>	<b>140.35%</b>

Equity and liabilities	As at 31 December 2024		As at 31 December 2023		Change	
	000'BGN	% of the total	000'BGN	% of the total	000'BGN	%
<b>Total liabilities</b>	<b>2,090,013</b>		<b>1,833,967</b>		<b>256,050</b>	<b>13.96%</b>
<b>Total equity and liabilities</b>	<b>1,899,646</b>		<b>1,959,482</b>		<b>(59,836)</b>	<b>(3.05%)</b>

### 3.1. Capital structure

The registered share capital as at 31 December 2024 amounted to BGN 231,698 thousand, as there is no change compared to the previous reporting period.

As at 31 December 2024, the accrued loss from past years amounted to BGN 127,313 thousand (as at 31 December 2023: the accrued loss is BGN 74,932 thousand). The change as at 31 December 2024 is BGN 52,381 thousand.

The financial result for 2024 is a loss of BGN 315,889 thousand (for 2023 it is a loss of BGN 52,381 thousand), resulting in a negative value of equity. The loss is mainly due to unused capacity costs as well as impairment costs and financial costs for interest on extended loans.

### 3.2. Non-current liabilities

The non-current liabilities as at 31 December 2024 amounted to BGN 623,950 thousand (as at 31 December 2023: BGN 1,224,007 thousand), which is a decrease of BGN 600,057 thousand. Non-current liabilities are formed by two loans received from the sole owner BEH EAD, 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 at 31 December 2024, the Company has utilized cash loans from the sole owner BEH EAD for the amount of BGN 630,000 thousand, of which BGN 570,00 thousand in the form of non-current liabilities.

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

The provision accrued as at 31 December 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 [sic] amounted to EUR 77,068 thousand.

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. In 2024, no interest was charged on the fine imposed.

### **3.3. Current liabilities**

As at 31 December 2024, the current liabilities amount to BGN 1,466,067 thousand (as at 31 December 2023: BGN 609,960 thousand), which makes an increase of BGN 856,107 thousand.

#### *➤ Borrowed funds*

As at 31 December 2024, the Company has withdrawn loans in the total amount of BGN 1,060 603 thousand (as at 31 December 2023: BGN 307,468 thousand), which makes an increase of BGN 753,135 thousand. This increase was caused by the reclassification of loans from non-current liabilities to current liabilities as follows:

- a loan from the Ministry of Energy in the amount of BGN 800,000 thousand,
- loan received from Bulgarian Energy Holding EAD in the amount of BGN 60,000 thousand.

At the same time, a new maturity of a loan from Bulgarian Energy Holding EAD, in the amount of BGN 200,000 thousand, was renegotiated in 2024, which led to its reclassification from a current liability to a non-current liability.

➤ *Trade payables*

As at 31 December 2024, trade and other liabilities increased by BGN 108,145 thousand or by 36.39% compared to 31 December 2023 mainly due to the net effect of:

- ✓ an increase in trade payables by BGN 97,247 thousand or by 49.56% compared to 31 December 2023. This increase is due to the accumulated liabilities on capacity invoices to Botaş.
- ✓ an increase in advances received from customers for the sale of natural gas by BGN 12,438 thousand or by 51.86% more 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 31 December 2024	As at 31 December 2023	Change	
	000'BGN	000'BGN	000'BGN	%
Net cash flows from operating activity	(104,713)	(112,212)	7,499	(7.16%)
Net cash flows from investing activity	(402)	(355)	(47)	(11.69%)
Net cash flows from financing activity	104,154	(91,406)	195,560	(95.88%)
<b>Net change in cash and cash equivalents during the period</b>	<b>(961)</b>	<b>(203,973)</b>	<b>203,012</b>	<b>(99.53%)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,269</b>	<b>207,544</b>	<b>(205,275)</b>	<b>(98.91%)</b>
Exchange profit/loss on cash and cash equivalents	(53)	(1,302)	1,249	(95.93%)
<b>Impairment of cash under IFRS</b>	<b>(1)</b>	<b>(4)</b>	<b>3</b>	<b>(75.00%)</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,254</b>	<b>2,265</b>	<b>(1,011)</b>	<b>(44.66%)</b>

The net cash flow from operating activities of the Company as at 31 December 2024 was negative in the amount of BGN 104,713 thousand (as at 31 December 2023: negative in the amount of BGN 112,212 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 402 thousand, which represents an increase by BGN 47 thousand compared to 31 December 2023.

Net cash flows from financial activities are positive in the amount of BGN 104,154 thousand (as at 31 December 2023: negative in the amount of BGN 91,406 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 31 December 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 31 December 2024	As at 31 December 2023
Current liquidity ratio	1.28	3.17
Quick liquidity ratio	1.07	2.35

The current liquidity ratio as at 31 December 2024 is 1.28, which shows that the available current assets can cover one time the current liabilities of the Company (as at 31 December 2023: 3.17).

The quick liquidity ratio is 1.07, which shows that the available current assets reduced by inventories can cover one time the current liabilities of the Company (as at 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 31 December 2024	As at 31 December 2023
Solvency ratio	(0.09)	0.07
Debt ratio	(10.98)	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 31 December 2024 is -0.09 (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 31 December 2024 is -10.98 (as at 31 December 2023: 14.61).

### 3. Cost-effectiveness ratio

Indicators	As at 31 December 2024	As at 31 December 2023
Cost-effectiveness ratio	0.826	0.981

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. NON-FINANCIAL INFORMATION**

### **1. Non-financial resources**

In the current globalised environment and highly competitive environment, one of the pillars of the Company's strategic management is the focus on the financial dimension of value associated with intangible resources. In order to create sustainable long-term benefits, we analyse key issues related to the management of intangible resources by implementing practices to identify and measure them.

The Company's intangible resources consist of the licenses, permits and certificates obtained for and in the course of its principal business related to public natural gas supply and trade as disclosed in Part I. GENERAL COMPANY INFORMATION of this report.

They are as follows:

- 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. As at 16 September 2021, the Company holds a Natural Gas Trading License No JI-548-15 [L-548-15] 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.
- 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).
- On 20 June 2023, by Decision No 0024/2023/P-PE of the Vice President of the Regulatory Office for Network Industries, Slovak Republic, a Permit No 2023P 0370 was issued to Bulgargaz EAD for carrying out activities in the energy sector — gas supply. The validity period of the permit is indefinite.
- By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), the economic operator Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The decision is for a period of 1 (one) year.
- On 12 December 2024 by Decision No H4955/2024 the Hungarian Energy and Public Utility Regulatory Authority granted Bulgargaz EAD a licence to trade in natural gas in Hungary. This licence shall be valid from the date of notification for an indefinite period of time, provided that the licence holder is actually and lawfully carrying on gas trading activities in a Member State of the European Union or in another State party to the Agreement on the European Economic Area and holds an operating licence for a specified period of time.
- Bulgargaz EAD is a registered user of the gas transmission networks of Bulgartransgaz EAD-Bulgaria, DESFA SA-Greece, TRANSGAZ SA-Romania, ICGB Bulgaria, GASTRANS d.o.o. -Serbia.

These resources cannot be autonomously measured and transferred, but contribute to promoting and integrating the value.

### **2. Environmental systems, policies and regulations.**

Bulgargaz EAD, as a public supplier of natural gas, does not carry out any production activities and does not have any production facilities with environmental impact. The Company does not own infrastructure facilities (linear and site facilities), but only uses services in connection with the operation of these facilities, provided by the operator of these facilities — Bulgartransgaz EAD. Bulgargaz EAD carries out only commercial activity — purchase of natural gas for the purpose of its sale to customers.

In view of the above, the Company mainly uses electricity to administer its operations and fuel for its company vehicles (diesel), which have a direct bearing on environmental pollution.

The Company participates in the ‘Sustainability Committee’ as required by section 1.3 of the Environmental and Social Action Plan (ESAP) with its representatives appointed by Order of the Executive Director of Bulgarian Energy Holding EAD (BEH EAD). The Company submits corporate, environmental and social information annually and upon request by BEH EAD.

The Sustainable Energy Development Agency (the Agency) [SEDA], with the status of an executive agency of the Ministry of Energy (MoE), is responsible for carrying out activities to implement the state policy for increasing the energy efficiency of the country, providing energy services and improving their quality of supply. According to the provisions of the Energy Efficiency Act (EEA), Bulgargaz is included in the list of obliged entities under Article 14a, paragraph 4, item 3. The obligations of Bulgargaz arising from the Energy Efficiency Act are expressed in the annual provision of information to the SEDA regarding the quantities of energy sold to end customers, on the basis of which individual energy savings targets are set and reporting on their implementation. As at 01 June 2024 Bulgargaz has realized 100% of the individual targets set by the SEDA for the period 2021—2024. The performance has been achieved through a survey of Bulgargaz customers and calculated according to the Methodology for estimation of energy savings after fuel switching to natural gas (gasification), approved by Order № E – ПД – 16 – 90/2022 [E – RD – 16 – 90/2022] of the Minister of Energy and through the purchase of energy savings from an obliged person from the list of obliged persons under Article 14a, paragraph 4 of the EEA, as a result of a transparent procedure for the purchase of long-term energy savings. In this way, Bulgargaz meets both its individual targets and the cumulative ones regulated through an energy savings obligation scheme and alternative measures to ensure the achievement of an overall cumulative energy savings target for final energy consumption for the period from 1 January 2021 to 31 December 2030.

Bulgargaz is to develop its sustainability policy in relation to the implementation of the ESG standard. In this regard, the company currently purchases water in glass bottles as well as in 100% recyclable PET packaging, which leave a lower carbon footprint on nature. Another measure that has been adopted is the replacement of white copy paper with 100% recycled paper to be used by employees in their operational activities, as the bleaching of the paper involves the use of chemicals and chlorine that have a negative impact on the environment. Waste office paper (pre-sorted), as well as end-of-life office and electronic equipment, batteries, old tires, and other types of waste are also subject to recovery and recycling, and are handed over to Ecologika Bulgaria EOOD. The company is ISO-certified, has permits for waste handling, has developed a quality, environmental, health and safety policy with which Bulgargaz EAD has contractual relations. Last but not least, separate waste collection containers will be placed in the company’s building in a convenient location for all employees.

### 3. Monitoring of environmental indicators and resources used in the production process.

Indicators	Unit of measurement	Value
CO <sub>2</sub>	Tons of CO <sub>2</sub> / for the period 2021–2024 (as at 31 December 2024)	193.12
Electricity	tonnes of Co2 emitted	43.036
Diesel fuel company vehicles	tonnes of Co2 emitted	5.47

Year	Electricity consumption in kWh	Emission factor (gr CO <sub>2</sub> /kWh)	tonnes of Co2 emitted
2021	66.695	404	26.945
2022	79.632	517	41.170
2023	78.200	517	40.429
2024	83.973	513	43.036

Gas/Diesel Oil for a three-year period	Fuel consumed in litres	emission factor (t CO <sub>2</sub> /l)	tonnes of Co2 emitted
2021	6.644	0.00272	18.09
2022	3.624	0.00272	9.87
2023	2.979	0.00272	8.11
2024	2.009	0.00272	5.47

### 4. Staff allocation.

Allocation of staff according to the national classification of occupations and positions:

	Number
Heads	13
including women	7
Specialists	32
including women	24
Technicians and application specialists	1
including women	-
Administrative support staff	2
including women	2
Heads	13
including women	7
Machine operators and assemblers	3
including women	-
Occupations not requiring special qualifications	3
including women	3

**4.1. Distribution of staff according to education completed:**

	Number
Higher education	47
including women	33
Secondary education	7
including women	3

**4.2. Distribution of staff according to age:**

	Number
Age 18–30 years	4
including women	3
Age 31–40 years	14
including women	8
Age 41–50 years	17
including women	13
Age 51–60 years	16
including women	9
Age over 60 years	3
including women	3

**5. Professional development and social costs. Reported results:**

Indicators	Value / BGN thousand/
Training, qualifications and seminars	18
Donations and social events	12
Social costs incl.:	1,509
Free food, work clothes, personal protective equipment	545
Medical service	30
Other	934

Indicators	Number
Training conducted	13
Medical examinations conducted	1
Measurement of work environment factors	1
Occupational accidents	0
Other	0



## 6. Energy Sector Anti-Corruption Plan.

In Bulgargaz EAD, in accordance with the current Internal Rules with anti-corruption focus 'Rules for internal reporting of violations and follow-up actions on them' (the Rules), the procedure, manner and conditions for receiving, registering and examining reports are defined. These have been developed in accordance with Article 14 of the Whistleblower or Whistleblower Protection Act, adopted and approved by the Company's Board of Directors as appropriate.

The employees of the Company are familiar with the Rules available in the internal information system of Bulgargaz EAD and have certified the above with their signatures.

The information channels provided are checked daily for whistleblowing and a summary report is made to the Company's CEO on a six-monthly basis.

For the year 2024, there were no whistleblower reports filed, respectively registered and considered, with the Company.

## 7. Key risks relating to environmental and social issues, employees, respect for human rights, anti-corruption and bribery that are relevant to the company's activities and that are likely to cause adverse impacts in these areas, and how the company manages these risks.

### ➤ *Regarding risks related to environmental issues, accidents and disasters:*

As a public supplier and trader of natural gas, Bulgargaz EAD does not carry out any production activities and has no production facilities that have an impact on the environment. The Company does not own infrastructure facilities (linear and non-linear), but only uses services related to their operation provided by the operators of these facilities. Bulgargaz EAD carries out only commercial activity — purchase of natural gas for the purpose of its sale to customers. In view of this, the company is not subject to environmental requirements.

The Company has developed a 'Disaster and Accident Protection Plan' based on the Disaster Protection Act which is updated as and when required. The main objectives in developing the plan are:

- ✓ Performing disaster risk analyses and assessments for disasters occurring on the Company's premises and identifying preventive measures to reduce the adverse impact resulting from disasters, organizing and coordinating actions to prevent or reduce the consequences of the disaster;
- ✓ Establishment of a preliminary organization of a working group at Bulgargaz EAD to implement a package of preventive measures to protect the life and health of the Company's personnel and/or reduce the impact of harmful factors arising as a result of disasters.
- ✓ Orders have been issued in connection with the Disaster Protection Act and the Ordinance on Fire Safety Rules for Operation of Establishments, regulating the procedure and the persons responsible for general management, coordination and control, in order to protect the company's employees in the event of disasters and accidents.
- ✓ The company has provided twenty-four hour, continuous physical security with access control.

This ensures the implementation of the measures set out in the National Disaster Protection Plan of the Republic of Bulgaria.

### ➤ *On risks related to social issues, respect for human rights, anti-corruption and anti-bribery:*

We have a Human Resource Management Strategy for the Company in place;

The working environment in the office of Bulgargaz EAD is standard and is not characterized by increased risk to health and safety at work.

The Company complies with the legal requirements for ensuring healthy and safe working conditions introduced by the current regulations in this area. To this end, we have a contract with the Occupational Health Service, which provides regular preventive examinations of employees as well as measurements of certain factors in the office environment. Also in accordance with the statutory provisions of the Occupational Health and Safety Act (OHSA), all employees of the company undergo any relevant instruction/training to comply with the OHSA.

In order to cover the social needs of the employees under Article 294 of the Labour Code, the employer has issued an internal order providing for a social package for the employees of the company within the framework of the above-mentioned legal provisions.

The Company observes and promotes respect for internationally recognised human rights and considers the protection of the integrity, health, rights and welfare of its employees to be an element of paramount importance to the performance and development of its business.

The Company's activity is guided by established ethical rules of conduct, and to this end, the Company is committed to managing its human resources activities in accordance with established standards, not to use or support the exploitation of child labour, to provide equal development opportunities for each of its employees, and not to tolerate discriminatory behaviour and actions.

In this regard, the Company has adopted and implemented internal rules and procedures, in particular:

- ✓ Recruitment, selection and appointment rules;
- ✓ Internal payroll rules;
- ✓ Internal Rules of Procedure;
- ✓ A code of ethics with an established complaint mechanism.
- ✓ Adopted and in force 'Internal Rules for Registration and Handling of Reports of Corruption and/or Conflict of Interest and for the Protection of Whistleblowers to Bulgargaz EAD', duly introduced by order, regulation and reporting deadlines.

This ensures a good environment for the Company's staff to perform their work duties.

## **XI. FINDINGS AND CONCLUSIONS**

The information as presented and analysed in the Activity Report of Bulgargaz EAD as at 31 December 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 31 December 2024:

- 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 August 2025 and the amount is USD 140,362 thousand.

2/ On 28 January 2025, due to a technical failure, the LNG terminal near Alexandroupolis ceased operation and the Terminal Operator, Gaztrade S.A., could not fix a date from which the terminal would be expected to resume operations. Therefore, Bulgargaz EAD requested a release of the bank guarantee that maintained credit protection in favour of Gaztrade S.A.

3/ To secure the natural gas supplies in January and February 2025, Bulgargaz EAD drew overdrafts from banking institutions, guaranteed by BEH, with a total limit of BGN 220 million.

There are no adjusting and other non-adjusting events occurring after the reporting period date that require additional disclosure or adjustments as of 31 December 2024.

Date: 19 May 2025

Iliyana Grigorova  
Teneva

Digitally signed by Iliyana  
Grigorova Teneva  
Date: 2025.05.19 14:57:12  
+03'00'

Veselin Sashev Sinabov

Digitally signed by Veselin  
Sashev Sinabov  
Date: 2025.05.19  
15:06:20 +03'00'

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**Iliyana Teneva**

Chief Accountant

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**Veselin Sinabov**

Executive Director



STATEMENT  
OF CORPORATE GOVERNANCE  
OF  
BULGARGAZ EAD

31 December 2024

## **I. GENERAL PROVISIONS**

This Statement of Corporate Governance provides information on the business model of Bulgargaz EAD (the Company), a description of the policies followed, the outcome of the policies and the principal risks relevant to the Company's activities, non-financial key performance indicators relevant to the specific business.

This Statement of Corporate Governance has been prepared in compliance with the requirements of Article 40, paragraph 1 of the Accounting Act and according to Article 100n, paragraph 8 in conjunction to paragraph 7, item 1 of the Public Offering of Securities Act (POSA) and it is published as an Annex to the annual report of the company for the year 2023.

## **II. DESCRIPTION OF THE COMPANY'S BUSINESS MODEL**

Bulgargaz EAD (the Company) 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 Municipality, Sofia 1000, Serdika district, 47 Petar Parchevich St.

Bulgargaz EAD shall operate in accordance with the provisions of the Commerce Act, the Public Enterprises Act, the Regulations for the Implementation of the Public Enterprises Act and other regulations in force in the Republic of Bulgaria. BULGARGAZ EAD is a sole-owned joint stock company, whose share capital is 100% owned by Bulgarian Energy Holding EAD. The ultimate owner of the Company is the Bulgarian Republic, through the Minister of Energy.

The Company has a one-tier management system. The Company's authorities are:

- The sole owner of the capital who decides on the issues within the competence of the General Meeting;
- Board of Directors, which has managerial, representative and control functions.

It is represented by an executive member of the Board of Directors (Executive Director).

The registered capital of the Company is divided into 231,698,584 ordinary, registered, non-preference shares with voting rights with a nominal value of BGN 1 (one lev) each. The amount of the capital is subscribed and fully paid by the sole owner of the capital — Bulgarian Energy Holding EAD.

The company is active in public supply of natural gas and 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.

*Statement of Corporate Governance*  
*31 December 2024*

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 [L-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 perpetual 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.

By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), the economic operator Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The decision is for a period of 1 (one) year.

By Decision No H4955/12 December 2024, the Hungarian Energy and Public Utility Regulatory Authority granted Bulgargaz EAD a licence to trade in natural gas in Hungary.

Bulgargaz EAD is a registered user of the gas transmission networks of Bulgartransgaz EAD – Bulgaria, DESFA SA – Greece, TRANSGAZ SA – Romania, ICGB Bulgaria, GASTRANS d.o.o. – Serbia.

**Regulatory acts governing the Company's activities:**

- Energy Act (EA), promulgated in SG, issue No 107 of 9 December 2003, amend. No 102 of 23 December 2022, effective from 1 January 2023;
- 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 5 April 2013, amend. No 95 of 3 December 2019 (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 5 April 2013, as amended and supplemented, No 25 of 29 March 2022 (Ordinance 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 4 August 2015, amend. No 57 of 19 July 2019;
- Regulation (EU) 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 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.

### **III. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 1 of the POSA**

Bulgargaz EAD shall, as appropriate, comply with the National Code of Corporate Governance in the edition adopted by the by the National Corporate Governance Commission on 1 July 2021, approved by the Financial Supervision Commission under Article 100n, paragraph 8, item 1, letter a) of the Public Offering of Securities Act with Decision No 850-KKY of 25 November 2021.

The Code is applied on the 'observe or explain' principle, i.e. in case of deviation the management shall clarify the reasons for this.

The implementation of the National Code of Corporate Governance is an expression of management's commitment to introduce and implement the Standards for Good Corporate Governance included in the Organisation for Economic Co-operation and Development Guidelines on Corporate Governance of Public Enterprises. The Company complies with the established principles and norms of corporate governance and fulfils the disclosure and transparency obligations set out in the regulations applicable to its activities. The Company will continue to strictly comply with these norms and principles.

### **IV. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 2 of the POSA**

The bylaws of the sole owner of the capital of the Company — Bulgarian Energy Holding EAD, do not specify the number of companies in which the members of the Board of Directors may hold management positions, nor do they limit the number of consecutive mandates of independent members of the Board of Directors. However, good practices are followed, without a legal requirement, to prevent a high concentration of control functions in one person in terms of individual companies.

The remuneration of the Board of Directors of Bulgargaz EAD is determined by the terms and conditions of the Regulations on the implementation of the Public Enterprises Act. Remunerations other than those specified in the Regulations are not allowed.

Bulgargaz EAD protects the rights of shareholders described in Chapter Three of the National Code of Corporate Governance, as long as there are no restrictions in their application in connection with the presence of one shareholder — Bulgarian Energy Holding EAD (the ultimate owner — the Bulgarian state).

Bulgargaz EAD has no approved disclosure policy. The Company strictly observes the requirements for disclosure of information regarding the term and completeness in accordance with the Bulgarian legislation and observing the instructions of the Minister of Energy. Information on the annual, half-yearly and quarterly financial statements, activity reports is published on the Company's website, on the website of the Ministry of Finance and through the web-based electronic information system for public enterprises of the Agency for Public Enterprises and Control.

Important and substantial information for its activity —which constitutes public information in terms of the Access to Public Information Act — is periodically published on the Company's website.

Bulgargaz EAD does not have approved rules for taking into account the interests of the stakeholders, but on all issues that directly or indirectly concern them, the relevant conciliation procedures are carried out.

## **V. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 3 of the POSA**

### **1. Internal Audit Unit**

By decision of the Board of Directors dated 18 June 2015, Bulgargaz EAD has established an Internal Audit Unit, which has been established as an independent department under the direct supervision of the Executive Director. The internal audit activity is performed in accordance with the requirements of the Internal Audit in the Public Sector Act. By decision of the Board of Directors of Bulgargaz EAD under item 2.1 of Minutes No 321 dated 21 December 2017 the statute of the Internal Audit Unit was approved, respectively the current statute of the Internal Audit Department was revoked /item 2.3 of Minutes No 321 dated 21 December 2017. Audit engagements for assurance and consulting are performed in Bulgargaz EAD.

The internal audit assists the management and employees of Bulgargaz EAD to achieve its objectives by:

- Identifying and assessing the risks in the Company with a view to allocating audit resources for maximum coverage of the audit environment;
- Assessing the adequacy and effectiveness of the financial management and control system with regard to:
  - a) the identification, assessment and risk management by the management of Bulgargaz EAD;
  - b) compliance with legislation, internal acts and contracts;
  - c) the reliability and comprehensiveness of financial and operational information;
  - d) the efficiency, effectiveness and economy of the activities;
  - e) protection of assets and information;
  - f) fulfilment of tasks and achievement of goals.
- Giving recommendations for improving the activities of Bulgargaz EAD.



## **2. Financial Management and Control System**

By Decision under item 1.1 of Minutes No 210 dated 14 April 2016 of the Board of Directors the Financial Management and Control System of Bulgargaz EAD was adopted (FMCS).

By Decision under item 2.1 and item 2.2 of Minutes No 322 dated 29 December 2017 of the Board of Directors of Bulgargaz EAD, the Financial Management and Control System of Bulgargaz EAD, adopted by a decision under item 1.1 of Minutes No 210 dated 14 April 2016 of the Board of Directors of Bulgargaz EAD has been revoked.

On 29 December 2017, the Financial Management and Control System of Bulgargaz EAD was approved by Decision under item 2.1 and item 2.2 of Minutes No 322 dated 29 December 2017 of the Board of Directors, which entered into force on 09 January 2018, amended and supplemented by Decision under item 2 of Minutes No 774/10 March 2023 of the Board of Directors, approved by order of the Executive Director on 13 March 2023.

The purpose of the FMCS is to provide reasonable assurance that the Company's objectives have been achieved through:

- compliance with the legislation, the internal acts of the Company and the concluded contracts, reliability and comprehensiveness of financial and operational information,
- economy, efficiency and effectiveness of activities,
- protection of assets and information.

The control environment includes:

- personal integrity and professional ethics of the employees in the Company,
- management philosophy and style of work,
- organizational structure ensuring division of responsibilities, hierarchy and clear rules, rights, obligations and levels of reporting,
- human resources management policy,
- competence of the staff.

## **3. БДC EN ISO 9001:2015 management system**

Since 4 June 2019, in connection with the implementation of its activities Bulgargaz EAD has been certified under БДC EN ISO 9001:2015 Management System in accordance with the procedures of the Certification Body for Management Systems at TÜV NORD Bulgaria EOOD. The main procedure 610-01 'Context of the organization and management of risks and opportunities' concerning the risk management policies in the Company is an integral part of the management system.

An integral part thereof are the risk management policies and procedures in Bulgargaz EAD.

The risk management policy aims to regulate the general framework of risk management processes. In general, it is a set of measures aimed at reducing the risk of errors at the stage of management decision-making and to minimize the possible negative consequences of the adopted decision at other stages of activity. In addition, the policy sets out the basic principles and practices for implementing risk management processes. The risk management policy identifies, assesses and manages the risks in the Company, assesses the adequacy and effectiveness of the financial management and control systems in the Company. The risk management strategy provides:

- Systematic and synchronous application of a unified risk management model in Bulgargaz EAD with common terminology, rules and procedures;
- Creating the necessary prerequisites for a successful risk management process; Raising awareness of risk management and focusing on key risk areas in the implementation of management functions;
- Stimulating the introduction and implementation of adequate and effective control mechanisms;
- Focusing the attention of the Company's managers on potential events that may negatively affect the achievement of strategic and operational objectives, possible ways to reduce their negative impact and the likelihood of their occurrence;
- Providing information about potential events, possible ways to reduce their negative impact and the likelihood of occurrence;
- Identification of the risks that may affect the lawful, efficient, effective and economical course of activities in the Company;
- Optimal use of the resources necessary for the implementation of the Company's activities;
- Protection of the institutional image and reputation of Bulgargaz EAD.

Control activities include written policies and procedures designed to give reasonable responsibility that risks are limited within the tolerances set in the risk management process. Control activities include:

- authorization and approval procedures,
- division of responsibilities in a way that does not allow one employee to have responsibility for approval, implementation, accounting and control at the same time,
- a double-signature system which does not allow a financial commitment or payment to be made without the signatures of the Executive Director and the person responsible for the accounting entries,
- rules for access to assets and information,
- procedures for full, accurate, correct and timely accounting of all transactions,
- reporting and verification of activities — evaluation of the efficiency and effectiveness of operations,
- monitoring procedures,
- rules for human resources management,

- rules for documenting all operations and actions related to the activity of the Company,
- rules for respecting personal integrity and professional ethics,
- the financial controller performs preliminary control for legitimacy before assuming an obligation and making an expense in Bulgargaz EAD.

## **VI. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 4 of the POSA**

1. Information under Article 10, paragraph 1, letter c) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 (Directive 2004/25/EC)

*Not applicable to the Company.*

2. Information under Article 10, paragraph 1, letter d) of Directive 2004/25/EC

*Not applicable to the Company.*

3. Information under Article 10, paragraph 1, letter f) of Directive 2004/25/EC

*There are no restrictions on voting rights.*

4. Information under Article 10, paragraph 1, letter h) of Directive 2004/25/EC

*The rules governing the appointment or replacement of board members are described in section VII of this Declaration. The sole owner of the capital amends and supplements the Articles of Association of the Company.*

5. Information under Article 10, paragraph 1, letter i) of Directive 2004/25/EC

*The powers of the members of the Board of Directors are described in section VII of this Declaration.*

## **VII. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 5 of the POSA**

The governing bodies of Bulgargaz EAD are:

- Sole owner of the capital;
- Board of Directors.

The company has appointed an Audit Committee under Article 107 of the Independent Financial Audit Act.

### **1. Sole owner of the capital**

#### **1.1. Statute**

The sole owner of the capital of the Company is Bulgarian Energy Holding EAD with UIC 831373560 (the 'Holding').

The rights of the Holding as Sole owner of the capital in the Company are exercised by the person (persons) representing the Holding as the principal of the Company and is the body authorized to take all decisions granted in the competence of the sole owner of capital under the law or the Articles of Association.

## **1.2. Competence**

- The sole owner of the capital has all the rights of a shareholder of the Company in accordance with the law and the Articles of Association. The sole owner of the capital decides on all issues that the law places within the competence of the general meeting of shareholders. In the cases provided by law, the sole owner of the capital seeks and receives from the State Energy and Water Regulatory Commission or other competent regulator the necessary permits or consents, if necessary for the exercise of its competence.
- The sole owner of the capital:
  - amends and supplements the Articles of Association of the Company;
  - increases and decreases the capital of the Company;
  - transforms and terminates the Company;
  - elects and dismisses the members of the Board of Directors and determines their remuneration; second the members of the Board of Directors abroad;
  - approve and update the company's business programme;
  - elects and dismisses the independent statutory auditor;
  - approves the annual financial statements after certification by the appointed independent statutory auditor;
  - takes decisions for the bonds issuance;
  - appoints the liquidators upon termination of the Company (except in case of insolvency), participates in the election of a statutory manager in the event that the circumstances for the appointment of a statutory manager under the Energy Act by the Energy and Water Regulatory Commission are present and concludes contracts with them;
  - releases from liability the members of the Board of Directors;
  - takes decisions for opening, transferring or closing branches of the Company;
  - gives permission for: disposal transactions with fixed assets and for the establishment of property rights over real estate, the value of which exceeds the lower of BGN 500 thousand or 5 per cent of the book value of fixed assets as at 31 December of the previous year; for contracts for the use or lease of real estate or assets, the book value of which exceeds 5 per cent of the book value of fixed assets as at 31 December of the previous year or for transactions for which (regardless of the value of the assets) authorization from the Energy and Water Regulatory Commission is required; receiving borrowings or credits, granting borrowings, granting guarantees (except for guarantees granted under the Public Procurement Act), assuming surety obligations and providing earmarked financing, granting guarantees to third parties, in cases where the value of each of the above exceeds the lower of BGN 500 thousand or 5 per cent of the total book value of fixed assets

as at 31 December of the previous year; acquisition of shares and/or stocks in other companies, as well as for disposal of shares and/or stocks owned by the Company in other companies; conclusion of joint activity agreements (the so-called joint venture); the assumption of promissory notes; the securing of obligations of the Company by the creation of a mortgage or pledge of fixed assets of the Company; the conclusion of a judicial or extrajudicial settlement recognizing obligations or forgiving a debt of the Company or forgiving a claim of the Company against third parties; a material change in the business of the Company; material organizational changes, for long-term cooperation of material importance to the Company, and for the termination of such cooperation;

- approves the election of insurer when concluding contracts for compulsory insurance;
- approves the decision of the Board of Directors to start public procurement procedures with an estimated value of over BGN 500,000 (five hundred thousand Bulgarian leva), excluding VAT;
- authorizes the conclusion of contracts for the sale, exchange and lease of fixed assets, as well as the establishment of property rights, to be carried out by direct negotiation, with the initial price to be determined by an independent assessor.
- authorize the sale and exchange of homes, studios, offices and garages to employees of the Company;
- coordinates the acquisition of assets or the conclusion of contracts, as well as amendments to the same, of a single or total value over BGN 500,000 (five hundred thousand Bulgarian leva), excluding VAT, excluding contracts for purchase, sale of natural gas and any other transactions with natural gas at freely negotiated prices on the organized stock exchange market and outside the organized stock exchange market (domestic and international markets) contracts for and related to natural gas storage in gas storage facilities, contracts for and related to storage and regasification at LNG terminals, contracts for and related to access to, transmission and reservation of capacity from gas transmission networks, balancing contracts, as well as contracts concluded in fulfilment of a legal and/or licensing obligation at regulated prices, including the amendment of these contracts. Contracts, outside the conciliation regime, are concluded in compliance with the requirements for risk management, affordability and cost-effectiveness;
- Adopts and submits to the Board of Directors Corporate Governance Policy, Financial and Accounting Policy, Information Technology Policy, Human Resources Management Policy, Investment and Project Management Policy, Public Procurement Policy (including Policy on

organizing tenders, competitions and direct negotiation for delivery of goods and performance of works and services); Policy for conducting tenders, competitions and direct negotiation for concluding contracts for sale, exchange and lease of fixed assets, Policy for risk management and internal audit, and other policies that are mandatory for the Company (the 'Policies');

- decides on the distribution of the Company's profit and its payment, the replenishment of the Reserve Fund and the payment of dividends and the payment of bonuses to the members of the Board of Directors, and determines their amount;
- gives consent for election of a procurator of the Company and approves in advance the conditions of the power of attorney;
- gives prior consent for the decisions under the previous points (except for the secondment abroad of the members of the Board of Directors), which the Company takes in respect of its subsidiaries and project companies (if any and according to the type of company), as well as for the conclusion of any contracts between the Company and its subsidiaries and project companies, if any;
- decides other issues provided within its competence by the law and the Articles of Association.

### **1.3. Decision making**

- The sole owner of the capital shall take decisions within the competence of a regular annual general meeting once a year, and within the competence of an extraordinary general meeting — depending on the necessity. An invitation in the Commercial Register and the Register of Non-Profit Legal Entities shall not be announced for the exercise of the competence of a general meeting by the sole owner of the capital. The sole owner of the capital may take decisions within the competence of the general meeting at any time in writing.
- The Board of Directors shall fulfil its obligations under Article 223, respectively under Article 251 of the Commerce Act by sending a written application to the sole owner of the capital regarding the necessity, respectively the readiness, to take decisions by the sole owner of the capital. The written application contains proposals on the issues on which the Board of Directors proposes to the sole owner of the capital to make decisions. The proposals do not bind the sole owner of the capital to consider and resolve the issues raised, nor do they limit him to the range of issues on which he can make decisions.
- Minutes in writing shall be drawn up for the decisions of the sole owner of the capital, which shall be signed by the principal of the Company.
- In case the sole owner of the capital wishes members of the Board of Directors to be present at the decision-making, they shall be obliged to do so. The sole

owner of the capital may request from the present members of the Board of Directors or other persons invited by him to re-sign the minutes with the decisions taken by him. In the cases provided by law, the employees of the Company shall participate in decision-making in the appropriate manner.

- The application for entry of the decisions of the sole owner of the capital, when these decisions are subject to entry shall be assigned to the executive director, who in such case has the right to authorize a person for that.

## **2. Board of Directors**

### **2.1. Composition**

- As at 31 December 2021, the Board of Directors of Bulgargaz EAD consists of:  
Svetoslav Tanev Delchev  
Nikolay Atanasov Donchev  
Iliyan Kirilov Dukov  
Nikolay Angelov Pavlov (Executive Director)  
Diana Stoyanova Boneva
- By decision of the Board of Directors of Bulgarian Energy Holding EAD, the current Board of Directors has been constituted and entered in the Commercial Register on 3 February 2022, as follows:  
Ivan Dimitrov Topchiysky (Chairman of the Board of Directors)  
Lyudmil Ventsislavov Yotsov (Executive Director)  
Anzhela Svetlozarova Slavova  
Anton Yordanov Adamov  
Stefan Pandov Voynov
- By decision of the Board of Directors of Bulgarian Energy Holding EAD, the current Board of Directors has been constituted and entered in the Commercial Register on 22 August 2022, as follows:  
Ivan Dimitrov Topchiysky (Chairman)  
Deniza Slatkova Slateva (Executive Director)  
Tatyana Angelova Petrova-Boyadzhieva  
Dimitar Vladimirov Spasov  
Veselin Sashev Sinabov
- By decision of the Board of Directors of Bulgarian Energy Holding EAD, the current Board of Directors has been constituted and entered in the Commercial Register on 24 April 2024, as follows:  
Ivan Dimitrov Topchiysky (Chairman)  
Veselin Sashev Sinabov (Executive Director)  
Mihail Mariovi Milkov  
Byanka Svetlozar Racheva  
Marin Asenov Filipovski



## **2.2. Statute**

- The Board of Directors reports to the sole owner of the capital for the management of the Company, including for the strict compliance with the Policies. It meets as needed, but at least once every three months.
- The Board of Directors shall consist of at least five members — natural persons, who shall be elected and appointed after a competition under the conditions and in accordance with the procedure laid down in the Regulations for the Implementation of the Public Enterprises Act.
- The Board of Directors elects one or two of its members as executive members and the rest are non-executive members. The term of office of the Board of Directors shall be from 3 to 5 years, starting from the entry of the Board of Directors in the Commercial Register and the Register of Non-Profit Companies, and the members of the Board of Directors shall continue to exercise their duties until the entry of a new Board of Directors and after the expiration of their term of office.
- With the prior written approval of the Principal, the Board of Directors may replace an Executive Director at any time, and replace him or her with another member of the Board of Directors.
- A member of the Board of Directors of the Company may be a Bulgarian citizen or a citizen of the European Union, a State party to the Agreement on the European Economic Area, or the Swiss Confederation who:
  - has a university degree;
  - has at least 5 years of professional experience;
  - is not placed under prohibition;
  - has not been convicted of any intentional offence of a general nature;
  - shall not be disqualified from holding office;
  - is not declared bankrupt as a sole trader or unlimited partner in a bankrupt company if there are unsatisfied creditors;
  - has not been a member of the management or supervisory body of a company or cooperative dissolved by reason of insolvency in the last two years prior to the appointment, if there are unsatisfied creditors;
  - is not the spouse or a person related in fact, by consanguinity or affinity up to and including the fourth degree, and by affinity up to and including the second degree, of a manager or a member of a collective management and control body of the same public undertaking;
  - does not hold a senior public office under Art. 1, Paragraph 1, items 1—38 and 41—45 of the Act on Counteracting Corruption and Seizure of Illegally Acquired Property, is not a member of a political cabinet and is not a municipal secretary;
  - does not carry out commercial transactions on their own behalf or on behalf of others similar to the Company's business;
  - is not a partner in general partnerships, limited partnerships or limited



- liability companies where they carry on a similar business to that of the Company;
- is not a director or member of the executive or supervisory body of another public undertaking;
- meets other requirements provided for by law;
- Persons who are employed under an employment contract or under a service relationship may not be executive members of the Board of Directors;
- The company may have proxies, for which may be elected persons who meet the above requirements.
- Each member of the Board of Directors shall enter into a management and control agreement with the Sole owner of the capital. The contract shall be concluded for the term until the end of the term of office of the Board of Directors and shall contain the rights and obligations of the parties, the amount of the remuneration and the manner of its payment, the liability of the parties in the event of non-performance, the grounds for termination of the contract, the amount of the monetary guarantee they give for their management and the amount of the penalty for early termination of the contract for no fault of the member of the Board of Directors, as well as the relationship between the parties in the period from the termination of the contract until the deletion of the name of the released member
- The management contract with a member of the Board shall be terminated early:
  - by mutual consent of the parties;
  - at the request of the person with not less than 3 months' notice;
  - at the request of the principal of the COMPANY with a written notice of 1 (one) month.
  - in case of transformation or dissolution of the COMPANY and in case of change of the owner of the capital;
  - in case of death;
  - upon the placement of the natural person under disability, respectively upon the bankruptcy of the legal entity or upon its dissolution;
  - due to a de facto inability of the person to carry out his/her duties lasting more than 6 months;
  - in other cases provided for by law.
- The contract may be terminated early and without notice by the Sole owner of the capital for the fault of the member of the Board of Directors:
  - in the event of a circumstance giving rise to incompatibility with the requirements under Article 23, paragraph 4 and Article 26, paragraph 2 of the Statutes;
  - on conviction of a common offence committed with intent;
  - upon the entry into force of an act establishing a conflict of interest under the Act on Countering Corruption and on Seizure of Illegally

Acquired Property;

- in the event of serious misconduct or persistent failure to comply with official duties;
  - for any violation of law, statute, Board Rules or Policies committed in the course of or in connection with the performance of the member's duties;
  - in the event of actions by the person that have led to a deterioration in the financial performance of the COMPANY or from which damage to the COMPANY has resulted;
  - in the event of a material non-performance of the economic or financial indicators, according to the approved business programme.
- A material failure to perform shall be deemed to be a significant deterioration in the economic performance set out in the business programme in accordance with the development strategy and the Company's internal rules and a failure to perform due to the actions or inactions of the Trustee, unless the failure to perform is wholly due to external factors beyond the Trustee's reasonable control.
  - The assessment of achievement or non-achievement of the key performance indicators is made on the basis of the annual financial statements, after certification by the Company's appointed independent registered auditor and approval by the sole shareholder.
  - The members of the Board of Directors shall receive remuneration determined in accordance with the applicable regulations and the management and control agreements of the members of the Board of Directors.

### **2.3. Structure**

- The composition of the Board of Directors shall also include the independent members, who shall be not less than one-third but not more than one-half thereof. The Board of Directors shall elect from among its members a President and one or two Executive Members (Executive Directors). An Executive Member may not also be President of the Board of Directors. The President of the Board of Directors must be an independent member.
- The independent members must comply with the requirements of Article 20 of the Public Enterprises Act and Article 23, paragraph 4 of the Company's Statute. An independent member cannot be:
  - an employee of the public undertaking;
  - a shareholder/partner in the same public undertaking;
  - a person who, personally or through related parties, has a commercial relationship with the public undertaking;
  - a sole trader, shareholder or partner in a commercial company which has the same or similar business as the public company;
  - a person related to another member of the management or control body

of the public undertaking.

- The State's representatives on the Company's Board of Directors are not independent members.
- The President of the Board of Directors shall direct and organize the work of the Board. In the event of the President's inability to perform his/her duties and in the absence of his/her authorization, they shall be assumed by the Executive Director. Any member of the Board of Directors may request the President to call a meeting of the Board.

#### **2.4. Functions**

- The Board of Directors carries out the operational management of the Company and controls the activities of the Executive Director(s), including with regard to compliance with the Policies. He performs all functions and resolves all issues that are not within the exclusive competence of the sole owner of the capital by virtue of the law or the Articles of Association of the Company. The Board of Directors adopts Rules of Procedure, which are approved by the sole owner of the capital.
- The Board of Directors may establish special committees from among its members, such as remuneration or risk management committees. The committees prepare decisions to be adopted by the Board of Directors. Decision-making powers shall not be delegated to the committee. The committees shall be chaired by an independent member of the Board.
- The Board of Directors shall prepare annual self-assessments of its activities and performance, which shall be submitted to the authority exercising the rights of the State and to the Agency for Public Enterprises and Control.

#### **2.5. Competence**

- The Board of Directors shall exercise the entire competence of the Board of Directors in accordance with the law and this Articles of Association.
- The Board of Directors:
  - organizes, manages and controls the overall activity of the Company;
  - prepares a business program of the Company for the entire mandate and separately for each year, presents it to the sole owner of the capital for approval and ensures its implementation;
  - implements the investment policy of the Company and decides on the acquisition of property and other rights over real estate, which are not of the exclusive competence of the sole owner of the capital;
  - is responsible for the implementation of the Policies and draws up procedures for their implementation by the Company and its subsidiaries (if any), for the implementation of the conditions under the licenses of the Company and the Company's subsidiaries (if any) and their maintenance, for the implementation of the production and business programs of the Company, monitors and is responsible for the good economic position of the Company;

- elects one or two of its members as executive directors and authorizes them to manage and represent the Company before third parties. In case two executive directors are elected, they represent the Company jointly.
- takes unanimously decisions for all transactions provided for in Article 236, paragraph 2 of the Commerce Act;
- upon request of the principal seeks and receives from the Energy and Water Regulatory Commission or other competent regulator the necessary permits or consents, makes proposals to the principal to resolve issues within the competence of the sole owner of capital and decides on all other issues that fall within the competence of the Board of Directors as set out in the Articles of Association of the Company.

## **2.6. Status of the executive member of the Board of Directors**

- The Board of Directors assigns the Executive Director ( correspondingly — jointly to the Executive Directors) to manage and represent the Company under the terms and conditions of Article 31. The non-executive members of the Board of Directors control the activities of the Executive Director(s).
- The Executive Director represents the Company independently and has the right to perform all actions and transactions related to the activities of the Company, as well as to prepare and sign documents on behalf of the Company and to authorize other persons to perform individual actions and transactions. Upon election of two Executive Directors, they represent the Company under the terms and conditions of joint representation.
- The Executive Director organizes the activity of the Company in accordance with the law, the Articles of Association, the Council's Rules of Procedure, the Policies and decisions of the sole owner of the capital, as well as the decisions of the Board of Directors. He takes over the operational management of the Company's activities, concludes and terminates the employment and other contracts with employees and associates of the Company and is responsible for the reporting and the archives of the Company. The Executive Director also decides on all other issues that are not within the exclusive competence of the sole owner of the Capital or the Board of Directors in accordance with the law, the Articles of Association of the Company, or which are assigned to him by decision of the sole owner of capital.
- The management and control contract with the Executive Director, as well as the management and control contracts of the members of the Board of Directors, shall be signed by the representative of the sole owner, unless the Board of Directors of the sole owner authorizes another member.

## **2.7. Representation of the Company**

- The Company shall be represented before third parties by the sole Executive Director independently (even if a procurator is appointed).
- In case of election of two Executive Directors — jointly by the Executive

Directors. Likewise, the Executive Directors may authorize other persons to carry out certain actions or to conclude separate transactions (including to authorize one person).

- A procurator may represent the Company within the framework of the power of attorney granted to him.

### **3. Audit committee**

#### **3.1. Composition as at 31 December 2024**

Elena Dobрева — chairperson;  
Galya Dimitrova — member;  
Temenuzhka Hristova — member.

#### **3.2. Statute**

The Committee is a specialized, supervisory, advisory body. The members of the Committee are elected by Bulgarian Energy Holding EAD in its capacity of sole owner of the capital of Bulgargaz EAD.

The Committee consists of 3 members, one of them acting as the chairman.

By Minutes No 25-2018 dated 10 May 2018, the Board of Directors of Bulgarian Energy Holding EAD approved the *Statute of the Audit Committee of Bulgargaz EAD*.

#### **3.3. Remuneration**

The remuneration of the members of the Audit Committee is determined by the Board of Directors of Bulgarian Energy Holding EAD and is at the expense of Bulgargaz EAD. By Minutes No 34-2021 dated 06 July 2021, the Board of Directors of Bulgarian Energy Holding EAD determines the remuneration of the members of the Audit Committee as follows:

- for a member of the Audit Committee in the amount of 80 percent of the monthly remuneration of a member of the Management Board of the Company;
- for chairman of the Audit Committee in the amount of 85 percent of the remuneration of a member of the Management Board of the company, elected under Article 105, paragraph 6 of the Independent Financial Audit Act.

#### **3.4. Obligations and powers**

- The Audit Committee carries out its activities in accordance with the requirements of the Independent Financial Audit Act, Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding the statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Regulation (EU) No 537/2014), Directive 2014/56 and Directive 2006/43 of the European Parliament and of the Council and these Articles of Association.

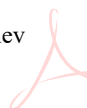
- The Committee shall have the following powers:
  - to monitor the financial reporting process and make recommendations or suggestions to ensure its effectiveness;
  - to review and, at its discretion, express an opinion on the accounting policy of the Holding and its application in the financial reporting;
  - to monitor the effectiveness of the adopted current controls during the monthly review of the financial position of Bulgargaz EAD;
  - to monitor the timely and reliable provision of financial information by the subsidiaries during the preparation of the annual consolidated financial statements of Bulgargaz EAD;
  - to monitor the effectiveness of the internal control system, the risk management system and the internal audit activity with regard to the financial reporting in Bulgargaz EAD;
  - to review and express an opinion on the risk management strategy, the risk register of the Holding and the annual report on the condition of the financial management and control system;
  - to express an opinion on the status and number of staff of the Internal Audit Unit and on the strategic and annual plans for the internal audit activity;
  - to discuss and adopt the Annual Internal Audit Activity Report and, if necessary, to get acquainted and give opinions on individual audit reports from performed audit engagements, as well as on all significant issues related to the internal audit;
  - to be responsible for the selection procedure of the registered auditor, except in cases where the audited entity has a selection committee, and recommend its appointment;
  - to check and monitor the independence of the statutory auditor and to take decisions in the cases provided by law, in accordance with the requirements of Chapters Six and Seven of the Independent Financial Audit Act, as well as pursuant to Article 6 of Regulation (EU) No 537/2014, including the expediency of providing services outside the audit under Article 5 of the same Regulation;
  - to monitor the mandatory audit of the annual and consolidated financial statements, including its implementation, taking into account the findings and conclusions of the Commission for Public Oversight of Statutory Auditors on the application of Article 26, paragraph 6 of Regulation (EU) No 537/2014;
  - to get acquainted with the audit strategy and the audit plan of the statutory audit and expresses an opinion on them, assessing the arguments in support of important decisions and choices made at the planning stage;
  - to monitor the implementation of the audit plan by giving

- recommendations to the management of the Company and the auditors to eliminate any difficulties;
- to review the draft audit reports under Article 59 and Article 60 of the Independent Financial Audit Act and the identified key audit issues, the findings and the audit opinion expressed, as well as to form an opinion on the annual work of the statutory auditor, which includes: independence of the auditor; objectivity and professional scepticism; composition of the audit team; findings from inspections of the Commission for Public Oversight of Statutory Auditors; communication and relations with the management of Bulgargaz EAD. The annual opinion is formed on the basis of criteria adopted by the Audit Committee and communicated in advance with the auditor;
- to discuss the additional report of the auditor (prepared in accordance with Article 11, item 2 of Regulation (EU) No 537/2014) and make recommendations to the management of Bulgargaz EAD to eliminate the significant weaknesses and shortcomings identified in the report;

#### **VIII. INFORMATION UNDER ARTICLE 100n, PARAGRAPH 8, ITEM 6 of the POSA**

The Board of Directors is appointed by minutes decision of Bulgarian Energy Holding EAD. When electing new members of the Board of Directors, the provisions of Chapter Five ‘Requirements for Management and Control Bodies’ of the Law on Public Enterprises shall apply, observing the principle of matching the competence of the candidates with the nature of the Company's business.

Veselin Sashev  
Sinabov



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Veselin Sashev Sinabov  
Date: 2025.05.19  
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**VESELIN SINABOV**  
EXECUTIVE DIRECTOR



**BULGARGAZ EAD**

**ANNUAL FINANCIAL STATEMENTS  
INDEPENDENT AUDITORS' REPORT**

**31 December 2024**



**BULGARGAZ EAD**  
**STATEMENT OF FINANCIAL POSITION**  
**31 December 2024**

(All amounts are in BGN'000)

	Note	AS AT 31 DECEMBER	
		2024	2023
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	223	360
Intangible assets	8	313	243
Deferred tax assets	10	24,157	28,228
		<b>24,693</b>	<b>28,831</b>
<b>Current assets</b>			
Inventories	12	305,980	499,799
Trade and other receivables	11	1,074,688	882,038
Prepaid natural gas supplies	13	456,017	461,453
Contract assets	21	37,014	85,096
Cash and cash equivalents	14	1,254	2,265
		<b>1,874,953</b>	<b>1,930,651</b>
<b>TOTAL ASSETS</b>		<b>1,899,646</b>	<b>1,959,482</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	231,698	231,698
Reserves	17	21,133	21,130
Accumulated loss		(443,202)	(127,313)
		<b>(190,371)</b>	<b>125,515</b>
<b>Non-current liabilities</b>			
Borrowings	18	570,000	1,170,000
Lease payables	9	59	125
Provisions	35	53,715	53,715
Retirement benefits obligations	20	176	167
		<b>623,950</b>	<b>1,224,007</b>
<b>Current liabilities</b>			
Borrowings	18	1,060,603	307,468
Trade and other payables	19	405,304	297,159
Lease payables	9	129	188
Income tax payables		-	5,111
Retirement benefits obligations	20	31	34
		<b>1,466,067</b>	<b>609,960</b>
<b>TOTAL LIABILITIES</b>		<b>2,090,017</b>	<b>1,833,967</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,899,646</b>	<b>1,959,482</b>

The annual financial statements were approved by the Board of Directors on 29 April 2025 and signed on 19 May 2025.

Iliyana Grigorova  
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Teneva  
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Veselin Sashev  
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Iliyana Teneva  
Head of Accounting Department

Veselin Sinabov  
Executive Director

By audit report issued by the joint auditors on 19 May 2025

Grant Thornton OOD, Audit Firm No 032

Mariy Apostolov  
MARIY GEORGIEV  
APOSTOLOV  
Date: 2025.05.19 21:38:03  
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Manager

Emiliya Marinova  
EMILIYA GEORGIEVA  
MARINOVA-LALEVA  
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Registered auditor responsible for the audit

Zaharinova Nexia EOOD, Audit Firm No 138

Dimitrina Zaharinova  
Dimitrina Dimitrova  
Zaharinova  
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Zaharinova  
Date: 2025.05.19 21:18:34 +03'00'

Manager

Stoycho Milev  
Stoycho Kirilov Milev  
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Date: 2025.05.19 21:15:08 +03'00'

Registered auditor responsible for the audit

**BULGARGAZ EAD**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 December 2024**

<i>(All amounts are in BGN'000)</i>		Note	YEAR ENDED 31 DECEMBER	
			2024	2023
Revenues from sale of natural gas	21		1,435,529	2,507,716
Prime cost of natural gas sold			(1,316,578)	(2,348,460)
<b>Gross profit from sale of natural gas</b>			<b>118,951</b>	<b>159,256</b>
Other revenue	22		,62,714	59,226
Expected credit losses and impairment losses on financial assets	23		(68,514)	(29,624)
Impairment losses on inventories	12		(36,042)	(41,713)
Impairment losses on non-financial assets — advances for natural gas	13		(721)	(13,721)
Hired services expenses	24		(26,807)	(20,339)
Costs for unused capacity	25		(295,219)	(106,038)
Employee benefits and social security expenses	26		(4,917)	(4,516)
Cost of materials	27		(54)	(95)
Depreciation expenses on non-financial assets	7,8		(428)	(399)
Provision expenses	28		-	(615)
Other expenses	29		(4,065)	(1,121)
<b>(Loss) / Profit from operating activity</b>			<b>(255,102)</b>	<b>301</b>
Interest income	30		,,244	-
Interest expense, bank charges and commissions	30		(51,996)	(44,157)
Foreign exchange loss, net	31		(4,965)	(6,357)
<b>Financial costs, net</b>			<b>(56,717)</b>	<b>(50,514)</b>
<b>Loss before tax</b>			<b>(311,819)</b>	<b>(50,213)</b>
(Expenses) on profit taxes	32		(4,070),	(2,168),
<b>Net loss for the year</b>			<b>(315,889)</b>	<b>(52,381)</b>
<b>Other items of the comprehensive income:</b>				
<b>Items that will not be reclassified in profit or loss:</b>				
Remeasurement of defined benefit retirement plans	20		4	(24)
Income tax related to items that will not be reclassified in profit or loss	32		(1)	2
<b>Other comprehensive income/(loss) for the year, net of tax</b>			<b>3</b>	<b>(22)</b>
<b>Total comprehensive loss for the period</b>			<b>(315,886)</b>	<b>(52,403)</b>

The annual financial statements were approved by the Board of Directors on 29 April 2025 and signed on 19 May 2025.

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Iliyana Teneva  
Head of Accounting Department

Veselin Sashev  
Sinabov  
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Veselin Sinabov  
Executive Director

By audit report issued by the joint auditors on 19 May 2025

Grant Thornton OOD, Audit Firm No 032

Mariy  
Apostolov  
MARIY GEORGIEV  
APOSTOLOV  
Date: 2025.05.19 21:39:01  
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Manager

Emiliya  
Marinova  
EMILIYA GEORGIEVA  
MARINOVA-LALEVA  
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Registered auditor responsible for the audit

Zaharinova Nexia EOOD, Audit Firm No 138

Dimitrina  
Zaharinova  
Dimitrina Dimitrova  
Zaharinova  
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Manager

Stoycho  
Milev  
Stoycho Kirilov Milev  
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Date: 2025.05.19 21:15:51 +03'00'

Registered auditor responsible for the audit

**BULGARGAZ EAD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 December 2024**

*(All amounts are in BGN'000)*

	Share capital	Reserves	Accumulated loss	Total equity
<b>AS AT 1 January 2023</b>	<b>231,698</b>	<b>21,152</b>	<b>(74,932)</b>	<b>177,918</b>
Net loss for the year	-	-	(52,381)	(52,381)
Other comprehensive loss, net of tax	-	(22)	-	(22)
<b>Total comprehensive loss</b>	<b>-</b>	<b>(22)</b>	<b>(52,381)</b>	<b>(52,403,)</b>
<b>AS AT 31 December 2023</b>	<b>231,698</b>	<b>21,130</b>	<b>(127,313)</b>	<b>125,515</b>
<b>AS AT 1 January 2024</b>	<b>231,698</b>	<b>21,130</b>	<b>(127,313)</b>	<b>125,515</b>
Net loss for the year	-	-	(315,889)	(315,889)
Other comprehensive income, net of tax	-	3	-	„3
<b>Total comprehensive loss</b>	<b>-</b>	<b>3</b>	<b>(315,889)</b>	<b>(315,886)</b>
<b>AS AT 31 December 2024</b>	<b>231,698</b>	<b>21,133</b>	<b>(443,202)</b>	<b>(190,371)</b>

The annual financial statements were approved by the Board of Directors on 29 April 2025 and signed on 19 May 2025.

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Date: 2025.05.19 14:59:16  
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Iliyana Teneva  
Head of Accounting Department

Veselin Sash Sinabov  
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Veselin Sinabov  
Executive Director

By audit report issued by the joint auditors on 19 May 2025

Grant Thornton OOD, Audit Firm No 032

Mariy Apostolov  
MARIY GEORGIEV APOSTOLOV  
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Manager

Emiliya Marinova  
EMILIYA GEORGIEVA MARINOVA-LALEVA  
Date: 2025.05.19 22:00:01  
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Registered auditor responsible for the audit

Zaharinova Nexia EOOD, Audit Firm No 138

Dimitrina Zaharinova  
Dimitrina Dimitrova Zaharinova  
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Manager

Stoycho Milev  
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Registered auditor responsible for the audit

**BULGARGAZ EAD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 December 2024**

(All amounts are in BGN'000)

	Note	YEAR ENDED 31 DECEMBER 2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>			
Proceeds from customers		1,393,586,	2,607,162
Proceeds of litigation and related fees		1,953	6,533
Proceeds from transactions with related parties		11,337,	28,510
Income tax payments		(5,117)	(6,071)
Payments to suppliers, including:		(1,425,003)	(2,460,552)
For purchase of natural gas		(1,220,317)	(2,308,382)
Under transactions with related parties		(193,850)	(147,424)
Payments to other trade counterparties		(10,836)	(4,746)
Taxes paid, different from the income tax		(229,470)	(280,009)
Payments for personnel benefits and social security		(5,105)	(4,528)
Proceeds under a compensation programme by resolution of the Council of Ministers (CoM)	2.2	156,775	-
Other payments for operating activity, net		(3,669)	(3,257)
<b>NET CASH FLOWS FROM OPERATING ACTIVITY</b>		<b>(104,713)</b>	<b>(112,212)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>			
Acquisition of intangible assets		(6)	(49)
Acquisition of plant and equipment		(396)	(306)
<b>Net cash flows from investing activity</b>		<b>(402)</b>	<b>(355)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>			
Principal payments on lease contracts	9	(136)	(135)
Interest payments on lease contracts	9	(9)	(11)
Borrowings received	15	16,613,	405,000
Payments on loans received	15	(16,613)	(492,515)
Proceeds from bank overdraft	15	710,933,	57,789
Payments of bank overdraft	15	(536,439)	(33,263)
Payments of interest and fees on borrowings received	15	(70,195)	(28,271)
<b>Net cash flows from financing activity</b>		<b>104,154</b>	<b>(91,406)</b>
<b>Net decrease of cash and cash equivalents during the year</b>			
		<b>(961)</b>	<b>(203,973)</b>
Cash at the beginning of the year, gross		2,269	207,544
Exchange loss on cash, net		(53)	(1,302)
Expected credit losses on cash		(1)	(4)
<b>Cash at the end of the year</b>	<b>14</b>	<b>1,254</b>	<b>2,265</b>

The annual financial statements were approved by the Board of Directors on 29 April 2025 and signed on 19 May 2025.

Iliyana Grigorova  
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Iliyana Teneva  
Head of Accounting Department

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Veselin Sinabov  
Executive Director

By audit report issued by the joint auditors on 19 May 2025

Grant Thornton OOD, Audit Firm No 032

Mariy Apostolov  
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Date: 2025.05.19 21:47:15  
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Manager  
Emiliya Marinova  
EMILIYA GEORGIEVA  
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Registered auditor responsible for the audit

Zaharinova Nexia EOOD, Audit Firm No 138

Dimitrina Zaharinova  
Dimitrina Dimitrova  
Zaharinova  
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Manager  
Stoycho Milev  
Stoycho Kirilov Milev  
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Registered auditor responsible for the audit

**BULGARGAZ EAD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2024**

*(All amounts are in BGN'000, unless otherwise stated)*

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**1. GENERAL INFORMATION**

BULGARGAZ EAD (the Company), UIC 175203485, is a sole-owned joint stock company, registered under the Commerce Act, with seat and registered address at city of Sofia Serdika District, 47 Petar Parchevich St. 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 natural gas supply. Guaranteeing the supply of natural gas is of key importance for the energy security of Bulgaria.

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. As at 16 September 2021, the Company holds a Natural Gas Trading License No JI-548-15 [L-548-15] 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).

On 20 June 2023, by Decision No 0024/2023/P-PE of the Vice President of the Regulatory Office for Network Industries, Slovak Republic, a Permit No 2023P 0370 was issued to Bulgargaz EAD for carrying out activities in the energy sector — gas supply. The validity period of the permit is indefinite.

By Decision No 2274/29 October 2024 of the President of the National Agency for Energy and Water Regulation (ANRE), the economic operator Bulgargaz EAD was confirmed the right to participate in the natural gas markets in Romania for the supply of natural gas activity. The decision is for a period of 1 (one) year.

On 12 December 2024 by Decision No H4955/2024 the Hungarian Energy and Public Utility Regulatory Authority granted Bulgargaz EAD a licence to trade in natural gas in Hungary. This licence shall be valid from the date of notification for an indefinite period of time, provided that the licence holder is actually and lawfully carrying on gas trading activities in a Member State of the European Union or in another State party to the Agreement on the European Economic Area and holds an operating licence for a specified period of time.

Bulgargaz EAD is a registered user of the gas transmission networks of Bulgartransgaz EAD-Bulgaria, DESFA SA-Greece, TRANSGAZ SA-Romania, ICGB Bulgaria, GASTRANS d.o.o. -Serbia.

BULGARGAZ EAD is a sole-owned joint stock 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 is a registered user of the gas transmission network in Serbia.

The Company has a one-tier management system, with governing bodies being the sole owner of the capital and the Board of Directors. As at 31 December 2024 the Company is managed and represented by the Executive Director Veselin Sinabov and has a 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;

**BULGARGAZ EAD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2024**

*(All amounts are in BGN'000, unless otherwise stated)*

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

- Elena Angelova Stoilova-Dobrev — Chairperson;
- Galya Dimitrova 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.

**2. STATEMENT OF COMPLIANCE WITH THE IFRS ACCOUNTING STANDARDS AND APPLICATION OF THE GOING CONCERN PRINCIPLE**

**2.1. STATEMENT OF COMPLIANCE WITH THE IFRS ACCOUNTING STANDARDS ADOPTED BY THE EU**

The financial statements have been prepared in accordance with the requirements of the IFRS accounting standards, as issued by the International Accounting Standards Board ('IASB') and adopted for use in the European Union by the European Commission ('European Commission'). By virtue of Paragraph 1, Subparagraph 8 of the Additional Provisions of the Accounting Act applicable in Bulgaria, they are the International Accounting Standards (IAS) as adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council.

The financial statements have been prepared on a historical cost basis, modified with respect to the valuation of items of plant and equipment at revalued amount.

The annual financial statements are presented in Bulgarian lev (BGN), which is also the functional currency of the Company. Unless otherwise stated, all amounts are presented in thousand Bulgarian lev (BGN'000), including the comparative information for 2023.

**2.2. GOING CONCERN PRINCIPLE**

As at 31 December 2024, the financial statements are prepared on a going concern principle, which assumes that the Company will continue its operations in the foreseeable future.

As disclosed in Note 1 'General information', the Company has an individual license for public supply of natural gas in the Republic of Bulgaria, issued by the State Energy and Water Regulatory Commission for a period of 35 years and holds a Natural Gas Trading License No JI-548-15 [L-548-15] of 16 September 2021.

The main purpose of the Company is to perform the function of a public supplier of natural gas in the country. The future operations of the Company as a public supplier and trader of natural gas depend on the business environment, the regulatory requirements, valid contracts in place for ensuring natural gas supplies as per consumer needs, contracts in place for sales of natural gas to the customers of the Company, as well as maintaining the necessary financial resources for implementation of its activity.

For the period ending 31 December 2024 the Company reported a net loss of BGN (315,889) thousand. As at 31 December 2024 the accumulated loss is BGN (443,202) thousand, the net cash flow from operating activities is negative, amounting to BGN (104,713) thousand, but the current assets exceed the current liabilities by BGN 408,886 thousand. The loss for the period is mainly due to the cost of spare capacity under the Agreement with the Turkish gas company Botaş (BGN 266,943 thousand), unused capacity along the route from the Alexandroupolis terminal to Bulgaria due to the delay in the date of commissioning of the terminal (BGN 16,828 thousand) and unused capacity at other points (BGN 11,448 thousand). A further negative effect on the performance for the year is due to impairment losses of natural gas available at the UGS Chiren, injected in

**BULGARGAZ EAD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2024**

*(All amounts are in BGN'000, unless otherwise stated)*

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the summer of 2022 in the amount of BGN 36,042 thousand. Also the financing of the Company with borrowings results in the recognition of significant financial expenses for interest on borrowings received amounting to BGN 45,292 thousand.

The gross result from natural gas sales in 2024 is a profit in the amount of BGN 118,951 thousand (2023: profit in the amount of BGN 159,256 thousand)

As at 31 December 2024, the Company's equity is negative at BGN (190,371) thousand and is below the amount of the registered share capital.

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. Subsequently, market conditions have limited the withdrawal of these quantities of natural gas. 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, in 2024, the Ministry of Energy has developed a compensation mechanism under the 'Program for Compensation of High Prices of Natural Gas Injected into UGS Chiren for the Period 1 May 2022 — 11 October 2022', for the quantities of natural gas extracted in the months of January—April 2024. The compensation was 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, the compensation covered up to BGN 150 per MWh, with the maximum amount of natural gas eligible for compensation for the Company being 1,045,167 MWh, in case the same was withdrawn from UGS Chiren after 21 November 2022 until 21 April 2024 and delivered to end customers and/or end suppliers in the European Economic Area. On 5 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 3 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. At the same time, 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 2024. According to Eurostat, the decline in natural gas consumption for Bulgaria is around 6% in 2024 compared to the consumption in 2023.

In 2024, there has been a downward trend in natural gas prices in European gas markets due to:

- Filled gas storage facilities;
- 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 agreement signed on 30 December 2022 with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş., Bulgargaz EAD secures access to the LNG regasification terminals in Turkey and its subsequent transportation to the territory of the Republic of Bulgaria under the flexibility of supply. The period of the Agreement between Bulgargaz EAD and Botaş is 1 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

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subsequent transmission to the interconnection point at the border of the Republic of Turkey and the Republic of Bulgaria — Malkochlar/Strandzha 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. 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. At the same time, this also provides significant flexibility in the requests on a daily basis (during the repair works on 26—27 September 2024, Bulgargaz generated losses of more than BGN 10,000,000 million as a result of a capacity outage in just two days). 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 our calculations 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 January 2025, the agreement with BOTAS secured the required amount of gas during the winter month after two consecutive accidents occurred — first at the Shah Deniz platform and then at the Alexandroupolis terminal.

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 1 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.

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.



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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.

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. On 1 October 2024, the Alexandroupolis terminal was commissioned and liquefied natural gas (LNG) supplies to the Bulgarian market were launched.

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. Given the importance and strategic significance of the activities performed by Bulgargaz EAD, Bulgarian Energy Holding EAD, as the parent company, has neither the intention nor the legal necessity to discontinue the Company's operations, regardless of its financial performance as at 31 December 2024. The sole shareholder is committed to the continued operational and financial support of Bulgargaz EAD to achieve a sustainable financial and business development model.

In 2025 the principal of the loan taken by Bulgargaz from the Ministry of Energy in the amount of BGN 800,000 thousand matures. According to the repayment plan, the loan is repayable in 6 instalments starting from March 2025. At the time of preparation of the Company's financial statements, no principal repayments have been made on the loan as the repayment terms are intended to be renegotiated.

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 annual financial statements as at 31 December 2024.

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**3. SIGNIFICANT ACCOUNTING POLICY INFORMATION AND CHANGES DURING THE PERIOD**

**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.

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.

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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.

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

**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.

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- 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 multiple debt instruments transactions meet the criteria for multiple contractually related transactions 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. 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 nonoccurrence) 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.

**3.2. GENERAL PROVISIONS**

The most significant accounting policies used in the preparation of these financial statements are set out below.

The financial statements have been prepared in accordance with the IFRS valuation principles for all types of assets, liabilities, income and expenses. The valuation bases are disclosed in greater detail in the accounting policies of the financial statements.

Accounting estimates and assumptions have been used in the preparation of the financial statements presented. Although they are based on information provided to management at the date of preparation of the financial statements, actual results may differ from estimates and assumptions made.

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**3.3. PRESENTATION OF FINANCIAL STATEMENTS**

These financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements'. The Company presents the Statement of profit or loss and other comprehensive income in a single statement.

Two comparative periods are presented in the Statement of financial position when the Company: a) applies an accounting policy retrospectively; b) restates retrospectively items in the financial statements; or c) reclassifies items in the financial statements and this has a material effect on the information in the statement of financial position as at the beginning of the previous period.

**3.4. FOREIGN CURRENCY TRANSACTIONS**

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (exchange rate as published by the Bulgarian National Bank). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost in foreign currency are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value in foreign currency are translated using the exchange rates at the date when fair value was determined.

**3.5. REVENUE**

**RECOGNITION AND MEASUREMENT OF REVENUE FROM CONTRACTS WITH CUSTOMERS**

The main revenue generated by the Company is related to the sale of natural gas.

The Company's two main areas of natural gas sales are as follows:

- on a regulated market — at prices regulated by the Energy and Water Regulatory Commission (EWRC);
- Open market — at freely negotiated prices in several segments:
  - — of customers directly connected to the gas transmission network;
  - — on an organised stock market — in the country;
  - — on an organized stock market — in countries where the Company has a Trading License
  - — outside organized exchange market (domestic and international markets).

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 shall be determined pursuant to Ordinance No 2 of 19 March 2013 on the regulation of natural gas prices issued by the State Energy and Water Regulatory Commission, promulgated in the State Gazette, Issue No 33 of 5 April 2013 ('Ordinance No 2').

Since 1 January 2020 Bulgargaz EAD has been supplying natural gas at regulated prices only to end suppliers of natural gas and to a person who had been issued a licence for production and transmission of thermal energy (Energy Act, Article 30, paragraph 1, item 7). 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.

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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 terms.

To determine whether and how to recognize revenue, the Company uses the following 5 steps:

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) the entity satisfies a performance obligation.

Revenue is recognized either at a given time or over time when, or until the Company fulfils, its obligations to transfer the promised goods or services to its customers.

The Company recognizes revenue for each individual obligation to perform at the level of an individual contract with a customer by analysing the type, term and conditions for each specific contract. For contracts with similar characteristics, revenue is recognized on a portfolio basis only if grouping it into a portfolio would not have a materially different impact on the financial statements.

## **MEASUREMENT**

Revenue is measured on the basis of the sales prices on the regulated and free market.

The transaction price is the amount of remuneration to which the Company 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 (for example, value added tax and excise duty). The remuneration promised in the contract with the customer may include fixed amounts, variable amounts, or both.

## **APPROACH FOR RECOGNITION OF MAIN TYPES OF REVENUE FROM CONTRACTS WITH CUSTOMERS**

### **A. REVENUE FROM SALES OF NATURAL GAS**

As a public supplier of natural gas, Bulgargaz EAD carries out the supply of natural gas all year round under a continuous routine of operation. The customer:

- simultaneously receives and consumes all of the benefits;
- receives control of the commodity (natural gas) by way of transfer of the legal title to the asset;
- bears the significant risks and rewards related to the ownership of the asset;
- accepts the asset.

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.

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.

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The amount 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 obligations of Bulgargaz EAD and the customer's acceptance obligations.

The consideration from the customer for the sale of natural gas includes fixed and variable amounts.

The fixed amount is the sale price of the natural gas for each quarter of the year and is formed according to the Ordinance No 2 on Natural Gas Price Regulation. It is cost-oriented and consists of the following components: delivery price, a 'public provision component' (Article 17, paragraph 6 of the Ordinance on Natural Gas Price Regulation) and 'public service obligation' (Article 11a, paragraph 2 of the Ordinance on Natural Gas Price Regulation).

The charge for capacity and transmission of natural gas is determined in accordance with the Method for Determining the Access and Transmission Price published by the State Energy and Water Regulatory Commission in accordance with the tariffs of the Combined Operator, for the benefit of which it is collected on behalf of the customer.

The variable consideration is related to:

- deviations between the declared and actually delivered minimum annual amount of gas;
- deviations in the daily agreed amount of gas;
- delivered natural gas of deteriorated quality.

Sales payments are payable within 12 days of the issuance of the final invoice for the supply of natural gas, which is in line with market practice. It is considered that there is no financing component in the sales of natural gas.

A receivable is recognized when assets are delivered, as this is the moment when the right to receive consideration becomes unconditional and only the passage of time is required before payment becomes due.

The provisions of IAS 16 on like-kind swaps apply to transactions for the purchase and sale of natural gas under the conditions of swaps. The exchange does not generate a financial result.

In case of acquisition of LNG, if there is any difference between the original cost of LNG cargoes acquired and their cost after processing, the difference shall be charged to the reduction/increase in the cost of conventional natural gas and in proportion to the degasified natural gas delivered at the relevant point of delivery/gas pipeline. The value of LNG delivered or dispensed when sold as material is not recognised as revenue.

The Table below provides information about the accounting policy applied by the Company for revenue recognition and the timing of satisfaction of obligations for performance of the contracts with customers under IFRS 15.

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<b>Product/ Service type</b>	<b>Nature and timing of satisfaction of performance obligations, including material payment terms</b>	<b>Revenue recognition under IFRS 15</b>
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> <ul style="list-style-type: none"> <li>• simultaneously receives and consumes all of the benefits;</li> <li>• receives control of the commodity (natural gas) by way of transfer of the legal title to the asset;</li> <li>• bears the significant risks and rewards related to the ownership of the asset;</li> <li>• accepts the asset.</li> </ul> <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> <ul style="list-style-type: none"> <li>— deviations in the daily agreed amounts of gas</li> <li>— deviations between the declared and actually delivered minimum annual amount of gas;</li> <li>— delivered natural gas of deteriorated quality.</li> </ul> <p>Sales payments are payable within 12 days of 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	<p>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</p>	<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 within 20—</p>



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<b>Product/ Service type</b>	<b>Nature and timing of satisfaction of performance obligations, including material payment terms</b>	<b>Revenue recognition under IFRS 15</b>
	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.	25 days of invoice issuance, which is in accordance with the market practice.

**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.

The remuneration from the customer for the sale of natural gas for balancing shall be determined on the basis of the Methodology for Determination of Daily Imbalance Fee approved by the EWRC. The remuneration includes a percentage deviation determined and fixed by the EWRC for the gas year.

There is no financing component to balancing gas sales, as the payment for the sales is due within 20—25 days of invoice issuance, which is in accordance with the market practice.

A receivable is recognized when assets are delivered, as this is the moment when the right to receive consideration becomes unconditional and only the passage of time is required before payment becomes due.

**C. PENALTIES ON OVERDUE RECEIVABLES**

Revenue from penalties on overdue receivables is recognized when the Company's right to receive payment is established.

**D. INTEREST INCOME**

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets except for financial assets impaired (Phase 3) for which interest income is calculated by applying the effective interest rate on their depreciated value (the gross carrying amount adjusted for the provision for expected credit losses).

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**E. DETERMINING WHETHER THE COMPANY ACTS AS A PRINCIPAL OR AN AGENT**

When a third party is involved in providing goods or services to a customer, the Company determines whether the nature of his promise is an obligation to perform related to the provision of the particular goods or services (principal) or to the arranging for the other party to provide those goods or services (agent).

The company is the principal when controlling the promised commodity or service before transferring it to the customer. However, the Company does not necessarily act as the principal if it receives the ownership of an asset only temporarily before the ownership right is transferred to the customer.

The Company is an agent if the Company's obligation to perform is to arrange the delivery of the goods or services from a third party. When an agent company fulfils an obligation to perform, it recognizes revenue at the amount of a fee or commission it expects to be entitled to in exchange for arranging for the goods and services to be provided by another party. The fee or commission of the Company may be the net amount of remuneration the Company retains after paying to the other party the consideration received in exchange for the goods or services to be provided by that party.

The indicators that the Company is an agent include the following elements:

- A third party has primary responsibility for fulfilling the contract;
- The company has no inventory risk before or after the goods have been ordered by the customer, during shipping or on return;
- The company does not have discretion to establish pricing for the other party's goods or services, therefore, the benefit the entity can receive from those goods or services is limited;
- The company's consideration is in the form of a commission;
- The company is not exposed to credit risk for the amount receivable in exchange for the goods or services.

**F. BALANCES UNDER CONTRACTS WITH CUSTOMERS**

***Trade receivables and contract assets***

Receivable is the right of the Company to receive remuneration at a certain amount, which is unconditional (i.e., before the payment of the remuneration becomes due, it is only necessary to expire a certain period of time).

The contract asset is the right of the Company to receive consideration in exchange for the goods or services it has transferred to the customer but which is not unconditional (the accrual for the receivable). If, through the transfer of the goods and/or the provision of services, the Company fulfils its obligation before the customer pays the relevant consideration and/or before the payment becomes due, a contract asset is recognized for the earned remuneration (which is conditional). Recognized contract assets are reclassified as a trade receivable when the right to remuneration becomes unconditional.

***Contract liabilities***

As a contract liability, the Company presents the payments received by the customer and/or an unconditional right to receive a payment before fulfilling its contractual obligations. Contract liabilities are recognized as income when (or as) it settles the obligations to perform.

Assets and liabilities arising from a contract are presented net in the statement of financial position even if they are the result of different contractual obligations for performance of the contract.

After initial recognition, contract trade receivables and assets are subject to an impairment review in accordance with the IFRS 9 Financial Instruments.

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**3.6. OPERATING EXPENSES**

Operating expenses are recognized in profit or loss upon utilization of the service or on the date of their origin in accordance with the income matching principle.

Asset impairment losses include impairment charges recorded for financial assets (accounts receivable), impairment of non-financial assets (inventories, advances made for the purchase of natural gas).

**Deviations within the uncertainty class**

Deviations within the 'uncertainty' class of the measurement systems are reported monthly on the basis of a gas balance report prepared by the Operational control and balance of natural gas and, the relevant protocols and monthly reports for the supply and consumption of gas. The value of these differences is based on the amounts and the average weighted cost of gas for the month.

**3.7. INTEREST EXPENSES AND BORROWING COSTS**

Interest expenses are recognized on a current basis using the effective interest rate method.

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time when the asset is expected to be completed and prepared for its intended use or sale. Other borrowing costs are recognized in the period in which they occurred and reported in the Statement of profit and loss and other comprehensive income in the line 'Interest expense and bank charges and commissions'.

**3.8. INCOME TAXES**

Tax expenses recognized in profit or loss comprise the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable income, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws in force at the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting. There are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognized in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Regarding management's assessment of the likelihood of future taxable income being available through which to utilize deferred tax assets, see Note 5 *Decisive estimates in the application of the Company's accounting policy*.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

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**3.9. PROPERTY, PLANT AND EQUIPMENT**

The Company's property consists of a leased building classified as a right-of-use asset. Plant and equipment are initially recognized at cost, including purchase price and any directly attributable costs of bringing the asset to working condition. Subsequent measurement after initial recognition is applied to a whole class of identical assets as follows:

No	Class of property, plant and equipment	Subsequent evaluation model
1	Plant and equipment	Revaluation model
2	Computer systems	Acquisition price
3	Vehicles	
	• trucks	Revaluation model
	• cars	Acquisition price
	• special vehicles	Revaluation model
4	Office equipment and inventory	Acquisition price
5	Spare parts, recognized as plant and equipment	Revaluation model
6	Other plant and equipment	Acquisition price
7	Leased buildings, real estate	Acquisition price determined by virtue of IFRS 16

Plant and equipment, for which revaluation model is applied, are subsequently valued at a revalued amount, equal to the fair value at the date of the revaluation less any subsequently accumulated depreciation and impairment losses. Revaluations made are presented in the Statement of profit and loss and other comprehensive income and reported at the expense of the equity (revaluation reserve) and if no expenses have been incurred before that. Upon sale or disposal of the revalued asset, the remaining revaluation reserve is discharged against retained earnings.

**Revaluations are carried out according to the following frequency:**

- in case the fair value of assets changes insignificantly, the assets are revaluated every three years;
- in case the fair value of plant and equipment changes significantly in short-term intervals, they are revaluated at short-term intervals, so that the asset's carrying amount not to differ materially from its fair value;

The frequency of subsequent revaluation of plant and equipment, when applying the revaluation model depends on whether the carrying amount substantially differs from the fair value of a certain revalued asset at the end of the reporting period.

In this regard, when performing the annual stock-taking at the end of the reporting period (end of financial year) the Company reviews the plant and equipment for indications that if their carrying amount differs materially from their fair value. As a significant deviation is assumed a deviation of the asset's carrying amount from its fair value at the date of preparation of the financial statements with more than 5%. Significant deviation is also a deviation below 5%, but the difference between the plant and equipment's carrying amount and its fair value, as a cumulative value, is significant for the purposes of preparation of the financial statements.

Plant and equipment for which revaluation model is not applied, are subsequently valued at purchase price less the accumulated depreciation and impairment losses. Impairment made is calculated as a cost and are recognized in the statement of profit or loss and other comprehensive income for the relevant period.

Subsequent expenditures relating to an item of plant and equipment are added to the carrying amount of the asset when it is probable that the Company has economic benefits in excess of the asset's originally assessed effectiveness. All other subsequent expenditure is recognized as such for the period it is made.

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Depreciation of plant and equipment is calculated by using the straight-line method over the estimated useful life of assets' groups, as follows:

Plant and equipment	2—7 years
Vehicles	2—12 years
Computers	2 years
Leased buildings	For the term of the lease agreement

Plant and equipment is derecognised upon their sale or when no expected future economic benefits from its use or disposal. Profit or loss arising out from writing off of the asset representing the difference between the net disposal proceeds, if any, and the carrying amount of the asset, are recognized in Statement of profit or loss and other comprehensive income, when the asset is written-off.

At the end of each financial year the residual values, useful life and methods of depreciation are reviewed, and, if expectations differ from previous estimates, the latter are changed in future periods.

Materiality threshold for Company's property, plant and equipment amounts to BGN 500.

Plant and equipment acquired under finance lease agreement are depreciated based on their expected useful life, determined by reference to comparable own assets or based on the period of the lease contract, if shorter.

### **3.10. INTANGIBLE ASSETS**

Intangible assets include licenses and software products. They are accounted by their acquisition price, including any paid duties and non-refundable taxes, and any directly attributable expenditure on preparing the asset for its intended use, whereby capitalized costs are depreciated on a straight line basis over their estimated useful lives, as these assets are considered finite. Upon acquisition of an intangible asset resulting from a business combination of its cost is equal to the fair value at the acquisition date.

Subsequent recognition is carried out at purchase price less any accumulated depreciation and any accumulated impairment losses. Impairment made is calculated as a cost and are recognized in the statement of profit or loss and other comprehensive income for the relevant period.

Subsequent expenditure incurred in relation to intangible assets after initial recognition are recognized in the statement of profit or loss and other comprehensive income for the period of their occurrence, unless this expenditure would enable the asset to generate future economic benefits in excess of its originally assessed standard of performance, and where this expenditure may be measured reliably and attributed to the asset. If these two conditions are met, the expenditure is added to the cost of the asset.

Intangible assets' residual values and useful lives are reviewed by the management at each reporting date.

Depreciation of intangible assets is calculated by using the straight-line method over the estimated useful life of individual assets, as follows:

Public supplier licences	35 years
Software applications	10 years

The gain or loss arising out of the sale of an intangible asset is determined as the difference between the proceeds from sales and the carrying amount of the asset, and is recognized in the statement of profit or loss and other comprehensive income in line 'Other revenue'.

The materiality threshold as adopted by the Company for the intangible assets amounts to BGN 500.00.

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**3.11. REPORTING OF LEASE CONTRACTS**

**A. THE COMPANY AS A LESSEE**

For all contracts, the Company assesses whether the contract is or consists of a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key assessments, which are:

- the contract contains a specific asset that is either explicitly identified in the contract, or; is implicitly specified by being identified at the time that the asset is made available for use to the Company;
- the Company is entitled to receive substantially all the economic benefits from the use of the specified asset throughout the period of use, taking into account its rights within the defined scope of the contract;
- The Company has the right to direct the use of the designated asset throughout the period of use. The Company assesses whether it is entitled to direct the 'how and for what purpose' of the asset to use throughout the period of use.

At the inception of the lease, the Company recognizes an asset with a right to use and a lease payable in the balance sheet. The asset with a right to use is measured at cost, which consists of the initial assessment of the lease liability, all initial direct costs incurred by the Company, an estimate of all costs for dismantling and disposal of the asset at the end of the lease and any lease payments made before the start date of the lease (without any incentive received).

The Company depreciates assets with the right to use on a straight-line basis from the date of inception of the lease to the earlier of the useful life of the asset with the right to use or the end of the lease term. The Company also performs a review of impairment of the asset with the right to use when such indicators exist.

At the inception date, the Company estimates the lease payable at the current amount of the lease payments outstanding at that date discounted using the interest rate included in the lease contract. If this rate cannot be directly determined, the company uses the interest rate it would have to pay to borrow for a similar period of time with similar collateral the funds needed to obtain an asset of similar value in a similar economic environment.

The lease payments included in the measurement of the lease payable consist of fixed payments, variable payments based on an index or a percentage, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to exercise.

After the inception date, the Company measures the lease liability by increasing its carrying amount to reflect interest on the leasing liability and reducing its carrying amount to reflect the lease payments made, and remeasures the carrying amount of the liability to reflect revaluations or changes in the lease or to reflect the substantially adjusted lease payments.

The Company is exposed to potential future increases in variable lease payments based on an index or interest rate that are not included in the lease liability until they enter into force. When adjustments to lease payments take effect, based on an index or interest, the lease liability is remeasured and adjusted against the asset with a right to use.

When the lease liability is revalued, the relevant adjustment is reflected in the asset with a right to use or in profit and loss if the asset with a right to use is already reduced to zero.

The Company has chosen to account for short-term leases and lease contracts, the main asset of which is of low value, using exemptions from recognition requirements. Instead of recognizing an asset with a right to use and a lease obligation, the related payments are recognized as an expense in the profit or loss on a straight line over the lease term.

In the statement of financial position, the assets with a right to use are included in Property, plant and equipment assets, and lease payables are included in lease payables.

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**B. THE COMPANY AS A LESSOR**

The Group's accounting policies under IFRS 16 have not changed since the comparative period.

The Company is not a lessor. In case of transactions occurred as a lessor, the Company classifies its leases as operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset and is classified as an operating lease if it does not.

**3.12. NON-CURRENT ASSETS IMPAIRMENT TESTS**

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All assets and cash-generating units are tested for impairment at least once per year. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that their carrying amount cannot be recovered.

As impairment loss is recognized the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less the sale cost of an asset and its value-in-use. To determine the value-in-use, the management of the Company estimates expected future cash flows from each cash-generating unit and determines a suitable discount factor in order to calculate the current amount of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future reorganizations and assets enhancements. Discount factors are determined individually for each cash-generating unit and reflect their respective risk profiles as assessed by the management of the Company.

Impairment losses for cash-generating units reduce the carrying amount of the assets allocated to that cash-generating unit. All assets are subsequently reassessed by the management for indications that an impairment loss previously recognized may no longer exist or is decreased. Impairment, recognized in previous period is recovered if the cash-generating unit's recoverable amount exceeds its carrying amount.

**3.13. FINANCIAL INSTRUMENTS**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial asset is any asset that represents: cash, an equity instrument of another entity, a contractual right to receive or exchange, on potentially favourable terms, cash or financial instruments with another entity, and a contract that will be settled by instruments of The Company's equity is a non-derivative in which it may or will receive a variable number of its equity instruments, or a derivative that may or may be settled by exchange of a fixed amount of cash or other assets. d financial assets, against a fixed number of equity instruments.

A financial liability is any liability that represents: a contractual right to grant or exchange, on potentially unfavourable terms, cash or financial instruments with another entity, as well as a contract that will be settled by the issuer's equity instruments and is a non-derivative in which the Company may or will receive a variable number of the entity's equity instruments, or a derivative that may or may be settled, other than by exchanging a fixed amount of cash or other financial assets, cf. vs. fixed number of equity instruments of the entity.

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**3.13.1. FINANCIAL ASSETS**

***Initial recognition and qualification***

The Company initially recognizes a financial asset at the time it becomes a party to a contractual arrangement and classifies it according to the business model for managing financial assets and the characteristics of the contracted cash flows.

The Company classifies its financial assets according to their subsequent measurement in three categories: 'financial assets measured at depreciated cost', 'financial assets measured at fair value through other comprehensive income' or 'financial assets at fair value through profit or loss', as appropriate, under the contractual terms of the instruments and established business models in the Company in accordance with IFRS 9.

The business model of the Financial Assets Management Company refers to the way in which it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, the sale of financial assets, or both.

The management of the Company has determined that the financial assets representing cash in bank, trade receivables, other receivables, court and awarded receivables and receivables from related parties are held by the Company in order to obtain the agreed cash flows and are expected to generate cash flows, representing only payments of principal and interest (business model applied). These financial assets are classified and subsequently measured at depreciated cost.

***Initial measurement***

Initially, all financial assets, excluding trade receivables, are measured at their fair value plus direct transaction costs if they are not carried at fair value through profit or loss when initially recognized as net of transaction costs. Trade receivables that do not have a significant component of financing and for which the Company applies the practically feasible measure under IFRS 15 in this respect are initially measured at the transaction price in accordance with IFRS 15.

***Subsequent measurement and presentation***

For the purposes of subsequent assessment and presentation, financial assets shall be classified in one of the following categories: 'financial assets measured at amortized cost' (debt instruments), 'financial assets measured at fair value through other comprehensive income with reclassification of accumulated profits and losses' (debt instruments), 'financial assets measured at fair value through other comprehensive income, without reclassification of accumulated profits or losses on write-off' (capital instruments) or 'financial assets measured at fair value in profit or loss' (debt and capital instruments).

***Financial assets at amortized cost (debt instruments)***

This category includes cash in banks, trade receivables, other receivables, court and awarded receivables and receivables from related parties. This category of financial assets is the most significant for the Company.

The Company measures and measures financial assets at depreciated cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets to collect the contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



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Subsequent measurement is carried out using the 'effective interest' method through which interest income is calculated using the effective interest rate applied to the gross carrying amount of the instruments. For purchased or originated assets with initial credit impairment and those with a subsequently recognized credit impairment, the credit-adjusted effective interest rate, respectively the effective interest rate, is applied to the depreciated cost of the asset.

Financial assets in this category are subject to impairment testing at the date of each financial statement of the Company, the changes being reflected in profit or loss.

Profit or loss are recognized in profit or loss when the asset is written-off, changed or impaired.

***Derecognition***

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows of the asset have expired or the Company has transferred its rights to receive cash flows from the asset underwent the obligation to pay all the cash flows received without significant delay to a third party under a 'transfer' arrangement.

When a financial asset is derecognised in its entirety, the difference between 1) the carrying amount (measured at the date of derecognition) and 2) the consideration received (including any new asset received without the new assumption of a new liability) is recognized in profit or loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it assesses whether and to what extent the risks and rewards of ownership are preserved. When neither transfers nor substantially retains all the risks and rewards of the asset nor transfers control over the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Company recognizes a related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Company has retained.

***Impairment of financial assets***

The Company recognizes provisions for expected credit losses for all debt instruments, which are not reported at fair value in the profit or loss by applying the approach set out in the Table below:

	Type of financial asset	Category under IFRS 9	Impairment approach
1	Short-term trade receivables	Debt instruments measured at depreciated cost	Simplified approach
2	Trade receivables with a financing component	Debt instruments measured at depreciated cost	Standardized approach
3	Short-term receivables from related parties	Debt instruments measured at depreciated cost	Simplified approach
4	Receivables from related parties with a financing component	Debt instruments measured at depreciated cost	Standardized approach
5	Receivables under borrowings granted	Debt instruments measured at depreciated cost	Standardized approach
6	Cash and cash equivalents	Debt instruments measured at depreciated cost	Standardized approach
7	Other financial, court and awarded receivables	Debt instruments measured at depreciated cost	Simplified approach

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Expected credit losses are a probability-weighted estimate of credit losses (i.e. the current amount of each shortage of money) over the expected term of the financial instrument. Monetary deficiency is the difference between the cash flows payable to the Company in accordance with the contract and the cash flows that the Company expects to receive. Because the expected credit losses account for the amount and timing of payments, an expected credit loss is recognized even if the Company expects the asset to be fully paid but later than the due date.

Impairment and losses on financial instruments are dealt with in three stages, the first two being the expected credit losses for losses that may arise as a result of default events, and the third as credit impairment (loss), based on evidence of potential or actual default under the instruments.

Expected credit losses for exposures for which there is no significant increase in the credit risk compared to the initial recognition are recognized for credit losses that may arise as a result of default events over the next 12 months. For credit exposures for which there is a significant increase in the credit risk after initial recognition, a loss adjustment for the expected credit losses over the remaining life of the exposure is required, irrespective of the timing of the default (lifetime ECL).

**For trade receivables and contract assets arising from transactions in the scope of IFRS 15** that do not contain a significant component of finance, the Company applies a simplified approach in accordance with IFRS 9 by recognizing a provision for impairment loss for expected credit losses based on the expected credit loss for the lifetime of the receivables at each reporting date. The Company applies a matrix that calculates the expected credit losses on trade receivables. Receivables are classified by days in arrears and are grouped by type and customer segments with different credit loss models.

For baseline data on trade receivables, the Company uses its accumulated experience of credit losses on such instruments to measure expected credit losses. The historical data used is for periods of 3 to 5 years back, grouped by type and corresponding customer segment models, and adjusted by forecast factors specific to debtors and the industry concerned.

**For cash in banks**, the Company recognizes impairment for expected credit losses by applying the Standardized Approach and the credit rating of the financial institutions in which the Company has deposited its cash is used to determine the loss from default in the model parameters.

At each reporting date, the Company sets the depreciation allowance for each instrument to the amount of expected lifetime losses if the credit risk for that instrument has increased significantly since the initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly from the time of initial recognition, the impairment for that financial instrument is equal to the expected 12-month credit losses.

### **3.13.2. FINANCIAL LIABILITIES**

#### ***Initial recognition, classification and measurement***

The Company recognizes a financial liability in the statement of financial position only when it becomes a party to the contractual terms of the financial instrument.

Upon initial recognition, financial liabilities are classified as: 'financial liabilities subsequently measured at depreciated cost' (borrowings and funds raised, trade and other payables) or 'financial liabilities measured at fair value through profit or loss'.

Initial recognition occurs at the settlement date and is carried at fair value plus, in the case of financial liabilities that are not carried at fair value through profit or loss, directly attributable to the acquisition or issue of the financial liability. Received borrowings management fees are deferred over the borrowing period using the effective interest method and are included in the depreciated cost of the borrowings.

The financial liabilities of the Company include borrowings, trade and other payables and payables to related parties.

According to their repayment term, financial liabilities are classified as long-term and short-term.

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***Subsequent measurement***

Subsequent measurement of financial liabilities depends on their classification as described below:

***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at their initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are made for redemption purposes in the near future.

Profit or loss on liabilities held for trading are recognized in profit or loss and other comprehensive income.

Financial liabilities designated at their initial recognition at fair value through profit or loss are determined at the initial recognition date and only if the criteria in IFRS 9 are met.

The Company has not designated financial liabilities as measured at fair value through profit or loss.

***Financial liabilities measured at depreciated cost***

The category 'financial liabilities at depreciated cost' includes borrowings received, trade payables and other payables where the Company has become a party to a contract or arrangement and should be settled in net cash. This category has the most significant share for the Company's financial instruments and for it as a whole.

Financial liabilities are subsequently measured at depreciated cost using the effective interest method. The depreciated cost is calculated, taking into account any discount or premium on acquisition, also charges or expenses that are an integral part of the effective interest rate. Expenditure (calculated using the effective interest method) is included as financial expense in the separate profit or loss account and other comprehensive income in line 'Financial expenses'.

For financial liabilities that are measured at depreciated cost, profit or loss is recognized in profit or loss for the period when the financial asset or financial liability is derecognized or impaired through the depreciation process.

Trade payables are initially recognized at their nominal value and are subsequently measured at depreciated cost less payment to settle.

Dividends payable to the sole shareholder are recognized when the dividends are approved at the General Meeting.

***Derecognition***

The Company derecognises a financial liability only when the instrument fulfils (settles) the obligation, the liability expires or the creditor waives its rights.

Where an existing financial liability has been replaced by another by the same lender under substantially different conditions or the terms of an existing obligation have been materially changed, such an exchange or change is treated as a write-off of the original liability and recognition of a new liability. The difference in the appropriate carrying amounts is recognized in the profit or loss.

The difference between the carrying amount of a financial liability settled or transferred to another party and the consideration paid for settlement, including cash and the transfer of non-monetary assets, is recognized in profit or loss for the period.

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***Compensation of financial instruments***

Financial assets and financial liabilities are offset and the net amount is recognized in the statement of financial position if there is a legally enforceable right to offset the amounts recognized and the Company intends to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

**3.14. INVENTORIES**

Inventories include materials and commodities — natural gas.

Inventories are measured at the lower of prime cost and net realizable value.

In compliance with a Methodology for price formation for access and transmission of natural gas through the gas transmission network of the operator (Bulgartransgaz EAD), and the decisions of the Energy and Water Regulatory Commission (EWRC) for the approval of the prices for the operator's services in the MWh unit of measurement, Bulgargaz EAD takes into account the sales of natural gas in the same unit of measurement.

**GAS IN UNDERGROUND GAS STORAGES**

The underground gas storage contains two types of natural gas — operating gas, part of which is owned by the Company, and cushion gas, which is owned by the operator of the gas transmission system Bulgartransgaz EAD.

The operating gas owned by the Company may be used without causing any negative impacts on the future use of the underground gas storage. Its amount is determined through the specialized measuring system owned by the operator, and at the end of each month the Company and Bulgartransgaz EAD sign protocols evidencing the amount of the measured operating gas available in the gas storage.

The cushion gas owned by Bulgartransgaz EAD forms an integral part of the underground gas storage and is of major importance to its functioning.

The cost of gas purchased comprises the direct purchase expenses — purchase price, transport costs, liquefied natural gas processing costs, transit fee for the transmission of gas through the territory of Turkey and Greece to an entry point of the country's gas transmission system, transition fee for the transmission and capacity of natural gas through the territory of Republic of Bulgaria, non-refundable taxes and charges, and other direct costs.

Costs for the storage of natural gas in an underground storage are reported as current expense.

Net realisable value is the estimated sales price in the ordinary course of business, less the approximately estimated costs of completion of the manufacturing cycle and the estimated costs necessary to make the sale. In determining the net realisable value at the end of the reporting period, the market levels of the TTFfm index according to the futures published on argusmedia.com for January of the following (calendar/financial) year are used:

In case that the natural gas has already been impaired to net realizable value and in a subsequent period it turns out that the conditions, which have led to this impairment no longer exist, then the newly determined net realizable value is accepted. The reversal of the impairment is limited to the carrying amount of the natural gas prior to its impairment. Such reversal is recognised in profit or loss for the period in which it has occurred.

**3.15. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash on hand, current bank accounts, demand deposits and deposits up to 3 (three) months, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

**3.16. EQUITY AND RESERVES**

Share capital represents the nominal value of shares that have been issued.

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Reserves include legal reserves and revaluation of non-current assets and reserve from revaluation of defined benefit obligations.

Retained earnings and accumulated loss include current financial results and accumulated earnings and uncovered losses from previous years.

All transactions with the sole shareholder of the Company are presented separately in the statement of changes in equity.

**3.17. POST-EMPLOYMENT BENEFITS AND SHORT-TERM EMPLOYEE BENEFITS**

The Company recognizes short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the reported period during, which the employees have performed the work related to those leaves. The short-term payables to personnel include salaries and related social security payments.

In accordance with Labour Code requirements, in case of retirement, after the employee has become eligible acquired for pension due to years of services and age, the Company is obliged to pay him/her compensation at the amount of up to six gross salaries. The Company has recognized a liability by law for the payment of retirement compensation in accordance with IAS 19 'Employee Benefits'. The amount is based on forecasts made for the next five years, currently discounted with the long-term income percentage of risk free guarantees.

The management of the Company estimates the defined benefit obligations once annually with the assistance of independent actuary. The estimate of its post-retirement benefit obligations is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial profit or loss are recognized in other comprehensive income.

Interest expenses related to pension obligations are included in line 'Financial costs' in the Statement of profit or loss and other comprehensive income. All other post-employment benefit expenses are included in 'Employee benefits expenses'.

Short-term employee benefits, including holiday entitlement, are current liabilities included in lines 'Trade and other payables' and 'Retirement benefit obligations', measured at the undiscounted amount that the Company expects to pay.

The Company has not developed and implemented plans for employee benefits after resignation.

**3.18. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions are recognized when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts may be estimated reliably. Timing or amount of the outflow may be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example warranties, legal disputes or onerous contracts. Restructuring provisions are recognized only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognized for future losses.

Provisions are measured at the most reliably estimated expenditure required to settle a present obligation, based on the most reliable evidence available at the end of the reporting period, taking into account the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted when the effect of time differences in money value is significant.

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Any reimbursement that the Company is certain to collect from a third party with respect to an obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at the end of each reporting date and adjusted to present the best current estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. Contingent liabilities should be measured subsequently at the higher value between the above described comparable provision and the amount initially recognized decreased with accumulated depreciation.

Possible inflows of economic benefits, which do not yet meet the recognition criteria of an asset, are considered contingent assets.

#### **4. FINANCIAL RISK MANAGEMENT**

##### **4.1. FINANCIAL RISK FACTORS**

The Company is exposed to various risks in relation to financial instruments. The most significant financial risks to which the Company is exposed are market risk, credit risk and liquidity risk.

Risk management of the Company is carried out by the headquarters of the Company, in cooperation with the Board of Directors and Bulgarian Energy Holding EAD. A priority of management is to provide short and medium term cash flows by minimizing the exposure to financial markets. The Company is not trading with financial assets for speculative purposes, does not issue options and does not take speculative or hedging positions on the financial markets. In 2024, there was no change to the risk management objectives, policies and procedures and the methods by which they are measured.

The most significant financial risks to which the Company is exposed are described below.

##### **4.1.1. MARKET RISK**

The Company is exposed to market risk as a result of using financial instruments and specifically to currency risk, interest rate risk and risk of certain price changes, as a result of the operating activity of the Company.

##### **(A) FOREIGN CURRENCY RISK**

A large part of the transactions mainly related to sales to the Company's customers are executed in Bulgarian leva (BGN). Another significant portion of the Company's transactions are connected with the purchase of natural gas and are denominated in EUR and in US dollars. USD exposures expose the Company to foreign exchange risk.

	<b>Exposure to short-term risk</b>		
	<b>US dollars</b> 000'BGN	<b>Romanian lei</b> 000'BGN	<b>Swiss franc</b> 000'BGN
<b>31 December 2024</b>			
Financial assets	55,249	1,958	-
Financial liabilities	(190,530)	-	(131)
<b>Total exposure to risk</b>	<b>(135,281)</b>	<b>1,958</b>	<b>(131)</b>
<b>31 December 2023</b>			
Financial assets	51,946	-	-
Financial liabilities	(29,837)	-	-
<b>Total exposure to risk</b>	<b>22,109</b>	<b>-</b>	<b>-</b>

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The financial assets and liabilities, which are denominated in a foreign currency and are translated into Bulgarian lev at the end of the reporting period, are presented as follows:

The tables below show the sensitivity of the annual net financial result after taxes and equity to a probable change in the exchange rates of the Bulgarian lev against the following foreign currencies (<https://www.ecb.europa.eu/stats>):

- U.S. dollar +/- 2.65% (for 2023 +/- 2.2%)
- Romanian leu +/- 0.10% (for 2023 +/- 0.10%)
- Swiss franc +/- 3.5% (for 2023 +/- 3.5%)

All other parameters are considered constant.

These rates are based on average exchange rates over the last 12 months. The sensitivity analysis is based on the investments of the Company in foreign currency financial instruments held at the end of the reporting period.

<b>31 December 2024</b>	<b>Increase of the exchange rate of</b>		<b>Decrease of the exchange rate of</b>	
	<b>BGN</b>		<b>BGN</b>	
	<b>Net financial result</b>	<b>Equity</b>	<b>Net financial result</b>	<b>Equity</b>
000'BGN				
US dollar (+/- 2.65%)	6,067	6,067	(6,067)	(6,067)
Romanian leu (+/- 0.10%)	(2)	(2)	2	2
Swiss franc(+/- 3.5%)	(5)	(5)	5	5
<b>31 December 2023</b>	<b>Increase of the exchange rate of</b>		<b>Decrease of the exchange rate of</b>	
	<b>BGN</b>		<b>BGN</b>	
	<b>Net financial result</b>	<b>Equity</b>	<b>Net financial result</b>	<b>Equity</b>
000'BGN				
US dollar (+/- 2.2%)	(763)	(763)	763	763
Romanian leu (+/- 0.10%)	-	-	-	-
Swiss franc(+/- 3.5%)	-	-	-	-

The Company does not present a currency risk of changing the exchange rate of the Bulgarian lev against the euro because the exchange rate is fixed.

Exposure to exchange rate fluctuations varies throughout the year depending on the volume of international transactions performed. However, the analysis presented above is considered to represent the Company's exposure to foreign currency risk.

**(B) INTEREST RATE RISK**

The Company's policy is to minimize interest rate risk in long-term financing. As at 31 December 2024, the Company has entered into several bank overdraft type agreements and borrowings agreements from the sole owner and the Ministry of Energy that are at a fixed interest rate.

The Company has no financial assets or liabilities with variable interest rates as at 31 December 2024. Therefore, the Company is not considered to be exposed to the risk of changes in market interest rates.

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**(C) OTHER PRICE RISKS**

The Company is exposed to a price risk associated with the activities under the license for public supply of natural gas. The specificity of the activity of Bulgargaz EAD stems from the fact that the Company is a public natural gas supplier. In accordance with the applicable legal requirements, as a public supplier, the prices at which natural gas is sold to end suppliers of natural gas are subject to regulation by the EWRC.

The Company plans the quantities it will purchase based on the agreed annual programmes of customers at the exit points of the gas transmission system in Bulgaria. This creates price risks for Bulgargaz as a result of the following factors:

- the difference between quantities requested and accepted from customers, resulting in significant surplus natural gas and increased costs for unused transmission and regasification capacity;
- the particularities of LNG supply — a nominal quantity for delivery and a *tolerance* are agreed in the contracts;
- the difference between the pricing rate set under the NGRP and the natural gas acquisition rate;
- others

The significant price volatility in the natural gas market continued in 2024. These dynamics and the specifics of the market in the country do not allow the company to assess with a sufficient degree of precision the full sensitivity to this risk. The Company's management is making efforts to manage this risk through supply diversification and public tenders leading to the closest possible approximation to market levels for natural gas supplies.

The Company is not exposed to price risks in connection with its ownership of publicly traded shares, bonds and interests in subsidiaries or joint ventures.

**4.1.2. CREDIT RISK**

Credit risk is the risk that counterparty fails to discharge an obligation to the Company. The Company is exposed to this risk in relation to receivables from customers.

It is the Company's policy that all customers wishing to trade on a deferred payment basis are subject to procedures to verify their ability to pay for the provision of collateral — a bank guarantee.

The credit risk arising from other financial assets of the Company, such as cash and other financial assets represents the Company's credit exposure arising from the possibility of its counterparties to fail to meet their obligations.

The Company's exposure to credit risk is limited to the carrying amount of financial assets recognized at the end of the reporting period as indicated below:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Trade and other financial receivables (including Related party receivables Note 36)	1,071,221	879,826
Cash and cash equivalents	1,254	2,265
<b>Carrying amount</b>	<b>1,072,475</b>	<b>882,091</b>

The Company has provided financial assets (trade receivables) as collateral for its liabilities, the carrying amount of which as at 31 December 2024 amounts to more than BGN 800,000 thousand. (31 December 2023: BGN 625,381 thousand).

Under final judgment 341/03 August 2023 of the Varna District Court, in favour of Bulgargaz EAD, claims from TPP Varna EAD for the amount of BGN 35,541 thousand, together with the statutory interest from the date of filing the claim — 28 April 2022 and the amount of BGN 1,502 thousand, representing the costs incurred in the case. In the agreement for the deferment of the obligations in arrears (under a legally effective judgment of the



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Varna District Court dated 3 August 2023) of TPP Varna EAD it is agreed that as a collateral for the liabilities the debtor should establish a mortgage for the benefit of Bulgargaz EAD and a first-ranking mortgage in a real estate is established accordingly. The market valuation of the property determined by three experts at the time of its contribution to the capital of the mortgage debtor is BGN 43,734 thousand. (according to an independent valuation of the property as at August 2023, the market value amounts to BGN 39,199 thousand). By 31 December 2023 TPP Varna EAD has made a payment in the amount of BGN 5,000 thousand. 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.

As at 31 December 2024 the Company has received cash guarantees as collateral for trade receivables for natural gas supply from its customers in the amount of BGN 104 thousand. (2023: BGN 103 thousand).

As at 31 December 2024 and 31 December 2023, the Company is exposed to concentration of credit risk with respect to receivables from Toplofikacia Sofia EAD that comprise more than 96% of the total amount of net trade receivables:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Receivables from Toplofikacia Sofia EAD	985,525	534,411
<b>Total trade receivables from customers</b>	<b>1,022,334</b>	<b>809,610</b>

Additional disclosures relating to credit risk are presented in Note 11.

#### **4.1.3. LIQUIDITY RISK**

Liquidity risk is the risk arising from the Company not being able to meet its obligations. The Company meets its liquidity needs by carefully keeping track of payments to be made under long-term financial liabilities and cash inflows and outflows, arising in the course of the operating activity. Liquidity needs are monitored for various time bands, on a day-to-day basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

Non-derivative financial liabilities have the following remaining contractual maturities, as the amounts shown are the undiscounted contractual cash flows:

<b>AS AT 31 December 2024</b>				
	<b>Up to 6 months</b>	<b>Current Between 6 and 12 months</b>	<b>Non-current Between 1 and 5 years</b>	<b>Total</b>
Lease	64	65	59	188
Borrowings	534,785	525,818	570,000	1,630,603
Trade and other payables	303,681	-	-	303,681
<b>Total</b>	<b>838,530</b>	<b>525,883</b>	<b>570,059</b>	<b>1,934,472</b>

<b>AS AT 31 December 2023</b>				
	<b>Up to 6 months</b>	<b>Current Between 6 and 12 months</b>	<b>Non-current Between 1 and 5 years</b>	<b>Total</b>
Lease	62	63	188	313
Borrowings	247,468	60,000	1,170,000	1,477,468
Trade and other payables	204,918	-	-	204,918
<b>Total</b>	<b>452,448</b>	<b>60,063</b>	<b>1,170,188</b>	<b>1,682,699</b>

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The category of trade and other payables classified as financial liabilities does not include those arising from legal requirements (taxes and related interest thereto, and social security payables) and advances from customers.

There are no non-derivative financial liabilities for which the cash flows are expected to occur significantly earlier than indicated in the table above. The amounts disclosed in the maturity analysis of liabilities represent the undiscounted cash flows on the contracts, which may differ from the carrying amounts of the liabilities at the reporting date.

**Financial assets used for managing liquidity risk**

In assessing and managing liquidity risk the Company considers expected cash flows of financial instruments, especially cash and trade receivables. Available cash resources do not constitute significant amounts because the need for cash covers current daily payments for administrative purposes. Under contracts with customers, all cash flows from trade receivables are paid in advance.

**4.2. CAPITAL MANAGEMENT**

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern.

The Company determines the adjusted capital based on the book value of equity and subordinated debt represented in the statement of financial position. Subordinated debt includes unsecured borrowings received by the parent company.

The net debt is calculated as total debt reduced with the book value of cash and cash equivalents.

The Company determines the proportionate amount of capital compared to total financial structure, equity and financial liabilities except for the subordinated debt. The Company manages its capital structure and makes adjustments according to changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, after the express approval of the parent company, the Company may adjust the amount of dividends paid to the sole owner, return capital to sole owner, issue new shares or sell assets to reduce debt.

For the presented accounting periods, capital is analysed as follows:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Equity (net assets)	(190,371)	125,515
Subordinated debt (unsecured borrowings)	630,000	630,000
<b>Adjusted capital</b>	<b>439,629</b>	<b>755,515</b>
Total liabilities less subordinated debt and deferred income:	1,406,447	1,162,835
— Cash and cash equivalents	(1,254)	(2,265)
<b>Net debt</b>	<b>1,405,193</b>	<b>1,160,570</b>
<b>Ratio of net debt to adjusted capital</b>	<b>3,20</b>	<b>1,54</b>

The Company has not changed its objectives, policies and processes for managing capital, as well as the ways of determining capital during the presented reporting periods. The increase in the ratio is due to significant borrowing commitments, including unsecured, owed to related parties as part of actions taken by management, the sole owner and the Ministry of Energy following the changes in the model and supply chains.

**4.3. FAIR VALUE MEASUREMENT**

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

- Trade and other receivables;
- Cash and cash equivalents;
- Borrowings; and

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- Trade and other payables.

**5. SIGNIFICANT ESTIMATES IN APPLYING THE ACCOUNTANCY POLICY OF THE COMPANY.  
KEY JUDGEMENTS AND ASSUMPTIONS WITH HIGH UNCERTAINTY**

Upon preparing the financial statements, the Management makes a number of assumptions, estimates and assumptions 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.

Upon preparing the presented financial statements, the Management's significant judgements in applying the Company's accounting policies and the main sources of uncertainty in accounting estimates do not differ from those disclosed in the Company's annual financial statements as at 31 December 2022. Information about the significant assumptions, estimates and assumptions having the most significant effect on the recognition and measurement of assets, liabilities, income and expenses is presented below.

**5.1. IMPAIRMENT OF FINANCIAL ASSETS**

***Recognition and measurement of expected credit losses of debt instruments measured at depreciated cost***

***Approach for impairment of short-term trade and other receivables and receivables from related parties***

The Company applies a simplified approach to calculate the expected credit losses for trade receivables that do not contain an element of finance.

For the purpose of determining the expected credit losses the company applies models at the level of customer's industry. The models allow the inherent assessment of financial risk that customers bring to companies in the Company.

Expected credit losses are calculated for each single receivable (invoice, interest rate, etc.) that puts a counterparty in a debt, adjusted on the basis of past due dates and the standard counterparty payment cycle. The average number of days of customer's delay is determined on the basis of historical information about the customer's coverage period. The retrospective review is for a period of 3 to 5 years.

For the purpose of calculating the expected credit losses for financial assets arising from contracts with contractors from the energy industry, the Company has determined the existence of additional risk. Trade receivables arising from counterparties in the above industry are therefore considered to be of higher risk.

The additional risk is identified on the basis of a historical experience of the Company's receivables with counterparties from this industry, including deteriorated financial condition, liquidity problems and other difficulties, especially for traders of electricity.

The identified risk factors are considered an indication of a possible increase in credit risk. The quantitative effect of credit risk growth on counterparties from the energy industry is determined by separating an additional industry, 'Energy – High Risk', which adds the 'specific risk' component that is involved in determining the discount rate used for the calculation of the amount of impairment. The assessment of the ratio between observed historical default data, estimated economic conditions, industry risk rating, and the amount of expected credit losses is a significant estimate. Information on impairment of expected credit losses of the Company is presented in Note 23.

In reviewing the annual estimates associated with the application of the ECL model, management has made a judgment that for counterparties with elevated credit risk or with the presence of a concentration for credit risk, it is permissible to apply an individual approach. This judgement is based on market developments, the behaviour of the relevant counterparty up to and including the date of the estimates, circumstances that arise such as the existence of legal actions, the taking of collateral and the like. In this regard, in calculating the impairment losses on trade receivables as at 31 December 2024, management has considered the receivables settled up to the date of assessment, prepared a detailed historical analysis of recoveries over a three-year period and determined an

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appropriate discount factor to reflect the risks of the industry, counterparty, its geographical location and other specific risk characteristics.

***Approach for impairment of granted borrowings, trade receivables and receivables from related parties with a financing element***

The Company applies an individual approach for impairment of receivables with an element of financing and of granted credits. The impairment model is based on the cash flows agreed in the financial instrument, as well as the assumptions and estimates of expected cash flows and the realization of the financial asset adopted by the management in the preparation of the financial statements.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the current amount of each shortage of money) over the expected term of the financial instrument. Monetary deficiency is the difference between the cash flows payable to the Company in accordance with the contract and the cash flows that the Company expects to receive. Because the expected credit losses account for the amount and timing of payments, an expected credit loss is recognized even if the Company expects the asset to be fully paid but later than the due date.

Depending on the characteristics of the asset and the counterparty, the expected future cash flows from the asset may materially differ from the contracted assets. This would also lead to significant levels of expected credit losses on the asset.

Revision of expected future cash flows for each specific asset is made at each reporting date.

***Approach for impairment of court and awarded receivables***

In cases where the Company has undertaken legal actions to satisfy its claims, these are classified as court receivables. This type of receivables is characterized by an absolute default — i.e. unwillingness or inability of the customer to settle its obligation. For this reason, irrespective of the existence of decisions of judicial authorities and the started enforcement procedures, the collection of these receivables and respectively the expected future cash flows are determined as such at a low level of probability, and the probability of default has already occurred with respect to the original asset, i.e. it is equal to 100%.

In 2024 the Company reviewed the methodology and assumptions used to determine the estimate of expected credit losses on litigation and adjudicated receivables in the prior reporting period. The analysis is intended to reduce the differences between estimates and actual credit losses. In connection with the review, the Company determined that all litigation receivables that were from customers declared bankrupt should be completely impaired.

***Approach for impairment of cash in banks***

Cash and cash equivalents are the most liquid financial instruments. They do not carry any settlement risk, and the liquidity risk they carry is limited to the technical possibility for their disposal not to be fulfilled. However, cash deposited with banks carry a counterparty credit risk (risk of default). Counterparty risk is the likelihood that the counterparty in a financial transaction will not fulfil its contractual obligations. The Company applies the standardized approach for calculating the expected credit losses of cash in banks and the credit rating of the financial institutions in which the Company has deposited its cash is used to determine the loss given default in the model parameters. As at 31 December 2024, the Management's best estimate of expected credit losses of cash in banks was that a reintegrated credit loss was anticipated in the amount of BGN 3 thousand (31 December 2023: BGN 4 thousand). (Note 3.13.1 and Note 14).

Expected credit losses are the sum of the expected credit losses for each court and awarded receivable based on the historical collection of this asset class. Further information is also provided in Note 23.

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**5.2. INVENTORIES**

Impairment of natural gas stocks is recognized up to its net realizable value. The determination of impairment requires the Management to assess the turnover of stocks of natural gas and its possible realization through sale. The Company's Management believes that the carrying amount of inventories consisting of natural gas represents the best estimate of its net realizable value as at the date of statement of financial position according to IAS 2 Inventories. Additional information is disclosed in Note 12.

In accordance with the Company's accounting policy effective 1 January 2023, a reference TTFm price for January of the following calendar year is used in determining the net realizable value of natural gas at the end of the reporting period. This management judgment is based on the Company's operating cycle, the seasonal nature of natural gas injection and compression, and the commitments made under the Contingency Plan to maintain certain quantities of available natural gas at the UGS Chiren.

**5.3. REVENUE FROM CONTRACTS WITH CUSTOMERS**

On recognizing revenue from contracts with customers the management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and liabilities under contracts. Key appraisals and assumptions that have a material impact on the amount and timing of recognizing revenue from contracts with customers are disclosed in detailed in Note 3.5. These mainly relate to the determination of variable remuneration in the events of deviations in the daily contracted gas amounts; deviations between the minimum annual gas amounts requested and actually delivered; penalties for deliveries of natural gas of poor quality.

**5.4. PROVISIONS**

The Company is a defendant on several lawsuits as at 31 December 2024, the outcome of which may lead to liabilities of a value other than the amount of provisions recognized in the financial statements. Provisions will not be considered here in more detail in order to avoid prejudices related to the Company's position in the above-mentioned disputes.

As at 31 December 2024, the best estimate of the required provision for claims against the Company amounted to BGN 53,715 thousand (31 December 2023: BGN 53,715 thousand). Additional information is disclosed in Note 35.

In preparing the annual financial statements, the Company's management has prepared its analysis of the operation, performance and expected development and enforcement of material contracts under which costs are expected to be incurred to settle obligations thereunder. The most significant such contract is the agreement for access to the LNG regasification terminals in Turkey and its subsequent transportation to the territory of the Republic of Bulgaria as disclosed in Note 2.2 of this report. Based on its analysis, including and based on all information available to the Company's internal and external management, the Company has concluded that the agreement between Bulgargaz and BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş. should not be treated as an onerous contract and a provision should not be charged for the following reasons:

- ✓ 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.
- ✓ The agreement is for the provision of services, not the supply of gas, and the price of the service under it should be taken into account that it includes services such as flexibility to receive, store and carry forward volumes.

The results of the comparative analysis with similar agreements show that the latter do not include similar services. In similar arrangements, such services are further negotiated with other users and traders, resulting in additional costs for fees, as well as the assumption and coverage of price risks for the Company from the transfer of quantities, from one period to another, which is also reflected in the fee when such transactions are concluded.

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The volatility of natural gas prices in Europe and the world due to the current geopolitical uncertainties should also be taken into account. This is evidenced by the fact that when this Agreement was entered into, the service charge was a low percentage of the price of natural gas and equal to similar services in the region without the additional benefits that the Service Agreement provides.

In addition, the transit agreement between Russia and Ukraine expired at the end of 2024, leading to a potential shortage and respectively increased demand for natural gas volumes in the Central European countries, Ukraine and Moldova. Taking this fact into account, in the last quarter of 2024, Bulgargaz EAD finalised the procedures for obtaining the right to participate in the natural gas markets in Romania, as well as a licence for trading in natural gas in Hungary. This, in turn, is a potential opportunity to realise the capacities reserved under the Agreement with Botaş.

Due to the circumstances thus stated, it is management's judgement that the arrangement will not be treated as onerous within the meaning of IAS 37 and there is no need to recognise a provision for liabilities.

## **5.5. DEFERRED TAX ASSETS**

The assessment of the probability of future taxable income in which deferred tax assets may be utilized is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a reliable forecast of taxable income indicates the probable use of a deferred tax asset, especially when it may be utilized without a time limit, then deferred tax asset is recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed by the management individually based on the specific facts and circumstances.

## **6. FINANCIAL INSTRUMENTS BY CATEGORIES**

The carrying amounts of the Company's financial assets and liabilities may be presented in the following categories:

### **AS AT 31 December 2024**

<b>Financial assets</b>	<b>Debt instruments measured at depreciated cost</b>
Trade and other financial receivables (Note 11, Note 36)	1,071,221
Cash and cash equivalents (Note 14)	1,254
<b>Total financial assets in the statement of financial position</b>	<b>1,072,475</b>

<b>Financial liabilities</b>	<b>Financial liabilities at depreciated cost</b>
Borrowings (Note 18)	1,630,603
Lease (Note 9)	188
Trade and other payables (Note 19)	303,681
<b>Total financial payables in the statement of financial position</b>	<b>1,934,472</b>

### **AS AT 31 December 2023**

<b>Financial assets</b>	<b>Debt instruments measured at depreciated cost</b>
Trade and other financial receivables (Note 11, Note 36)	879,826
Cash and cash equivalents (Note 14)	2,265
<b>Total financial assets in the statement of financial position</b>	<b>882,091</b>

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<b>Financial liabilities</b>	<b>Financial liabilities at depreciated cost</b>
Borrowings (Note 18)	1,477,468
Lease (Note 9)	313
Trade and other payables (Note 19)	204,918
<b>Total financial payables in the statement of financial position</b>	<b>1,682,699</b>

See Note 3.12. for accounting policy information for each category of financial instruments. A description of the Company's risk management policies and objectives regarding financial instruments is set out in Note 4.

Trade and other receivables listed above do not include those arising from legal requirements (other tax receivables), as well as, advances paid to suppliers and prepaid expenses.

Trade and other payables listed above do not include those arising from legal requirements (other tax liabilities and liabilities to social security companies), as well as, obligations to employees and advances received from customers.

## 7. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment include vehicles, computers and the related equipment, office equipment and furniture. The carrying amount may be analysed as follows:

	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Right-of-use assets</b>	<b>Total</b>
<b>AS AT 01 January 2023</b>					
Book value	54	257	182	944	1,437
Depreciation	(36)	(257)	(164)	(515)	(972)
<b>Carrying amount</b>	<b>18</b>	<b>-</b>	<b>18</b>	<b>429</b>	<b>465</b>
<b>CHANGES IN 2023</b>					
Newly acquired	2	-	38	-	40
Written-off	-	-	(14)	-	(14)
Depreciation	(1)	-	(20)	(124)	(145)
Written-off depreciation	-	-	14	-	14
<b>Closing carrying amount</b>	<b>19</b>	<b>-</b>	<b>36</b>	<b>305</b>	<b>360</b>
<b>AS AT 31 December 2023</b>					
Book value	56	257	206	944	1,463
Depreciation	(37)	(257)	(170)	(639)	(1,103)
<b>Carrying amount</b>	<b>19</b>	<b>-</b>	<b>36</b>	<b>305</b>	<b>360</b>
	<b>Plant and equipment</b>	<b>Vehicles</b>	<b>Office equipment</b>	<b>Right-of-use assets</b>	<b>Total</b>
<b>CHANGES IN 2024</b>					
Newly acquired	2	-	5	-	7
Written-off	-	-	(3)	-	(3)
Depreciation	(3)	-	(16)	(125)	(144)
Written-off depreciation	-	-	3	-	3
<b>Closing carrying amount</b>	<b>18</b>	<b>-</b>	<b>25</b>	<b>180</b>	<b>223</b>
<b>AS AT 31 December 2024</b>					
Book value	58	257	208	944	1,467
Depreciation	(40)	(257)	(183)	(764)	(1,244)
<b>Carrying amount</b>	<b>18</b>	<b>-</b>	<b>25</b>	<b>180</b>	<b>223</b>

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All depreciation costs are included in the statement of profit or loss and other comprehensive income in line 'Depreciation and depreciation of non-financial assets'.

As at 31 December 2024 no assets of the group of property, plant and equipment are pledged as collateral of Company's liabilities. As at 31 December 2024 the Company has no contractual obligation to purchase any assets.

As at 31 December 2023, the plant and equipment were evaluated and the outcome from these tests and evaluations show that there are no significant fluctuations in their market values and therefore there is no need of correcting their carrying values.

Assets with right of use include highly reliable IT structure and communication system.

The liabilities for leases, which correspond to the right-of-use assets, are presented in Note 9 Leases.

## 8. INTANGIBLE ASSETS

Intangible assets of the Company include software and license for public supply of natural gas. The carrying amounts for the reporting periods may be analysed as follows:

	Software applications	Licenses	Total
<b>AS AT 01 January 2023</b>			
Book value	1,767	61	<b>1,828</b>
Depreciation	(1,526)	(22)	<b>(1,548)</b>
<b>Carrying amount</b>	<b>241</b>	<b>39</b>	<b>280</b>
<b>CHANGES IN 2023</b>			
Newly acquired	200	18	<b>218</b>
Depreciation	(244)	(11)	<b>(255)</b>
<b>Closing carrying amount</b>	<b>197</b>	<b>46</b>	<b>243</b>
<b>AS AT 31 December 2023</b>			
Book value	1,989	79	<b>2,068</b>
Depreciation	(1,792)	(33)	<b>(1,825)</b>
<b>Carrying amount</b>	<b>197</b>	<b>46</b>	<b>243</b>
<b>CHANGES IN 2024</b>			
	Software applications	Licenses	Total
Newly acquired	324	31	<b>355</b>
Written-off	(1)		<b>(1)</b>
Written-off depreciation	1		<b>1</b>
Depreciation	(261)	(24)	<b>(285)</b>
<b>Closing carrying amount</b>	<b>260</b>	<b>53</b>	<b>313</b>
<b>AS AT 31 December 2024</b>			
Book value	2,312	110	<b>2,422</b>
Depreciation	(2,052)	(57)	<b>(2,109)</b>
<b>Carrying amount</b>	<b>260</b>	<b>53</b>	<b>313</b>

All depreciation costs are included in the statement of profit or loss and other comprehensive income in line 'Depreciation and depreciation of non-financial assets'.

The intangible assets acquired in 2024 relate to a change in the functionalities of the software products Procurement module and Sales module — Ajur L PP. No intangible assets are pledged as collateral of Company's liabilities.

The Company has no contractual obligation to purchase any intangible assets to be realized in 2024.



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**9. LEASES**

This note provides information on leases when the Company is a lessee.

**9.1. AMOUNTS RECOGNIZED IN THE FINANCIAL STATEMENTS**

The statement of financial position shows the following amounts related to leases:

	<b>Note</b>	<b>AS AT 31 DECEMBER</b>	
		<b>2024</b>	<b>2023</b>
<b>Right-of-use assets</b>			
IT structure, communication system	7	180	305
		<b>180</b>	<b>305</b>
<b>Lease payables</b>			
Current		129	188
Non-current		59	125
		<b>188</b>	<b>313</b>

With the exception of short-term leases and leases of low-value assets, each lease is reflected in the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments, which do not depend on an index or variable rates (e.g. lease payments based on a percentage of the Company's sales) are excluded from the initial measurement of the liability and asset under the lease. The Company classifies its right-of-use assets in a consistent manner in Note 7.

By 31 December 2023 the Company has recognized two right-of-use assets, a highly reliable IT structure and a communications system, under leases with terms expiring 31 December 2026 and 31 December 2027. There are no right-of-use assets acquired during the current period — 31 December 2024.

The future minimum lease payments as at 31 December 2024 shall be as follows:

	<b>Minimum lease payments due</b>		
	<b>Up to 1 year</b>	<b>1—2 years</b>	<b>Total</b>
<b>31 December 2024</b>			
Lease payments	132	60	192
Financial costs	(3)	(1)	(4)
<b>Net current amount</b>	<b>129</b>	<b>59</b>	<b>188</b>
	<b>Minimum lease payments due</b>		
	<b>Up to 1 year</b>	<b>1—2 years</b>	<b>Total</b>
<b>31 December 2023</b>			
Lease payments	193	132	325
Financial costs	(5)	(7)	(12)
<b>Net current amount</b>	<b>188</b>	<b>125</b>	<b>313</b>

**9.2. AMOUNTS RECOGNIZED IN THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The statement of profit or loss and other comprehensive income shows the following amounts related to leases:

	<b>Note</b>	<b>AS AT 31 DECEMBER</b>	
		<b>2024</b>	<b>2023</b>
<b>Costs for depreciation of right-of-use assets</b>			
High reliability IT structure, Communication system	7	(125)	(124)
		<b>(125)</b>	<b>(124)</b>
Interest expenses (included in financial expenses)	30	(11)	(12)

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Short-term rent expense (office building rent included in external service costs)	24	(259)	(259)
		<b>(270)</b>	<b>(271)</b>

The total outgoing cash flow for leasing in 2024 amounts to BGN 145 thousand (2023: BGN 146 thousand).

The Company has decided not to recognize any liability under lease contracts if they are short-term (leases with an expected term of 12 months or less) or if they are for low-value lease assets. Payments made under these lease contracts are recognized as an expense on a straight-line basis.

## 10. DEFERRED TAX ASSETS

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.

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>Deferred tax assets</b>		
— Deferred tax assets for refund in 12 months	24,158	28,229
<b>Total deferred tax assets</b>	<b>24,158,</b>	<b>28,229,</b>
<b>Deferred tax liabilities</b>		
— Deferred tax liabilities for refund in 12 months	(1)	(1)
<b>Total deferred tax liabilities</b>	<b>(1)</b>	<b>(1)</b>
<b>Deferred tax assets, net</b>	<b>24,157</b>	<b>28,228</b>

The total movement of deferred income tax may be presented as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>AS AT 1 JANUARY</b>	<b>28,228</b>	<b>22,282</b>
Recognized as a tax (cost)/revenue in profit (Note 32)	(4,070)	5,944
Reported as tax (expense)/revenue related to components of other comprehensive income (Note 32)	(1)	2
<b>AS AT 31 DECEMBER</b>	<b>24,157</b>	<b>28,228</b>

The amounts recognized in other comprehensive income relate to remeasurement of defined benefit retirement plans.

As at 31 December 2024 and 31 December 2023, the Company has no unused tax losses that may be used in subsequent reporting periods.

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

	Impairment of inventory	Impairment of receivables and advances granted	Pension provision s	Unused paid leaves	Lease	Property, plant and equipment	Total
<b>DEFERRED TAX (ASSETS)/LIABILITIES</b>							
AS AT 01 January 2023	(17,551)	(4,694)	(19)	(20)		2	(22,282)
Expense/(revenue) in profit or loss	(1,172)	(4,759)	(1)	(10)	1	(3)	(5,944)
Expense/(revenue) in other comprehensive income	-	-	(2)	-	-	-	(2)
<b>DEFERRED TAX ASSETS, NET, AS AT 31 December 2023</b>							
	(18,723)	(9,453)	(22)	(30)	1	(1)	(28,228)
<b>AS AT 01 January 2024</b>							
	(18,723)	(9,453)	(22)	(30)	1	(1)	(28,228)
Expense/(revenue) in profit or loss	7,521	(3,450)	(4)	3	1	(1)	4,070
Expense/(revenue) in other comprehensive income	-	-	1	-	-	-	1
<b>DEFERRED TAX ASSETS, NET, AS AT 31 December 2024</b>							
	(11,202)	(12,903)	(25)	(27)	2	(2)	(24,157)

**TRADE AND OTHER RECEIVABLES**

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>Financial receivables</b>		
Trade receivables from customers	1,022,334	809,610
Accumulated impairment of trade receivables	(64,736)	(38,893)
Trade receivables from customers related parties (Note 36)	1,281	2,617
<b>Trade receivables, net</b>	<b>958,879</b>	<b>773,332</b>
Receivable from natural gas supplier	55,244	51,939
Impairment of receivable from natural gas supplier	(33,383)	(31,386)
Guarantees provided under natural gas supply contracts	18,151	15,626
Guarantees and deposits given to related parties (Note 36)	38,726	38,726
Guarantees given under other contracts	39	39
	<b>78,777</b>	<b>74,944</b>
Court and adjudicated receivables	241,492	233,586
Accumulated impairment of court and adjudicated receivables	(207,927)	(202,036)
<b>Court and awarded receivables, net</b>	<b>33,565</b>	<b>31,550</b>
Receivable from Corporate Commercial Bank AD — insolvent	3,777	3,777
Accumulated impairment of receivables from Corporate Commercial Bank AD — insolvent	(3,777)	(3,777)
<b>Receivable from Corporate Commercial Bank AD — insolvent, net</b>	<b>-</b>	<b>-</b>
<b>Total financial receivables</b>	<b>1,071,221</b>	<b>879,826</b>

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<b>Non-financial receivables</b>		
Prepaid expenses, guarantees and deposits	3,467	2,212
<b>Total non-financial receivables</b>	<b>3,467</b>	<b>2,212</b>
<b>Total Trade and other receivables — current</b>	<b>1,074,688</b>	<b>882,038</b>

All receivables are short-term. The Company's 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.

Part of the financial receivables in the gross amount of BGN 55,244 thousand and carrying amount after impairment of BGN 21,861 thousand as at 31 December 2024, represent receivables from OOO Gazprom Export, a supplier of natural gas, which arose in connection with an unrecognised amount invoiced by Bulgargaz EAD from OOO Gazprom Export for natural gas supplies for the first quarter of 2022. The amount relates to a trade dispute for undelivered but invoiced amounts of natural gas for that period. In 2023, an estimated credit loss of BGN 31,386 thousand was recognised and in 2024 a foreign currency revaluation of the receivables and payables was made and a credit loss of BGN 1,997 thousand was recognised, thus the net exposure to the counterparty being deemed to be nil.

In May 2024, Bulgargaz EAD sent an invitation to OOO Gazprom Export for voluntary settlement of the Bulgarian company's claim under the contract between the two companies.

In July 2024, after the Russian side failed to take any action to resolve the matter out of court, Bulgargaz EAD initiated an arbitration case against OOO Gazprom Export by filing a request for arbitration with the Court of Arbitration of the International Chamber of Commerce in Paris — one of the world's most prestigious institutions that administer international commercial dispute resolution.

The subject matter of the dispute are the damages suffered by Bulgargaz EAD as a result of the unilateral suspension of all natural gas supplies by Gazprom counted from 27 April 2022, representing a breach of the long-term Natural Gas Supply Contract of 2012. Bulgargaz EAD's claims amount to approximately EUR 400 million.

The arbitration panel was constituted at the end of 2024. The case is expected to progress in 2025 and 2026. In this period, the parties will present their claims and objections in detail, respectively, will present evidence and will be able to engage witnesses and experts. To refine the company's claim, an analysis of the damages suffered is currently being carried out by international experts. A hearing under the case will be scheduled after the written exchange of papers is completed.

Guarantees provided under natural gas supply contracts represent guarantee amounts to natural gas transportation service providers. As at 31 December 2024, the amounts have been submitted to DESFA A.E., ICGB AD, GASTTRADE S.A. TRANS ADRIATIC PIPELINE and Transgaz Romania.

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. As at 31 December 2024, the Company's most significant court receivable is from TPP Varna. Detailed information on the progress of the actions taken is disclosed in Note 4.1.2.

All of the Company's finance receivables have been reviewed for events of default. For trade receivables, a simplified approach has been applied to determine the expected credit losses at the end of the period, with an individual approach for some of them, which is based on judgements regarding their concentration for the Company, the financial position of the counterparty, collateral taken, specific repayment terms, historical information on the average number of days/period of collection and the performance of the agreed terms up to the date of the estimate.

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As a result of the analysis performed and actions taken, the Company's management has estimated that expected credit losses and impairment losses for trade and court receivables for 2024 amount to BGN 31,781 thousand, net, after recoveries (Note 31).

In forming its judgments and assumptions for the purpose of determining the expected credit losses on financial assets, the Company's management has considered the circumstances and factors available that have and are expected to have a material effect on the Company's operations. These factors are mainly related to the Decision No 594 of the Council of Ministers dated 11 August 2022 approving a borrowing from the Ministry of Energy for which current and future receivables of Toplofikacia Sofia EAD serve as collateral. The pledge shall be entered in the Central Register of Pledges in due course.

Accordingly, and in accordance with the requirements of accounting policies and applicable accounting standards, based on available, reasonable and supportable information about current conditions and projections of future economic conditions, the Company's management has made an estimate of the amount of expected credit losses on the Company's accounts receivable as at 31 December 2024 and losses have been recognized for the period. The accrual for impairment losses and the reversal of impairment losses are presented on a separate line, net in the 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'.

**Non-financial receivables**

Prepaid advances for natural gas supply represent amounts paid in advance by Bulgargaz EAD to natural gas suppliers.

Most of the prepaid expenses as at 31 December 2024 are related to deferred expenses — insurance and bank borrowing management fees.

The following table provides information about the credit risk exposure of the Company's unrelated party customer receivables and natural gas supplier receivable using the expected credit loss allowance matrix as at 31 December 2024 and 31 December 2023, respectively:

<b>31 December 2024</b>	<b>Relative share</b>	<b>Gross amount of customer receivables</b>	<b>Impairment of expected credit loss</b>	<b>Net amount of receivables from customers</b>
	<b>%</b>			
<b>Receivables from customers</b>				
Not past due	0.38%	4,145	-	<b>4,145</b>
30—90 days	25.05%	270,230	(717)	<b>269,513</b>
90—180 days	5.57%	60,098	(1,355)	<b>58,743</b>
180—360 days	29.73%	320,701	(29,324)	<b>291,377</b>
More than 360 days	34.15%	368,441	(33,340)	<b>335,101</b>
		<b>1,023,615</b>	<b>(64,736)</b>	<b>958,879</b>
<b>Receivable from supplier</b>				
180—360 days GPE	5.12%	<b>55,244</b>	<b>(33,383)</b>	<b>21,861</b>
<b>Total trade receivables</b>	<b>100%</b>	<b>1,078,859</b>	<b>(98,119)</b>	<b>980,740</b>

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31 December 2023	Relative share	Gross amount of customer receivables	Impairment of expected credit loss	Net amount of receivables from customers
	%			
<b>Receivables from customers</b>				
Not past due	18.17%	157,031	(288)	<b>156,743</b>
30—90 days	11.49%	99,311	(587)	<b>98,724</b>
90—180 days	9.08%	78,445	(3,092)	<b>75,353</b>
180—360 days	54.98%	475,103	(34,648)	<b>440,455</b>
More than 360 days	0.27%	2,337	(279)	<b>2,058</b>
		<b>,812,227</b>	<b>(38,894)</b>	<b>773,333</b>
<b>Receivable from supplier</b>				
180—360 days GPE	6.01%	<b>51,939</b>	<b>(31,386)</b>	<b>20,553</b>
<b>Total trade receivables</b>	<b>100%</b>	<b>864,166</b>	<b>(70,280)</b>	<b>793,886</b>

The Company's judgment includes assumptions, such as days of delay, customer risk profile, industry risk modelling, correction factor based on the percentage of (non-)collectability and others, not described above.

Some of the information used in the developed model for expected credit losses of the Company, such as counterparty country risk (Risk by country), the discount rate of risk-free securities (Risk free — T bonds), financing cost (Cost of debt), is based on ready data, and other — on the reporting data for the amount of the relevant financial asset at the end of the period and historical data on receivables collection.

The calculations made include financial asset impairment tests based on several 'models' based on the adopted Company's accounting policy.

The aging analysis of trade receivables for which an impairment loss is recognized as at 31 December 2024 is as follows:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Recognised impairment loss on past due receivables:		
Up to 3 months	717	875
Between 3 and 6 months	1,355	3,092
More than 6 months	96,047	66,313
<b>Total</b>	<b>98,119</b>	<b>70,280</b>

Changes in loss adjustment credit loss account on receivables are as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>AS AT 1 JANUARY</b>	<b>276,093</b>	<b>246,367</b>
Accrued impairment losses of trade receivables	35,971	19,925
Accrued impairment loss on trade dispute receivable from supplier	1,997	21,631
Written-off uncollectible receivables	(51)	(45)
Recovered impairment losses of receivables	(4,190)	(11,785)
<b>AS AT 31 DECEMBER</b>	<b>309,820</b>	<b>276,093</b>

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Impairment loss and recovery are recognized in the Statement of profit or loss and other comprehensive income (Note 23). 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. The maximum exposure to credit risk at the end of the reporting period is the fair value of each of the groups of trade and other financial receivables mentioned above (see also Note 4.1.2).

The carrying amount of trade and other receivables is denominated in the following currencies:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Bulgarian Lev (BGN)	904,718	378,664
US Dollar (USD)	135,277	197,042
Euro (EUR)	32,735	306,331
Romanian leu (RON)	1,958	-
<b>Total trade and other receivables</b>	<b>1,074,688</b>	<b>882,038</b>

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 value of the collateral as at 31 December 2024 amounts to more than BGN 800,000 thousand. (2023: BGN 625,381 thousand).

## **12. INVENTORIES**

Inventories recognized in the statement of financial position may be analysed as follows:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Natural gas at cost	417,985	687,015
Impairment to a net realizable value	(112,017)	(187,228)
Natural gas — net realisable value	<b>305,968</b>	<b>499,787</b>
Materials	12	12
<b>Total inventories</b>	<b>305,980</b>	<b>499,799</b>

In 2024, the value of the realized natural gas in the amount of BGN 1,316,578 thousand was reported as an expense in profit or loss (31 December 2023: BGN 2,348,460 thousand). The revenues from natural gas sales are in the amount of BGN 1,420,521 thousand (as at 31 December 2023: BGN 2,507,716 thousand). The gross result from the sale of natural gas for 2024 is a profit amounting to BGN 103,943 thousand (for 2023 the net result is a profit amounting to BGN 159,256 thousand).

As disclosed in Note 2, in the second half of 2024, the Ministry of Energy implemented the compensation mechanism under the Program for compensation of high prices of natural gas injected into the UGS Chiren in the period 1 May 2022 — 11 October 2022, for quantities of natural gas withdrawn in January—April 2024 and Bulgargaz EAD received the compensation from the Electricity System Security Fund in the amount of BGN 156,775 thousand, which amount is recognised as income from the sale of natural gas in the profit or loss for the period.

As disclosed in Note 5.2 as at 1 January 2023 a reference TTFfm price for January of the following calendar year is used to determine the net realisable value of natural gas at the end of the reporting period: This management judgment is based on the Company's operating cycle, the seasonal nature of natural gas injection and compression, and the commitments made under the Contingency Plan to maintain certain quantities of available natural gas at the UGS Chiren.

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In 2024, an impairment loss on inventories in the amount of BGN 36,042 thousand is recognised, calculated for natural gas inventories at the UGS Chiren as at 31 December 2024. The Company's management tested the quantities of natural gas expected by it to be withdrawn (i.e. realised through sale) during the period from January to May 2025, in accordance with the Contingency Plan. The available natural gas quantities stored in the UGS Chiren, which are tested for depreciation as at 31 December 2024 amount to 336,688.61 MWh. Attached is the reference TTFm price for January 2025 of EUR 44.951/MWh, quotes published on 31 December 2024 in the Argus Media newsletter (argusmedia.com).

In making its judgment regarding the net realizable value of available natural gas as at 31 December 2024 the Company's management considers part of the availability in the UGS Chiren in the amount of 1,635,000 MWh as a non-revolving stock, stored according to the requirements of the applicable legal framework and the Contingency Plan, with a specific withdrawal schedule only during the November–April period. Therefore, the net realisable value was calculated for the rest of the natural gas volumes intended for trading, which amount to 598,545.617 MWh as at 31 December 2024. The result is recovered impairment loss in the amount of BGN 343 thousand.

At the date of these financial statements, the Company has analysed the circumstances and the external sources of information (the reference exchange TTFm price for January 2025 published on the website of Argus Media — (argusmedia.com) that would lead to the existence of an indication of impairment of the value of natural gas and has concluded that no additional loss recognition is necessary.

Recovery of inventory impairment losses is recorded as part of the prime cost of gas sold during the period (previously impaired). In 2024, the Company reintegrated impairment of the withdrawn quantities in the amount of BGN 111,253 thousand.

The changes in accumulated impairment of natural gas are as follows:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>At the beginning of the period</b>	<b>187,228</b>	<b>175,527</b>
Recognised impairment loss on natural gas	36,042	41,713
Recovered impairment loss on natural gas realised through sales during the period	(111,253)	(30,012)
<b>At the end of the period</b>	<b>112,017</b>	<b>187,228</b>

The Company has no inventories that are provided as collateral for liabilities.

### **13. ADVANCES PROVIDED FOR NATURAL GAS**

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Prepaid advances for natural gas	470,459	475,174
Accumulated impairment loss	(14,442)	(13,721)
<b>Prepaid advances for natural gas, net</b>	<b>456,017</b>	<b>461,453</b>

Advances paid for the supply of natural gas in the amount of BGN 456,017 thousand (31 December 2023: BGN 461,453) represent prepaid amounts for natural gas deliveries under valid, existing agreements to which Bulgargaz EAD is a purchasing party. The essential part of them refers to supplies that were planned for the first half of 2024. Due to the dynamics of the market, the management's assessment is that there was no need to realize these supplies in this period and they have been renegotiated with a schedule for subsequent months of the year.



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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 UGS Chiren. Bulgargaz EAD also took actions to renegotiate its supply programs under the concluded contracts, with the aim of reducing the total delivery quantities. From July 2023, terms have been agreed with customers to allow flexibility of supply management and annual programme delivery and a transfer of volumes from summer to winter months. Therefore, a substantial portion of the Company's prepaid advances were unutilized at the end of the reporting period.

As at 31 December 2024, Bulgargaz has receivables for advances for natural gas with BOTAŞ BORU HATLARI İLE PETROL TAŞIMA A.Ş, for the quantities supplied by Cheniere Marketing International LLP in April 2023, as a result of the publicly announced tender procedure of October 2022. In addition, there are available quantities supplied in 2023 and 2024, which are also available with BOTAŞ at year-end, at below-market prices. Management has taken into account the possibility of joint realization of the quantities.

The impairment assessment takes into account the Company's forecasts for the period of realisation and the inclusion of these volumes in the pricing mix, as well as other relevant information expected to be material regarding the realisation of the stored natural gas.

Detailed information regarding the Company's assumptions and judgements in determining the net realisable value of inventories is disclosed in Notes 5.2 and 12. The same assumptions were used in calculating the recoverable amount of prepaid natural gas advances.

**14. CASH**

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Cash in current bank accounts	1,255	2,269
Cash accumulated impairment	(1)	(4)
<b>Total cash in the statement of financial position</b>	<b>1,254</b>	<b>2,265</b>

The gross amount of the cash and cash equivalents is denominated in following currency:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Bulgarian Lev (BGN)	252	425
US Dollar (USD)	5	7
Euro (EUR)	998	1,837
<b>Total cash</b>	<b>1,255</b>	<b>2,269</b>

As at 31 December 2024, the Company has no blocked cash.

The changes in the allowance account for expected credit losses on cash and cash equivalents are as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>At the beginning of the period</b>	<b>(4)</b>	<b>(149)</b>
Recovered expected credit losses on cash and cash equivalents	3	145
<b>At the end of the period</b>	<b>(1)</b>	<b>(4)</b>

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**15. RECONCILIATION OF INITIAL AND ENDING BALANCES IN THE STATEMENT OF FINANCIAL POSITION OF LIABILITIES ARISING FROM FINANCIAL ACTIVITIES**

The reconciliation between the initial and closing balances in the statement of financial position as at 31 December 2024 of the liabilities, arising from financial activities may be presented as follows:

	On 1 January 2024	Cash flows from financing activity		Changes of a non-monetary nature — dematerialized		As at 31 December 2024
		Proceeds	Payments	Reclassification/ New contracts	Accrued interest and fees	
Bank borrowings — overdrafts	24,526	710,933	(536,439)	-	-	199,020
Bank borrowings, overdrafts — fees, interests	-	-	(11,633)	-	11,763	130
Short-term borrowings from related parties (BEH)	260,000	16,613	(16,613)	600,000	-	860,000
Long-term borrowings from related parties (ME, BEH)	1,170,000	-	-	(600,000)	-	570,000
Borrowings from related parties — interest and fees	22,942	-	(58,562)	-	37,073	1,453
Lease payables	313	-	(145)	9	11	188
<b>Total liabilities from financing activities:</b>	<b>1,477,781</b>	<b>727,547</b>	<b>(623,392)</b>	<b>9</b>	<b>48,847</b>	<b>1,630,791</b>

The reconciliation between the initial and closing balances in the statement of financial position as at 31 December 2023 of the liabilities, arising from financial activities may be presented as follows:

	On 1 January 2023	Cash flows from financing activity		Changes of a non-monetary nature — dematerialized		On 31 December 2023
		Proceeds	Payments	Offsetting/newly incurred liability	Accrued interest and fees	
Bank borrowings — overdrafts	-	57,789	(33,263)	-	-	24,526
Bank borrowings, overdrafts — fees, interests	-	-	(6,393)	-	6,393	-
Short-term borrowings from related parties (BEH)	717,515	405,000	(492,515)	(370,000)	-	260,000
Long-term borrowings from related parties (ME, BEH)	800,000	-	-	370,000	-	1,170,000
Borrowings from related parties — interest and fees	6,641	-	(21,878)	-	38,179	22,942
Lease payables	433	-	(146)	14	12	313

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<b>Total liabilities from financing activities:</b>	<b>1,524,589</b>	<b>462,789</b>	<b>(554,195)</b>	<b>14</b>	<b>44,584</b>	<b>1,477,781</b>
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**16. SHARE CAPITAL**

As at 31 December 2024, the Company's registered share capital consists of 231,698,584 (2023: 231,698,584) ordinary shares with a par value of BGN 1 per share. All shares are entitled to dividend and liquidation share and represent one vote of the General Meeting of Shareholders of the Company. All issued shares are fully paid.

There is no change in the number of shares for the reporting periods.

The sole owner of the Company's capital is Bulgarian Energy Holding EAD, the capital of which is owned by the Bulgarian State through the Ministry of Energy.

**17. RESERVES**

	<b>Statutory reserves</b>	<b>Revaluation reserves of non-financial assets</b>	<b>Reserve of revaluations of defined benefit plans</b>	<b>Total</b>
<b>AS AT 01 January 2023</b>	<b>21,166</b>	<b>35</b>	<b>(49)</b>	<b>21,152</b>
Revaluations of defined benefit plans	-	-	(22)	(22)
<b>AS AT 31 December 2023</b>	<b>21,166</b>	<b>35</b>	<b>(71)</b>	<b>21,130</b>
Revaluation of defined benefit plans	-	-	5	5
Other changes	-	(2)	-	(2)
<b>AS AT 31 December 2024</b>	<b>21,166</b>	<b>33</b>	<b>(66)</b>	<b>21,133</b>

**STATUTORY RESERVES**

Statutory reserves comprise the 'Reserve' Fund, a source for the formation of which is 1/10 of the profit, while the funds in the Fund reach at least 1/10 of the registered capital.

**REVALUATION RESERVES OF NON-FINANCIAL ASSETS**

The Company's revaluation reserves are formed as a result of the revaluation of plant and equipment. Under the acting Bulgarian legislation, the revaluation reserves resulting from the revaluation of plant and equipment cannot be distributed as dividends.

**RESERVE OF REVALUATIONS OF DEFINED BENEFIT PLANS**

The Company recognizes actuarial gains and losses in reserve from revaluations of defined benefit plans, in accordance with IAS 19. They are not reclassified to profit or loss in subsequent periods.

**18. BORROWINGS**

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>Non-current</b>		
Loans from related parties	570,000	1,170,000
<b>Total non-current</b>	<b>570,000</b>	<b>1,170,000</b>
<b>Current</b>		
Bank loans	199,020	24,526
Loans from related parties	860,000	260,000
Interest on bank loans	130	-

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Interest on borrowings to related parties	1,453	22,942
<b>Total current</b>	<b>1,060,603</b>	<b>307,468</b>
<b>Total loans</b>	<b>1,630,603</b>	<b>1,477,468</b>

As at 31 December 2024 the Company has liabilities under the following loans obtained to secure natural gas supplies:

1/ Loans from the sole owner BEH EAD in the total amount of BGN 630,000 thousand. The loans are granted and serviced in BGN and are not unsecured. The loan maturities are, as follows:

- A loan amounting to BGN 60,000 as at 31 December 2024, granted in 2022, was renegotiated with a repayment period July 2025.
- Loan in the amount of BGN 200 million, repayment period — April 2027.
- Loan in the amount of BGN 370 million and repayment period — December 2028.

2/ Loan 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 loan is secured by a pledge of present and future receivables from Toplofikacia Sofia EAD. The loan 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 borrowing liability received from the MoE as at 31 December 2024 amounts to BGN 801,453 thousand, including BGN 800,000 thousand, short-term portion and BGN 1,453 thousand accrued interest due in 2025.

3/ Two bank loans, 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 2025. The loans 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 2025.

Detailed information on borrowings from related parties is presented in Note 36 'Related Party Transactions and Balances'. The fair values of current borrowings do not differ from their carrying amounts.

**19. TRADE AND OTHER PAYABLES**

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Trade payables	293,471	196,224
Payables to related parties (Note 36)	10,210	8,694
<b>Total financial liabilities</b>	<b>303,681</b>	<b>204,918</b>
Advances received from customers for sale of natural gas (liabilities under contracts with customers)	36,421	23,983
Deferred income	17,149	17,149
VAT payable	40,555	47,240
Excise duty payable	1,411	1,070
Payables to employees	208	252
Liabilities to insurance companies	115	115
Other liabilities	5,764	2,432
<b>Total non-financial liabilities</b>	<b>101,623</b>	<b>92,241</b>
<b>Total current trade and other liabilities</b>	<b>405,304</b>	<b>297,159</b>

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The Company's trade payables mainly include payables to natural gas suppliers. Counted from July 2024, Bulgargaz EAD does not pay its obligations under the monthly capacity invoices due under the Botaş Agreement, since the same date the two companies have been in active negotiations to renegotiate the terms and conditions.

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 31 December 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.

Payables to employees represent obligations to Company's employees, to be settled in 2025. They occur mainly in relation to accumulated unused leave at the end of the reporting period and amounted to BGN 208 thousand (31 December 2023: BGN 252 thousand).

Liabilities to insurance companies amount to BGN 115 thousand (31 December 2023: BGN 115 thousand) include the social security payables related to accrued unused compensation leaves in the amount and social security payables over remunerations for December 2024 paid in January 2025.

The material amount of the Company's other liabilities is the liability for payment of guarantee premium for 2025 to the Ministry of Finance in respect of two state-guaranteed overdrafts received, compensation received in the amount of BGN 2,296 thousand in relation to litigation, details of which are disclosed in Note 35.

The fair values of current trade and other payables do not differ from their carrying values.

## **20. RETIREMENT BENEFITS PAYABLES**

The liability presented in the statement of financial position is related to provisions for defined benefit plan of retirement. The Company applies the regulations for payments of retirement benefits by age and length of service and illness under the current Labour Code.

Pursuant to Article 222, paragraph 2 of the Labour Code, in case of termination of the employment due to illness, the employee is entitled to compensation in the amount of his/her gross salary for a period of two months, if the employee has at least 5 years of service in the Company and during the last five years of service he/she is not received compensation on the same basis.

Pursuant to Article 222, paragraph 3 of the Labour Code, in case of termination of the employment, the employee is entitled for retirement based on social security length of service and age, regardless of the reasons for the termination, he/she is entitled to compensation as follows: the amount of his/her gross salary for the period 2 months in all cases, and if employed by the Company in the last 10 years of his/her service — compensation in the amount of his/her gross salary for 6 months.

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The amounts recognized in the statement of financial position are determined as follows:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Current amount of liabilities	207	201
<b>Liability at the end of the reporting period</b>	<b>207</b>	<b>201</b>

As at 31 December 2024 the recognized value of the liability of BGN 207 thousand includes a short-term part of BGN 31 thousand and a long-term part of BGN 176 thousand. (31 December 2023: short-term part — BGN 34 thousand, long-term part — BGN 167 thousand).

Movements of liability recognized in the statement of financial position is as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>AS AT 1 JANUARY</b>	<b>201</b>	<b>173</b>
Current length-of-service costs (Note 25)	27	21
Interest expenses (Note 30)	9	10
<b>Total expenses in profit or loss</b>	<b>36</b>	<b>31</b>
Revaluations:		
Gains from changes in financial assumptions	0	(2)
Profit/(loss) from the actual experience	(4)	12
Gains from changes in demographic assumptions	-	15
<b>Total other comprehensive income</b>	<b>(4)</b>	<b>25</b>
<b>Paid benefits</b>	<b>(26)</b>	<b>(28)</b>
<b>AS AT 31 DECEMBER</b>	<b>207</b>	<b>201</b>

The main actuarial assumptions used are as follows:

	<b>AS AT 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Discount rate	4%	4.5%
Future increases of salaries	5%	8.65%

These assumptions were developed by the Management of the Company with the assistance of independent actuary. Discount rates are determined close to each year-end by reference to yields of risk free securities in BGN having maturity approximating to the terms of the related pension obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The present value of the defined benefit obligation was measured using the projected unit credit method.

These assumptions are used when determining the amount of the obligations for the defined benefit for the reporting periods and are considered the best estimate of management.

The significant actuarial assumptions for the determination of the defined benefit obligation are related to the discount rate, the expected salary growth rate and the average life expectancy.

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The table below presents an analysis of the sensitivity and summarizes the effects of changes in these actuarial assumptions on the defined benefit liability as at 31 December 2024:

AS AT 31 December 2024	Change in the actuarial assumption	Effect on the liability in BGN	Change in the actuarial assumption	Effect on the liability in BGN
Discount rate	+ 1 %	(16,116)	- 1 %	18,501
Salary increase	+ 1 %	17,846	- 1 %	(15,890)
Staff turnover	+ 1 %	(18,375)	- 1 %	21,041
Change of life expectancy	+1 year	2,004	-1 year	(2.093)

The sensitivity analysis shown above is based on a model estimating the potential change in the liability in case of a change in only one of the actuary assumptions, while others are deemed constant. In reality, this is unlikely to happen, as the changes in some of the assumptions are correlated. In determining sensitivity of liabilities under the defined benefit plan to the changes in the major actuarial assumptions is used the same method used to estimate recognized in the statement of financial position liability, namely an estimation of the present value of the liability under defined benefit plan by using the credit method of projected units.

As at 31 December 2024, the weighted average duration of the obligation to pay compensation upon retirement is 5 years.

## 21. REVENUE FROM SALES OF NATURAL GAS

### REVENUE UNDER CONTRACTS WITH CUSTOMERS

	YEAR ENDED 31 DECEMBER	
	2024	2023
<b>Types of goods or services</b>		
Revenue from the sale of natural gas, incl. by type of activities:	1,413,109	2,382,228
- <i>Regulated</i>	1,066,872	1,374,487
- <i>Freely negotiated</i>	341,833	1,007,742
- <i>LNG – Gastrade – minimum guaranteed quantity</i>	4,404	-
Revenues from sale of natural gas for balancing	12,134	41,746
Revenue from penalties for non-performance under contracts with customers for unaccepted and over-collected amount of natural gas	10,286	83,742
<b>Total revenues from sale of natural gas</b>	<b>1,435,529</b>	<b>2,507,716</b>

The revenue under contracts with customers is realized in Bulgaria and recognized over time.

### BALANCES UNDER CONTRACTS WITH CUSTOMERS

	AS AT 31 DECEMBER	
	2024	2023
Trade receivables (Note 11)	957,588	770,716
Receivables from related parties (Note 36)	1,281	2,617
Contract assets — uninvoiced receivables	37,014	85,096
Liabilities under contracts with customers (Note 19)	36,421	23,983

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**CONTRACT ASSETS**

Contract assets with customers represent the Company's uninvoyed receivables at the end of each reporting period for amounts for natural gas delivered during the month of December, which under the terms of the contracts are invoiced by Bulgargaz EAD by the 9th day of the month following the month of delivery. The invoicing of the receivables shall be carried out after the final preparation of a monthly statement for the amount of natural gas delivered to the Customer during each of the days of the respective month, containing information on Bulgargaz' obligations for delivery and the Customer's obligations for acceptance of the natural gas. The value of the contract assets also includes the amount of excise tax to be re-invoiced to customers.

As at 31 December 2024, the balance of contract assets amounted to BGN 37,014 thousand, including the right to remuneration for delivered but uninvoyed amounts of natural gas for the month of December 2024 in the amount of BGN 35,603 thousand and excise duty in the amount of BGN 1,411 thousand. (31 December 2023: BGN 84,021 thousand and excise duty BGN 1,075 thousand).

The amount of contract assets and contract liabilities at the end of each reporting period is recognised in full as revenue from the sale of goods in the next reporting period as described above i.e. in accordance with the agreed terms with customers and the Company's accounting policy.

**CONTRACT LIABILITIES**

Customer contract liabilities represent payments made by customers during the month of delivery for contracted quantities of natural gas and capacity products.

**22. OTHER REVENUE**

The other revenue of the Company includes as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Penalties on overdue receivables	56,454	55,712
Recovered legal costs	1,792	1,516
Income from sale of capacity	276	1,992
Compensation for non-fulfilment of a contract for the Alexandroupolis terminal	3,662	-
Other	530	6
<b>Total other revenue</b>	<b>62,714</b>	<b>59,226</b>

The income from penalties on overdue receivables is recognized as a percentage of the amount due by the customer for delay for the period from the due date of the relevant invoice to the date of receipt in the Company's bank account.

**23. EXPECTED CREDIT LOSSES AND IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET**

The Company's expected credit losses related to depreciation of financial assets are as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Accrued impairment losses of trade receivables, net (Note 11)	(25,893)	(7,873)
(Accrued)/recovered impairment loss on court and adjudicated receivables, net (Note 11)	(5,891)	(265)
Recovered/(Accrued) loss from depreciation of funds in banks, net (Note 14)	3	145



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	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Accrued impairment loss on receivable from natural gas supplier (Note 11)	(1,997)	(21,631)
Written-off claims for default interests for minimum annual quantities, under contracts from 2023.	(19,728)	-
Receivables written off for recognised force majeure	(15,008)	-
<b>Total expected credit losses and impairment losses on financial assets or the year, net</b>	<b>(68,514)</b>	<b>(29,624)</b>

In 2024, as a result of active actions of Bulgargaz, agreements were reached with the company's suppliers, which allowed the customers to be exceptionally offered the opportunity to receive in the calendar year 2025, in exchange for the amount paid on the basis of clause 5.2 of the Supply Contract, the minimum annual quantities of natural gas not accepted in 2023. Agreements were signed with the customers who accepted the offers made, resulting in the write-off of the receivables arising for the unaccepted quantities from 2023, amounting to BGN 19,728 thousand. The delivery of the unaccepted quantities from previous years under the concluded additional agreements will take place in 2025.

**24. HIRED SERVICES EXPENSES**

The hired services expenses of the Company include as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Natural gas storage expenses	(14,318)	(13,228)
License fees	(1,351)	(2,671)
Court fees and legal advices	(8,761)	(2,008)
Participation fee for a natural gas trading platform	(272)	(643)
Other fees	(612)	(425)
Insurances	(340)	(396)
Costs under management contracts	(111)	(283)
Remunerations of audit committee members	(152)	(130)
Security	(149)	(134)
Consulting services	(96)	(95)
Communications	(59)	(48)
Subscription service	(26)	(19)
Energy savings	(301)	-
Rents	(259)	(259)
<b>Total hired services expenses</b>	<b>(26,807)</b>	<b>(20,339)</b>

**25. COSTS FOR UNUSED CAPACITY**

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Entry point Strandzha1/Malkochlar	(266,943)	(72,926)
Entry point Kulata/Sidirokastro and Agia Triada	(11,304)	(30,379)
Entry point Stara Zagora	(16,972)	(2,733)
<b>Total costs for unused capacity</b>	<b>(295,219)</b>	<b>(106,038)</b>

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The Company's unused capacity costs in 2024 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 1 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/Strandzha 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.

**26. EMPLOYEE BENEFITS AND SOCIAL SECURITY EXPENSES**

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Remunerations	(4,284)	(3,830)
Social security expenses	(473)	(426)
Compensated leaves costs	(139)	(238)
Cost of defined retirement benefit obligations (Note 20)	(21)	(22)
<b>Total employee benefit expenses</b>	<b>(4,917)</b>	<b>(4,516)</b>

The number of employees at the end of the reporting periods and the average number of employees is as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Hired employees at the end of the period	54	56
Average number of hired employees throughout the year	54	53

**27. COST OF MATERIALS**

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Basic materials	(6)	(17)
Fuels and lubricants	(21)	(9)
Office supplies and consumables	(3)	(23)
Other	(24)	(46)
<b>Total cost of materials</b>	<b>(54)</b>	<b>(95)</b>

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**28. PROVISION EXPENSES**

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Costs for interests related to a provision under Case COMP/B1/AT.39849 — BEH gas (Note 35)	-	(615)
<b>Total provision expenses</b>	<b>-</b>	<b>(615)</b>

**29. OTHER EXPENSES**

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Penalties on delayed payments	-	(15)
Business trips and entertainment costs	(46)	(78)
Trainings	(18)	(13)
One-off taxes	(36)	(12)
Costs for reinvoiced capacity	(3,933)	(960)
Other	(32)	(43)
<b>Total other expenses</b>	<b>(4,065)</b>	<b>(1,121)</b>

**30. FINANCIAL INCOME AND COSTS**

The financial income and costs of the Company for the presented reporting periods may be analysed as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>Financial income</b>		
Interest income on cash and cash equivalents	244	-
<b>Income from interests from financial assets carried at depreciated cost</b>	<b>244</b>	<b>-</b>
<b>Total financial income</b>	<b>244</b>	<b>-</b>
<b>Financial costs</b>		
Interest costs under leases	(11)	(12)
Interest costs under short-term borrowings	(45,292)	(38,188)
<b>Interest costs under financial liabilities carried at depreciated cost</b>	<b>(45,303)</b>	<b>(38,200)</b>
Interest costs on overdue tax liabilities	(395)	(220)
Bank fees	(6,289)	(5,259)
Cost of commission fee for maintenance of bank guarantee in Case COMP/B1/AT.39849 – BEH gas	-	(468)
Interest costs on payment of obligations according to defined benefit plans (Note 20)	(9)	(10)
<b>Total financial costs</b>	<b>(51,996)</b>	<b>(44,157)</b>

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**31. FOREIGN EXCHANGE PROFIT/(LOSS), NET**

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Foreign exchanges losses on receivables and payables and cash and cash equivalents	(10,984)	(14,781)
Foreign exchanges gains on receivables and payables and cash and cash equivalents	6,019	8,424
<b>Foreign exchange loss, net</b>	<b>(4,965)</b>	<b>(6,357)</b>

**32. EXPENSES ON PROFIT TAXES**

The expected tax income/(costs) based on the applicable tax rate of 10% (2023: 10%) and the tax income/expenses actually recognized in profit or loss may be aligned as follows:

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Loss before tax	(311,819)	(50,213)
Tax rate	10%	10%
Expected tax income	31,182	5,021
<i>Tax effect on:</i>		
Expenses not recognized for tax purposes	(9,569)	(16,781)
Income not recognized for tax purposes	13,639	3,648
<b>Expenses on current corporate tax</b>	<b>-</b>	<b>(8,112)</b>
Effect of the change in deferred taxes (Note 10)	(4,070)	5,944
<b>(Expense) for/income from income taxes</b>	<b>(4,070)</b>	<b>(2,168)</b>
<b>Deferred tax expense/(income) recognized directly in the other comprehensive income</b>	<b>(1)</b>	<b>2</b>

**33. NON-CASH TRANSACTIONS**

In 2024 the Company did not enter into any investment and financing transactions, in which cash and cash equivalents were not used and which are not reflected in the cash flow statement.

**34. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

**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 alleged actions of BEH 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 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.

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On 23 March 2015, EC 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 without taking responsibility for them, fulfilling the obligations arising from a possible prohibition decision, including a possible financial penalty. To date, the European Commission has not taken a formal decision on the closure of the case, including on the possible amount of the 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 SC Decision is motivated by the development of Case COMP/B1/AT.39816 between the EC and Gazprom, in which the Commission announced on 24 May 2018 that an agreement had been reached and the same was closed under Article 9 of Regulation (EC) No 1/2003 without financial penalty.

On 17 December 2018, the European Commission announced 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 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 ING Bank NV issued two unsecured bank guarantees in favour of the EC for a total amount equal to the fine of EUR 77,068,000 as follows:

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

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. 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, the trial concluded with oral argument in BEH Gas, during which the parties summarized their positions and the court asked questions that were addressed by the parties.

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.

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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 BGN 50,244 thousand (31 December 2023: BGN 53,715 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 2,856 thousand). Management's expectation is that final resolution of the dispute will occur more than 12 months from the balance sheet date. No interest was charged in 2024.

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 grounds of the appeal, Case C-14/24 P was brought before the Court of Justice of the European Union – European Commission v Bulgarian Energy Holding EAD and others. 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. In 2023, the Company recognised interest expense in the amount 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.

On 29 March 2024, BEH-Group filed a reply to the European Commission's complaint to the Court of Justice of the European Union.

On 22 July 2024, the European Commission submitted a counter-reply to the Court of Justice of the European Union. On 30 September, BEH-Group provided a response.

On 30 September 2024, Bulgarian Energy Holding EAD, Bulgartransgaz EAD and Bulgargaz EAD, and the State, filed replies to the European Commission's complaint in Case C-14/24 before the Court of Justice of the European Union.

On 5 November 2024, the CJEU notified the parties that the written procedure was closed.

On the Bulgarian side, a justification for the Court's allowing oral hearings, similarly to first instance, was also submitted. Oral hearings in the case are expected in the second quarter of 2025.

**Contingent assets**

1/ In connection with a trade dispute from a preceding period, Bulgargaz EAD claimed the return of natural gas used to fill the Transit 1 gas pipeline against the Romanian company Transgaz S.A. Arbitration case No 78/2019 was initiated before the International Commercial Arbitration Court of the Romanian Chamber of Commerce and Industry. By an award dated 9 December 2021, Transgaz was ordered to restore the quantity of gas or its cash equivalent of USD 923 thousand, together with interest and costs. The request of Transgaz for suspension of the enforcement was rejected and the amount was paid to Bulgargaz on 9 March 2022.

The Court of Appeal in Bucharest rejected the appeal for reversal of the arbitration award, but Transgaz appealed to the Supreme Court, which reversed the Court of Appeal's judgment and returned the case for retrial. Due to the limited access to gas in Transit 1, Bulgargaz impaired it in 2021 and the compensation received was accounted for as a liability until the dispute is finally settled.

2/ As at 31 December 2024, the Company has bank guarantees from commercial customers in the amount of BGN 28 million. (31 December 2023: BGN 43 mln.) 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 claims initiated against the Company, but they are not of considerable material interest. 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 an independent legal consultant.

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.

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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 in the amount of EUR 16,102 thousand was issued by Bulgarian Energy Holding EAD in favour of ICGB SA with a period of validity until 22 December 2028.

**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 August 2025 and the amount is USD 140,362 thousand.

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 2025. In February 2025, the bank guarantee was released as the limit of the credit product was preserved.

3/ The Company has concluded agreements as at 31 December 2024 with banking institutions for the provision of working capital financing in the form of overdrafts in the amount of up to BGN 234,700 thousand. (as at the end of 2023: 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.

**35. RELATED PARTIES TRANSACTIONS AND BALANCE**

The Company discloses the following related parties:

Entity	Country of incorporation	Main activity.
<b><i>Sole owner of the Company, exercising control (Parent company)</i></b>		
Bulgarian Energy Holding EAD (BEH)		
<b><i>Sole owner of the Parent company</i></b>		
The Bulgarian State through the Minister of Energy		
<b><i>Companies under mutual joint control with the Company (entities within the group)</i></b>		
Kozloduy NPP EAD	Bulgaria	Generation of electricity and heat
WPP Kozloduy EAD	Bulgaria	Generation and distribution of electricity from hydropower
Kozloduy NPP — New Build EAD	Bulgaria	Operation of a nuclear plant for electricity production
HPP Service LTD	Bulgaria	Maintenance of automation tools
NPP Construction Supervision LTD	Bulgaria	Conformity assessment of investment projects
Bulgartransgaz EAD	Bulgaria	Storage and transmission of natural gas
Balkan Gas Hub EAD	Bulgaria	Building and operating an electronic trading platform for 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

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Entity	Country of incorporation	Main activity.
ESO Proekt EOOD	Bulgaria	Design of energy objects
ESO Charge EOOD	Bulgaria	Construction, commissioning, operation and maintenance of electricity and hydrogen recharging systems, hydrogen production systems
Bulgartel AD	Bulgaria	Implementation of telecommunications
Bulgartel-Skopje DOOEL	Macedonia	Implementation of telecommunications
Maritsa East Mines EAD	Bulgaria	Extraction and sale of coal
Natsionalna Elektricheska Kompania EAD	Bulgaria	Generation of electricity and public electricity supplier
TPP Maritsa East 2 EAD	Bulgaria	Generation of electricity and heat
National Energy Operator EAD	Bulgaria	Construction and operation of electric power facilities and all other activities not prohibited by law.
Minroekt EAD	Bulgaria	Exploration, design-construction, research and other activities in the field of open-pit and underground coal mining
<b><i>Jointly controlled entities</i></b>		
ICGB AD	Bulgaria	Construction and operation of gas transmission system
South Stream Bulgaria AD	Bulgaria	Construction and operation of gas transmission system
Transbalkan Electric Power Trading S.A. — NECO S.A.	Greece	Sale of electricity
<b><i>Associates</i></b>		
ContuourGlobal Maritsa East 3 AD	Bulgaria	Electricity generation
ContourGlobal Operations Bulgaria AD	Bulgaria	Operation and maintenance of a thermal power plant
ZAD 'Energy'	Bulgaria	Insurance company
POD Allianz Bulgaria AD	Bulgaria	Pension insurance company
Hydro Power Company Gorna Arda AD	Bulgaria	Construction of hydroelectric power plants
<b><i>Other related parties under joint control</i></b>		
Public sector enterprises under joint control of the Council of Ministers in the Republic of Bulgaria		
<b><i>Key management personnel of the Parent Company as at 31 December 2024</i></b>		
Valentin Alexiev Nikolov	Member of the Board of Directors and Executive Director of BEH EAD	
Veselina Lachezarova Kanatova-Buchkova	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	
Diyan Stanimirov Dimitrov	Member of the Board of Directors of BEH EAD	
Ivo Ivanov Todorov	Member of the Board of Directors of BEH EAD	



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**Key management personnel of the Company until 22 April 2024**

- Ivan Topchiysky — Chairman of the Board of Directors;
- Deniza Slateva — Executive Member of the Board of Directors;
- Tatyana Petrova-Boyadzhieva — Member of the Board of Directors.
- Veselin Sinabov — Member of the Board of Directors;
- Dimitar Spasov — Member of the Board of Directors;

**Key management staff of the Company as at 23 April 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. For the receivables or obligations from/to related parties, no guarantees were granted or received, except for a guarantee amount of Bulgartransgaz EAD under a Contract for natural gas access and transmission, a Contract for natural gas balancing, and a Contract for natural gas storage.

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

**(A) SALE OF GOODS**

	<b>YEAR ENDED</b>	
	<b>31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>Companies under joint control</b>		
ICGB AD	71	192
Bulgartransgaz EAD	16,285	44,542
<b>Total</b>	<b>16,356</b>	<b>44,734</b>

Sales include natural gas for balancing and realized natural gas, in accordance with the Rules for Operation of the Organized Exchange Platform of Gas Hub Balkan EAD.

**(B) PURCHASE OF GOODS AND SERVICES**

	<b>YEAR ENDED</b>	
	<b>31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>Parent company</b>		
Bulgarian Energy Holding EAD	111	291
<b>Companies under joint control</b>		
Bulgartransgaz EAD	123,577	133,532
ICGB AD	46,592	36,838
Bulgartel EAD	7	7
Gas Hub Balkan EAD	219	601
<b>Total</b>	<b>170,506</b>	<b>171,269</b>

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

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

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

The purchases of services from Bulgartel EAD include technical support.

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 AND  
PENALTIES**  
**COMMISSIONS AND PENALTIES**

	<b>YEAR ENDED 31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
<b>Companies under joint control</b>		
Bulgarian Energy Holding EAD	-	467
<b>Total</b>	<b>-</b>	<b>467</b>

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 31 DECEMBER**

	<b>2024</b>	<b>2023</b>
<b>Companies under joint control</b>		
ICGB	12,595	12,595
Bulgartransgaz EAD	27,412	28,747
<b>Total current receivables</b>	<b>40,007</b>	<b>41,342</b>

The receivables from Bulgartransgaz EAD represent financial collateral in the form of a credit limit and a guarantee granted in connection with a Contract for natural gas access and transmission on the gas transmission network and a Contract for balancing entered into with Bulgartransgaz EAD.

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

**AS AT 31 DECEMBER**

<b>CURRENT</b>	<b>2024</b>	<b>2023</b>
<b>Parent company</b>		
Bulgarian Energy Holding EAD	18	20
<b>Companies under joint control</b>		
Bulgartransgaz EAD	5,318	4,105
Bulgartel EAD	1	1
Gas Hub Balkan	11	55
ICGB AD	4,862	4,513
<b>Total current payables</b>	<b>10,210</b>	<b>8,694</b>

The payables 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.

**BULGARGAZ EAD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2024**

(All amounts are in BGN'000, unless otherwise stated)

**(F) BORROWING PAYABLES**

**YEAR ENDED**  
**31 DECEMBER**  
**2024                      2023**

**NON-CURRENT**

**Ultimate owner — Ministry of Energy**

At the beginning of the period	<b>800,000</b>	<b>806,085</b>
Accrued expenses for interests	-	8,291
Loan received reclassified to current part	(800,000)	-
Accrued interest expense reclassified to current portion	-	(14,376)
<b>Payables on loan received at the end of the period</b>	<b>-</b>	<b>800,000</b>

**Parent company — Bulgarian Energy Holding EAD**

At the beginning of the period	<b>370,000</b>	-
Borrowing received, reclassified from current portion	200,000	370,000
Accrued expenses for interests	12,118	-
Interest paid	(12,118)	-
<b>Payables on loan received at the end of the period</b>	<b>570,000</b>	<b>370,000</b>

<b>TOTAL NON-CURRENT BORROWINGS</b>	<b>570,000</b>	<b>1,170,000</b>
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**CURRENT**

**Ultimate owner — Ministry of Energy**

At the beginning of the period	<b>22,942</b>	
Loan received, reclassified from non-current part	800,000	
Accrued interest expense reclassified to current portion	-	14,376
Accrued expenses for interests	16,331	
Interest paid	(38,384)	8,566
<b>Payables on borrowing received at the end of the year</b>	<b>800,889,</b>	<b>22,942</b>

**Parent company — Bulgarian Energy Holding EAD**

At the beginning of the period	260,000	-
Borrowing received during the year	-	405,000
Borrowing payments received during the year	-	(492,515)
Reclassified non-current loan	(200,000)	(370,000)
Accrued expenses for interests for the year	8,624	21,322
Interest paid during the year	(8,060)	(21,878)
<b>Payables on borrowing received at the end of the year</b>	<b>60,564</b>	<b>260,000</b>

<b>TOTAL CURRENT BORROWINGS</b>	<b>861,453</b>	<b>282,942</b>
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1/ In 2022, the company received three borrowings from the parent company with limits of up to BGN 200 million, BGN 60 million, and BGN 457 million. The agreed annual interest rates are 3.275%/3.23%. and the repayment terms in February 2023, July 2023 and December 2023, respectively. As at 31 December 2024, the borrowing received from the parent company are, as follows.

- the loan in the amount of BGN 60 million matures in July 2025 and bears an interest rate of 3.275%.
- a loan in the amount of BGN 200 million matures on 3 April 2027 and bears an interest rate of 3.275%.
- A loan in the amount of BGN 370 million matures in December 2028 and bears an interest rate of 3.275%.

**BULGARGAZ EAD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
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*(All amounts are in BGN'000, unless otherwise stated)*

2/ In 2022 the Company has received a borrowing from the Ministry of Energy in the amount of BGN 800,000 thousand, secured by a special pledge of current and future receivables from Toplofikacia Sofia EAD.

The loan bears an annual interest rate of 2% and matures on 12 August 2025. The principal and interest are paid according to a repayment plan. Interest shall become payable from February 2024.

**(G) KEY MANAGEMENT PERSONNEL REMUNERATIONS**

The key management personnel includes members of the Board of Directors. Key management personnel remunerations are as follows:

	<b>YEAR ENDED</b>	
	<b>31 DECEMBER</b>	
	<b>2024</b>	<b>2023</b>
Short-term benefits to key management personnel		
Employee benefits expenses	(676)	(561)
Social security expenses	(23)	(18)
<b>Total</b>	<b>(699)</b>	<b>(579)</b>

As at the end of each of the reporting periods, the Company had no payables to key management personnel of the Company relating to their emoluments.

**36. EVENTS THAT OCCURRED AFTER THE END OF THE REPORTING PERIOD**

No adjusting events occurred between the date of the financial statements and the date of their adoption.

The following significant non-adjusting events have occurred:

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 August 2025 and the amount is USD 140,362 thousand.

2/ On 28 January 2025, the LNG terminal near Alexandroupolis stopped operation due to a technical failure. The operator of the terminal, Gaztrade S.A., was unable to fix a date, from which the terminal is expected to resume operations. Therefore, Bulgargas EAD requested a release of the bank guarantee in the amount of EUR 48,679 thousand, which maintains credit protection in favour of Gaztrade S.A.

3/ To secure the natural gas supplies in January and February 2025, Bulgargas EAD drew overdrafts from banking institutions, guaranteed by BEH, with a total limit of BGN 220 million.

**37. DISCLOSURE ACCORDING TO LEGAL REQUIREMENTS**

These financial statements have been audited by the audit firm Grant Thornton OOD and the audit firm Zaharinova Nexia EOOD, on the basis of a contract concluded between Bulgarian Energy Holding EAD and DZZD Audit BEH.

The Company does not charge for independent financial audit. The consolidated financial statements of Bulgarian Energy Holding EAD include disclosure of accrued amounts for services provided by the registered statutory auditors for an independent financial audit. During the period the registered statutory auditors did not provide any other services to the Company.

**BULGARGAZ EAD**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**31 December 2024**

*(All amounts are in BGN'000, unless otherwise stated)*

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**38. APPROVAL OF THE FINANCIAL STATEMENTS**

The financial statements as at 31 December 2024 (including comparatives) were approved for issuance by the Board of Directors on 29 April 2025.

# INDEPENDENT AUDITORS' REPORT

To the sole shareholder of  
**Bulgargaz EAD**  
city of Sofia  
47, Petar Parchevich st.

## Report on the audit of the financial statements Qualified opinion

We have audited the financial statements of **Bulgargaz EAD** (the 'Company'), which comprise the statement of financial position as at **31 December 2024** and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the explanatory annexes (notes) to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the issues described in the section of our report entitled 'Basis for Qualified Opinion', the accompanying financial statements give a true and fair view of the financial position of the Company as at **31 December 2024**, its financial performance and its cash flows for the period then ended in accordance with IFRS accounting standards as adopted by the EU and the Bulgarian law.

### Basis for expressing of an informed opinion

1. As disclosed in Annexes **2.2 'Going Concern Principle'** and **35. '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. In annex **25. 'Unused Capacity Costs'** a disclosure is made that as part of the contract performance in 2024, the Company has reported unused capacity costs amounting to BGN 266,943 thousand (for year 2023: BGN 72,926 thousand), which is essentially an unused but paid service. In annex **5.4. 'Provisions'** information is disclosed about the Company's management's judgments and assumptions about the accounting treatment of the operation, performance and expected development and implementation of the Arrangement. On the basis of its analysis, including and based on all the 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'.

According to IAS 37 'Provisions, contingent liabilities and contingent assets', 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. Accordingly, current obligations under such a contract are required to be recognized and measured as a provision for an onerous contract.

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. 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 in what amount, additional provisions would be required in the event that different judgements are applied to make the best estimate of the expenditure required to settle the current obligation at the end of the reporting period as required by IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' in preparing the Company's annual financial statements as at 31 December 2024. Accordingly, we were unable to determine whether and in what amount adjustments would be required to the balance sheet value of the provisions at 31 December 2024 and the prior reporting period and to the provision expense for onerous contracts for year 2024 and the preceding reporting year.

2. As disclosed in Annex **12 'Inventories'** to the annual financial statement, the balance sheet value of the Company's natural gas as of 31 December 2024 is BGN 305,968 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 31 December 2024) for 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 31 December 2024 consists of natural gas valued at prime cost and net realizable value, whichever is lower, in the amount of BGN 41,834 thousand and natural gas valued at cost in the amount of BGN 264,134 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 31 December 2024, this value would be BGN 80,002 thousand lower than its balance sheet value, and the impairment costs for year 2024 they would be higher by the same amount. Accordingly, the net loss for year 2024 would have increased by BGN 72,002 thousand after deducting the related tax temporary differences of BGN 8,000 thousand.

3. As disclosed in Annex 13 '**Prepaid advances for gas supply**' as at 31 December 2024, these advances amount to BGN 456,017 thousand. The Company has not estimated the recoverable amount of all prepaid advances 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 173,350 thousand for year 2024. Accordingly, the net loss for year 2024 would increase by BGN 156,015 thousand, after deducting the relevant tax temporary differences of BGN 17,335 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 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 and Expression of Certainty on Sustainability 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 2.2. '**Going Concern Principle**', which discloses detailed information regarding management's assessment of the application of the going concern basis in preparing the Company's annual financial statements as at 31 December 2024, the material challenges to the Company's operations, and the measures taken to secure natural gas supplies and provide liquid funds. Since the end of February 2022, as a result of the military conflict between Ukraine and the Russian Federation, a series of events and circumstances beyond the Company's control have occurred that have resulted in the need to secure natural gas reserves at prices that were significantly higher in 2022 compared to the current market levels.

In year 2024 Bulgargaz EAD reported a net loss of BGN 315,889 thousand and a negative net cash flow from operating activities of BGN 104,713 thousand. As at 31 December 2024, the Company's equity is negative, BGN 190,371 thousand and accordingly the share capital exceeds the value of net assets at the end of the year, which is not in compliance with the requirements of Article 252 of the Commercial Act. In addition, as disclosed in Annex 19 '**Trade and other payables**', counted from July 2024, the Company is not paying its capacity obligations due under the Botaş Agreement.

These circumstances, together with the matters described in the Basis for Expressing a Qualified Opinion section of our 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. On 16 May 2025, the management of Bulgarian Energy Holding EAD confirmed in writing the declared support for financial and operational security of the Company for the next one-year period.

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 financial statements for the current period. These matters are addressed as part of our audit of the 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 Material Uncertainty Related to the Going Concern Assumption section, which are described above, we determined that there were no other key audit matters to communicate in our report.

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

Management is responsible for other information. The other information consists of the report on the activity and corporate governance statement both prepared by management in accordance with the Accounting Act and other applicable legal requirements, but does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in so doing, consider whether that other information is materially inconsistent with the 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 financial report**

Management is responsible for the preparation and fair presentation of this financial report in accordance with IFRS accounting standards, adopted by the EU and the 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 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.

**Auditors' responsibilities for the audit of financial statements**

Our objectives are to obtain reasonable assurance about whether the 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 and Expression of Certainty on Sustainability 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 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 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 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 financial statements, including the disclosures,



and whether the 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.

Among the matters communicated to those charged with general management, we identify those matters that were of greatest significance in the audit of the current period financial statements and that are therefore key audit matters. We describe these matters in our auditor's report, except in cases where law or regulation prevents public disclosure of information about that matter or where, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so could reasonably be expected to outweigh the public interest benefits of that communication.

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 Independent Financial Auditing and Expression of Certainty on Sustainability Act 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 financial statements and the auditor's report thereon' with respect to the activity report and the corporate governance statement, 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, in Article 100n, Paragraph 7, Subparagraph 2 of the Public Offering of Securities Act and Article 29 of the Public Enterprises 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 activity report for the financial year, for which the financial statements have been prepared is consistent with the financial statement, on which we have expressed a qualified opinion in the Report on the audit of the financial statements above;
- (b) the 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 activity report, except for the possible effect of the matters described in the section headed Information Other than the Financial Statements and the Auditor's Report Thereon in the Report on the Audit of the Financial Statements;
- (d) the corporate governance statement for the financial year presents the information required by the relevant regulations, including the information referred to in Article 100(n), Paragraph 8 of the Public Offering of Securities Act;

### ***Reporting in relation to Article 59 of the Independent Financial Auditing and Expression of Certainty on Sustainability Act and in accordance with Article 10 of Regulation (EU) No 537/2014***

In accordance with the requirements of the Independent Financial Auditing and Expression of Certainty on Sustainability Act, and in relation to Article 10 of Regulation (EU) No 537/2014, we also report the additional information set out below:

- Grant Thornton OOD and Zaharinova Nexia EOOD as participants in the joint venture DZZD ODIT BEH have been appointed as statutory auditors of the financial statements of Bulgargas EAD for the year ending on 31 December 2024 by the sole shareholder on 29 February 2024 for a period of three years (2024—2026).

- The audit of the Company's financial statements for the year ended on 31 December 2024 represents the fourth year in a row of a continuing engagement for a statutory audit of this entity performed by each of the joint auditors, Grant Thornton OOD and Zaharinova Nexia EOOD.
- In support of the audit opinion, we have provided in the Key Audit Matters section a description of the most significant risks assessed, a summary of the auditors' response and significant observations in relation to those risks, where appropriate.
- We confirm that the audit opinion expressed by us is in accordance with the supplementary report presented to the audit committee of the Company as required by Article 60 of the Independent Financial Auditing and Expression of Certainty on Sustainability Act.
- We confirm that we have not provided the prohibited non-audit services specified in Article 64 of the Independent Financial Auditing and Expression of Certainty on Sustainability Act.
- We confirm that we have maintained our independence from the Company in performing the audit.
- Other than the audit, we have not provided any services to the Company during the period covered by our statutory audit.

19 May 2025 city of Sofia

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

**Mariy Apostolov** MARIY GEORGIEV  
APOSTOLOV Date: 2025.05.19 21:48:17  
+03'00'

**Manager  
Emiliya  
Marinova**

EMILIYA GEORGIEVA  
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**Registered auditor responsible for the audit**

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**Dimitrina  
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**Manager**

**Stoycho Milev** Stoycho Kirilov  
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