Annual Consolidated Management Report
Corporate Governance Declaration
Consolidated Non-financial Statement
Consolidated Report on Payments to Governments
Independent Auditor's Report
Consolidated Financial Statement

Bulgarian Energy Holding EAD

31 December 2020
BULGARIAN ENERGY HOLDING EAD

ANNUAL CONSOLIDATED MANAGEMENT REPORT

31 December 2020
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

Board of Directors at the date of issue of the consolidated financial statements
Valentin Aleksiev Nikolov
Dian Stanimirov Dimitrov
Ivan Todorov Andreev
Stelian Penchev Koev
Alexander Plamenov Tzarnorechky

Address
Bulgaria
Sofia Region, Stolichna Municipality, Sofia 1000
Oborishte District, 16, Veslets Str.

Servicing banks
Allianz Bank Bulgaria AD
Bulgarian-American Credit Bank AD
BNP Paribas S.A.
Bulgarian Development Bank AD
D Commerce Bank AD
Central Cooperative Bank AD
Citibank N.A.
European Bank for Reconstruction and Development
Eurobank Bulgaria AD
European Investment Bank
First Investment Bank AD
ING Bank AD
Investbank AD
International Bank for Economic Co-operation
Municipal Bank AD
DSK Bank AD
United Bulgarian Bank AD
UniCredit Bulbank AD

Auditor
HLB Bulgaria Ltd.
Sofia, 149-151 Konstantin Velichkov Blvd., postal code 1309
1. General

Company name  BULGARIAN ENERGY HOLDING EAD (BEH EAD)

UIC  831373560

Address  Bulgaria
Sofia Region, Stolichna Municipality
Sofia 1000 Oborishte District, 16, Veslets Str.

Scope of Business Activity  Acquisition, management, evaluation and sale of shares in commercial companies operating in the fields of production, extraction, transmission, transit, storage, management, distribution, sale and/or purchase of natural gas, electricity, heat, coal, as well as and all kinds of energy and raw materials for production and participation in the management of such companies, their financing, acquisition, evaluation, issuance and sale of bonds, acquisition, evaluation and sale of patents, sublicensing of the use of patents of the aforementioned companies as well as carrying out of its own production or trade.

Directors  As of December 31, 2020 the Company is managed by a Board of Directors (BD) consisting of:

- Andon Petrov Andonov - Chairman of the BD
- Jacklen Yosif Cohen - Member of the BD and Executive Director
- Zhivko Dimitrov Dinchev - Member of the BD

As of the date of issuance of the report the Company is managed by the Board of Directors consisting of:

- representatives of the state in the Board of Directors: Stelian Penchev Koev, Ivan Todorov Andreev, Valentin Aleksiev Nikolov - Executive Director;
- independent member of the Board of Directors: Dian Stanimirov Dimitrov;
- Member of the Board of Directors for a period from the date of registration until a new selection procedure: Aleksandar Plamenov Tzarnorechky.

The company is represented by the Executive Director.
Bulgarian Energy Holding EAD (parent company) together with its subsidiaries form an economic group. The holding structure is presented in the graph below:

Structure of Bulgarian Energy Holding EAD as of 31 December 2020

The Company is the sole-shareholder of the following subsidiaries:

**NPP Kozloduy EAD**

**Scope of Business Activity**

Use of nuclear energy for generation of electric and thermal power, which activity is performed under the existing and maintenance of: valid license for generation of electric and thermal power by an electricity power generation facility specified in the license, valid licenses for operation of nuclear facilities pursuant to the Safe Use of Nuclear Energy Act (SUNEA), issued by the Bulgarian Nuclear Regulatory Agency (NRA) (a valid authorization for production activities carried out by the power generation facility specified in it, issued by the Inspectorate on the Safe Use of Nuclear Energy for Peaceful Purposes);

Import and export of fresh and spent nuclear fuel;

Investment activity related to the company's operations as specified in the Scope of Business Activity;
Construction, assembly and repair activities in the field of electric and thermal power generation;
Sale of high and medium voltage electric and thermal power.
Operation of radioactive waste management facilities according to a valid license under the Safe Use of Nuclear Energy Act (SUNEA).

The company is managed by a Board of Directors and as of December 31, 2020 is represented by the Executive Director Nasko Assenov Mihov.

The company has the following licenses:
- License issued by the NRA for operation of a nuclear facility – Series E, Reg. No.5303/03.11.2017, in force since 06.11.2017, for the operation of unit five of NPP Kozloduy EAD, valid for 10 years;
- License issued by the NRA for operation of a nuclear facility – Series E, Reg. No.5535/03 October 2019, for the operation of unit six of NPP Kozloduy EAD, valid for 10 years;
- License for generation of electric and thermal power No.JI-049-03/11.12.2000; valid for a period of thirty years;
- License for transmission of thermal power No.050-05/11.12.2000; valid for a period of thirty years;
- License issued by the NRA, Series I-11024, Reg.No.04358 dated 1 April 2014 for the use of ionizing radiation sources for business purposes - performing non-destructive testing with radiation methods for site: Inspection Body of type C - Test Center “Diagnostics and Control”. Orders have been issued by NRA Chairman- No.AA-04-1/27.01.2016 and AA-04-132/29.08.2018 and No. AA-04-171/27.10.2020 - for amendment of the License related to changes in the inventory of used X-ray defectoscopes. The term of the license is until 31 March 2024;
- License issued by the NRA, Series I-1708, Reg.No.04366 of 08 April 2014 (amended with order AA-04-106/10.07.2020) for the use of sources of ionizing radiation for business purposes – radiochemical control, radiation monitoring of the environment and metrological control, for a period of 10 years;
- License for transportation of radioactive substances, issued by NRA, Series T-14002 Reg. No.044435, dated 30 June 2014, (amended with order NoAA-04-78/01.06.2020) for a period of 10 years;
- License for electricity trade No.JI-216-15/18.12.2006, for a period of 10 years;
- License issued by the NRA for specialized training performed by Personnel and Training Center Division, Series CO, Reg. No.5125 dated 5 October 2016, valid for a period of 5 years. By Order No. AA-04-126 / 24.08.2018 of the NRA
Chairman, amendments to the License have been introduced, related to addition of new positions in “NPP Kozloduy” EAD and SE RAW which have functions affecting the radiation protection and the nuclear safety;

- License issued by the NRA for operation of a nuclear facility
- Series E, Reg. No.04441 of 25.06.2014, for the operation of Depot for spent nuclear fuel of NPP Kozloduy EAD, valid for 10 years;

- license from the NRA for operation of a Depot for dry storage of spent nuclear fuel from WWER-440 reactors, Series E, reg. № 5016 dated 28.01.2016, for a period of 10 years;

**Investments in enterprises**

NPP Kozloduy EAD is the sole owner of the capital of HPP Kozloduy EAD and NPP Kozloduy - New Builds EAD and holds the controlling interest of 63.96% in Interpriborservice OOD, Kozloduy, holding 71 (seventy-one) shares of its capital. The Company has a minority share of 1.12% in ZAD Energy AD.

**Bulgargaz EAD**

**Scope of Business Activity**

Public supply of natural gas and related purchases and sales, purchase of natural gas for the purpose of storing it in a gas storage facility, marketing research and analysis of the natural gas market in the country.

**Directors**

The company is managed by a Board of Directors and as at 31 December 2020 it is represented by Nikolay Angelov Pavlov, acting as the Executive Director.

**Licenses**


**Bulgartransgaz EAD**

**Scope of Business Activity**

Storage and transmission of natural gas; maintenance, operation, management and development of gas transmission grids; maintenance, operation, management and development of underground gas storage facilities; development of programs and activities for ensuring the compliance of the natural gas transmission and storage activities with the requirements of the European energy legislation; development of pricing policy for access to and transmission on the gas grids, storage of natural gas and connection to gas transmission grids; administration of natural gas transactions and arranging the balancing of the natural gas market in compliance with the requirements of the current legislation; engineering, investment, manufacturing and service activity; import of goods, machinery and equipment related to the company's operations; centralized operational
management, coordination and control on the operation of gas transmission grids.

Directors
The company is managed and represented by a Management Board. As at 31 December 2020 the Executive Director is Vladimir Asenov Malinov.

Licenses
The company holds licenses issued by the Energy and Water Regulatory Commission (EWRC), as follows:

- License for the transmission of natural gas on the territory of Republic of Bulgaria, No. JI-214-09 dated 29 November 2006, for a period of 35 years;
- License for the transmission of natural gas on the territory of Republic of Bulgaria, No. JI-214-06 dated 29 November 2006, for a period of 35 years;
- License for the storage of natural gas on the territory of Republic of Bulgaria, No. JI-214-10 dated 29 November 2006, for a period of 35 years.

Investments in enterprises
Bulgtransgas EAD is the sole owner of the capital of Balkan Gas Hub EAD and owns 50% of the shares of Bulgaretel AD.

Ministry of Maritsa-Iztok EAD
Scope of Business Activity
Coal extraction and distribution, industrial, commercial, leasing, repair operations, foreign trade, training and retraining of coal mining personnel for the purpose of generating income, carrying out activities on prophylactic and rehabilitation in recreational facilities owned by the company, as well as any other activity not prohibited by law.

Directors
The company is managed by a Board of Directors and as at 31 December 2020 it is represented by Andon Petrov Andonov, acting as the Executive Director.

Licenses
The Company holds the following Licenses:
License for “electricity trading” No.L-480-15 dated 20 October 2016 issued by the Energy and Water Regulatory Commission (EWRC) for a period of 10 years.
- License issued by the Ministry of Transport, Information Technology and Communications for the transportation of “Rail freight”, issued in 2016 for a period of 5 years.

Investments in enterprises
Mini Maritsa-Iztok EAD holds minority share of 3.68% in ZAD Energy.

TPP Maritsa East 2 EAD
Scope of Business Activity
Generation of electric and thermal power, transmission and distribution of thermal power, construction and repair works in the electric and thermal power sector, construction and repair works in the field of electric and thermal power generation,
investments, acquisition and management of copyrights, rights on inventions, trademarks and industrial designs, know-how and other intellectual property, as well as any other activity not prohibited by law or regulation, and when authorization or license is required – after such an authorization or license is obtained.

**Directors**

The company is managed by a Board of Directors and as at 31 December 2020 it is represented by Dipl. Eng. Zhivko Dimitrov Dinchev, acting as the Executive Director.

**licenses**

The company holds the following licenses issued by EWRC:

- License for generation of electric power No. ЖI-091-01 dated 21 February 2001 valid for a period of 20 years; By Decision No. ЖI-L-091 of 02 July 2020, the term of the license was extended for another 20 years.
- License for trading with electric power No. ЖI-498-15 dated 31 January 2028 valid for a period of 10 years;

**Investments in enterprises**

TPP Maritsa East 2 EAD is the sole shareholder of Professional Football Club Beroe - Staro Zagora EAD. The Company holds minority share of 0.96% in ZAD Energy.

**Национална Електрическа Компания ЕАД (НЕК ЕАД)**

**Scope of Business Activity**

Generation of electric power, centralized purchase and sale of electric power, customers supply of electric power connected to the transmission grid, import and export of electric power, construction works and repairs in the field of power generation, investment activities, implementation and promotion of energy efficiency in the generation of power.

**Directors**

The company is managed by a Board of Directors and as of 31 December 2020 it is represented by Ivan Todorov Yonchev, acting as the Executive Director.

**Licenses**

The company holds the following licenses issued by EWRC:

- License for public supply of electricity No. ЖI-147-13 dated 17 December 2004, valid for a period of 35 years;
- License for power generation from HPP and PSHP No. ЖI-073-01 dated 14 February 2001, valid for a period of 35 years;
- License No. ЖI-230-15 dated 4 June 2007, for electricity trade for a period of 10 years. By decision of the Energy and Water Regulatory Commission (EWRC) No. ЖI-230-15 dated 15 September 2016, the term of the license for electricity trade was extended, including the rights and obligations of the coordinator of the standard balancing group with 10 years;
- License No. ЖI-408-17 dated 1 July 2013 for supply of electricity from a last resort supplier, valid for a period of 26 years. (Decision No. ЖI-408 dated 29 January 2014 amending/supplementing License No. ЖI-408-17 dated 1 July 2013, issued for the activity “supply of electricity from a last
resort supplier” with the rights and obligations of coordinator of a special balancing group).

**Internal structural units**

NEK EAD, *Hydro Power Plants, Plovdiv* – performs electricity generation, construction and maintenance of hydro power generation facilities, investment activity.

NEK EAD, *Dams and Cascades Company, Sofia* – performs technical operation and maintenance of dams and hydro power generation facilities.

**Investments in enterprises**

NEK EAD holds 27% of the capital of ContourGlobal Maritsa East 3 AD, 27% of the capital of Contour Operations Bulgaria AD, 42% of the capital of ZAD Energy, 34 % of the capital of POD “Allianz Bulgaria” AD, 24% of the capital of HPC “Gorna Arda” AD and participation in Transbalkan Electric Power Trading S.A. - NECO S.A. – 50%.

**Electricity System Operator EAD (ESO EAD)**

**Scope of Business Activity**

Transmission of electricity, unitary operational planning, coordination and management of the electricity system of the Republic of Bulgaria, provision and management of third party access on a non-discriminatory basis to grid users or group of grid users, implementation of the joint operation of the electricity system with the electricity systems of other countries, coordinated development and interoperability of the electricity transmission grid with interconnected electricity transmission grids the coordinated development and interoperability of the interconnected transmission grid, expansion, reconstruction, modernization, operation, maintenance and provision of the reliable operation of the electricity transmission grid, including the availability of all necessary ancillary services, maintenance and development of auxiliary grids, repairs and services in the field of energy, other commercial activities and services that are not prohibited by law.

**Directors**

The company is managed and represented by the Management Board. As at 31 December 2020 the Executive Director is Angelin Nikolaev Tsachev.

**Licenses**

The company holds the following licenses issued by EWRC:

- License for transmission of electricity, No.л-419-04 dated 18 December 2013, valid for a period of 35 years.

- License №л-221-17 dated 28 December 2006 for the activity "management of the electricity system" (amended by Decision №л-17-221-17 dated 29 September 2008). The validity of the license is until 17.12.2039.

**Investments in enterprises**

Electricity System Operator EAD holds 50% of the capital of Bulgartel.
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

Basis for preparation of the consolidated financial statements

BEH EAD operates in compliance with the Bulgarian and European legislation. The consolidated financial statements of the Group are prepared in accordance with the International Financial Reporting Standards, developed and issued by the International Accounting Standards Board and approved by the European Union.

Responsibility of the Management

The Management confirms that an adequate accounting policy has been applied to the preparation of the consolidated financial statements for 2020 and they have been prepared on a going concern basis.

The management is responsible to keep proper accounting records, to carry out appropriate asset management and to undertake the measures necessary to avoid and detect any possible frauds and other irregularities.

The consolidated management report for 2020 has been prepared in accordance with art. 45 of the Accountancy Act and art. 247 of the Commercial Act and approved by the Board of Directors of Bulgarian Energy Holding EAD.

2. Establishment, management and structure

Legal status

Parent company

BEH EAD is a sole owner joint-stock company, established in 2008, following the change of the company's name, statutes and subject of activity of Bulgargaz Holding EAD, as well as increasing the capital of the company through contribution at par value of all shares in the capital of Natsionalna Elektricheska Kompania EAD, NPP Kozloduy EAD, TPP Maritsa East 2 EAD and Mini Maritsa-Iztok EAD. In this way BEH EAD unifies all state energy companies operating in the field of generation, extraction, transmission and trade with energy resources.

The sole owner of the capital of BEH EAD is the Republic of Bulgaria and its rights are exercised by the Minister of Energy, who has the capacity of a principal and is empowered to make all decisions within the competencies of the sole owner of the capital, in accordance with the law and the Articles of Association of the Company.

The company is managed by a one-tier management system. Governing bodies are:

- Sole owner of the capital as General Assembly - the Minister of Energy of the Republic of Bulgaria;
- Board of Directors.

At the date of preparation of these consolidated financial statements, there are no plans the company to be privatized, the company is included in the list of state companies not subject to privatization - Appendix No.1 to art. 3, para. 1 of the Privatization and Post-Privatization Control Act.
Companies in the Bulgarian Energy Holding Group

**NPP Kozloduy EAD** was established on 28 April 2000 under Decision No.7 dated 28 April 2000 in accordance with company case No.582/2000 of Vratsa district court. The company has its registered address and headquarter: town of Kozloduy, Vratsa District, NPP site, tel. code 0973, and ZIP code 3320. Since 18 September 2008 the sole owner of the capital of NPP Kozloduy EAD is BEH EAD.

**HPP Kozloduy EAD** was registered in Vratsa district court under company case No.495 dated 2004 with the purpose of building a hydroelectric plant, generation and distribution of electricity from small hydropower plant for utilization of the residual resource of the spent water from NPP Kozloduy EAD. The sole owner of the capital of HPP Kozloduy EAD is NPP Kozloduy EAD.

**NPP Kozloduy – New Builds EAD** was established on 9 May 2012 by the issue of 200,000 ordinary registered shares with par value of BGN 10. The share capital was subscribed and fully paid by NPP Kozloduy EAD. The Company's scope of activity is construction of units of a nuclear power plant. The sole owner of the capital of NPP Kozloduy – New Builds EAD is NPP Kozloduy EAD.

**Interpriborservice OOD** was established under Decision No.55 dated 13 April 1988 of the Council of Ministers, as a specialized company for installation, setting, repair, maintenance of automated process control systems, supply of equipment, spare parts and equipment for NPP, TPP and others. Partners in the company are Russian and Ukrainian companies working in the field of energy. As at 31 December 2017 NPP Kozloduy EAD owns 71 shares with par value of BGN 100 each, representing 63.96% of the registered capital.

**Bulgargaz EAD** is registered in Bulgaria in accordance with the Commercial Act. The Company was registered in the Commercial Register under No. 113068, Vol. 1534, p. 35, company case No.16440/2006 No.16440/2006 and was registered on the basis of Decision No.1 dated 15 January 2007. The company has its registered office and address of management: Sofia, Stolichna Municipality, 47 Petar Parchevich Str. The sole owner of the capital of Bulgargaz EAD is BEH EAD.

**Bulgartel EAD** was registered under company case No.13115/2004 in accordance with the Commercial Act under decision of Sofia City Court dated 30 November 2004. The company has its registered office and address of management: Sofia, Lyulin municipality, complex Lyulin 2, 66 Pancho Vladigerov Blvd. The owners of the capital of Bulgartel AD are Electricity System Operator EAD and Bulgartransgaz EAD with 50% share each.

**Bulgartel Skopje DOOEL** is a sole joint stock company registered in the Central Register of the Republic of Macedonia on 3 December 2008 under No.643867. The Company has headquarters and registered office in Macedonia, Skopje, Ortse Nikolov Str. The sole shareholder of Bulgartel Skopje DOOEL is Bulgartel EAD.

**Bulgartransgaz EAD** is registered in accordance with the Commercial Act under Decision No.1 dated 15 January 2007 of Sofia City Court under No.113067, vol. 1543, p. 32, company case No.16439/2006.
The Company’s headquarters and registered office is: Sofia, Lyulin municipality, complex Lyulin 2, 66 Pancho Vladigerov Blvd. The sole owner of the capital of Bulgartransgaz EAD is BEH EAD.

**Balkan Gas Hub EAD** is a sole joint stock company with registered office in the Republic of Bulgaria, incorporated in the Commercial Register and the Register of Non-Profit Organizations with the Registry Agency under UIC 205478458 on January 18, 2019. The Company’s headquarters and registered office is Bulgaria, Sofia, Sofia, Lyulin municipality, complex Lyulin 2, 66 Pancho Vladigerov Blvd. The sole owner of the equity of Balkan Gas Hub EAD is Bulgartransgaz EAD.

**Mini Maritsa-Izток EAD** is registered under company case No.2444/1993, reg. 1, vol 1, p. 12, ch. 6 of Stara Zagora District Court in accordance with the Commercial Act under Decision No.2773 dated 7 July 1993. The Company’s headquarters and registered office is: town of Radnevo, Stara Zagora region, 13 Georgi Dimitrov Str. The sole owner of the capital of Mini Maritsa-Izток EAD is BEH EAD.

**Natsionalna Elektricheska Kompania EAD** is registered in accordance with the Commercial Act by Sofia City Court under No. 196, vol. 5, p. 98, under company case No.29869/1991. The Company’s headquarters and registered office is: Sofia, 5 Veslets Str. The sole owner of the capital of NEK EAD is BEH EAD.

**Electricity System Operator EAD** is registered in accordance with the Commercial Act by Sofia City Court under Decision No.1 dated 4 January 2007 under company case No.16298/2006, batch No.112765, vol. 1528, reg. 1, page 53. The Company’s headquarters and registered office is in Sofia, Vitosha, 201 Tzar Boris III Blvd. The sole owner of the capital of ESO EAD is BEH EAD.

**TPP Maritsa East 2 EAD** is registered under Decision No.2591 dated 30 June 2000 of Stara Zagora District Court in accordance with the Commercial Act under company case No.1338/2000, reg. 1, vol. 2, p. 46, account 23. The Company’s headquarters and registered office is: Kovachevo village, Stara Zagora district. The sole owner of the capital of TPP Maritsa East 2 EAD is BEH EAD.

**Professional Football Club Beroe – Stara Zagora EAD** is registered as sole joint stock company with one-tier management system. The Company was registered in the Commercial Register on 7 May 2008. The headquarters and registered office is Kovachevo village, Stara Zagora district, Radnevo municipality, Bulgaria. The sole owner of the capital of PFC Beroe – Stara Zagora EAD is TPP Maritsa East 2 EAD.

No separate branches of the enterprise are differentiated in the structure of BEH EAD.

**Parent Company History**
BEH EAD is the successor of the State company Oil and Gas, founded in 1973, renamed Gasobudyanuvane in December 1975. In accordance with the Decree on Business Activities, in the beginning of 1990, the entity was renamed to Bulgargaz. Pursuant to a decision of the Council of Ministers, dated 12 May 1993, Bulgargaz was transformed into a sole-owner joint stock company.

With a transformation plan dated 27 October 2006 and its annexes, Bulgargaz EAD was transformed into Bulgargaz Holding EAD by the separation of two sole-owned joint-stock companies – Bulgartransgaz EAD and Bulgargaz EAD under the conditions of Article 262 (d) of the Commercial Act. Bulgartransgaz EAD and Bulgargaz EAD are legal successors of the respective portion of the
property (rights and obligations) of Bulgargaz Holding EAD. By virtue of Decision No.45 dated 15 January 2007 the transformation was registered in the Sofia City Court.

With protocol No.RD-21-305 from 18.09.2008, the Minister of Economy and Energy changed the company name from Bulgargaz Holding EAD to Bulgarian Energy Holding EAD and increases capital with assets at par value of all shares of the capital of Natsionalna Elektricheska Kompania EAD, NPP Kozloduy EAD, TPP Maritsa East 2 EAD and Mini Maritsa-Iztok EAD.

**Information under Art. 187c and Art. 247, para. 2 of the Commercial Act**

**Share capital**

As at 31 December 2020, the share capital of the parent company BEH EAD amounts to BGN 3,462,941,744 divided into 3,462,941,744 ordinary registered voting shares with a nominal value of BGN 1 each. The entire amount of the Company's capital is subscribed and paid in full. The Company's shares are ordinary, registered, non-privileged, with voting rights.

Information regarding the remuneration of the members of the Board of Directors of Bulgarian Energy Holding EAD and its subsidiaries under management and control contracts

**The remuneration of the members of the Board of Directors of Bulgarian Energy Holding EAD and its subsidiaries is as follows:**

<table>
<thead>
<tr>
<th>In BGN '000</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration</td>
<td>3,082</td>
<td>1,450</td>
</tr>
<tr>
<td>Social Security</td>
<td>225</td>
<td>152</td>
</tr>
<tr>
<td>Social costs</td>
<td>110</td>
<td>105</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3,437</td>
<td>1,707</td>
</tr>
</tbody>
</table>

**Information regarding the acquisition and holding of shares of the companies by the members of the Board of Directors**

The members of the Board of Directors of "Bulgarian Energy Holding" EAD do not own shares of the company. They do not have privileges or exclusive rights to acquire shares and bonds of the company. All shares of BEH EAD are owned by the State, and the shares of NPP Kozloduy EAD, Bulgargaz EAD, Bulgartransgaz EAD, Mini Maritsa-Iztok EAD, NEK EAD, TPP Maritsa East 2 EAD and ESO EAD are 100% owned by BEH EAD.

**Information regarding the participation of members of the Board of Directors in companies as owners with unlimited liabilities, ownership of more than 25 percent of the share capital of another company, as well as their participation in the management of other companies or cooperatives as procurators, managers or board members**

**Zhivko Dimitrov Dinchev** - a member of the Board of Directors of Bulgarian Energy Holding EAD until 31.05.2021, participates as a member of the Board of Directors of the following companies:

- TPP Maritsa East 2 EAD - Executive Director and member of the Board of Directors;
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

- TPP Maritza East 2 (9 and 10) EAD - member of the Board of Directors until 26.10.2020. On 09.10.2020 the company was transformed through its merger into the Sole owner of the capital TPP Maritza East 2 EAD on the grounds of Art. 262o of the Commercial Act.

Andon Petrov Andonov - Chairman of the Board of Directors of Bulgarian Energy Holding EAD until 31.05.2021, participates as a member of the Board of Directors of the following companies:
- Mini Maritsa-Iztok EAD - Executive Director and member of the Board of Directors;
- Association "Scientific and Technical Union of Employees in the Energy Sector in Bulgaria" - Member of the Board of Directors.

Jacklen Yosif Cohen - Executive Director of Bulgarian Energy Holding EAD and member of the Board of Directors until 31.05.2021, participates as a member of the Board of Directors of the following companies:
- ContourGlobal Operations Bulgaria AD - member of the Board of Directors;
- South Stream Bulgaria AD - member of the Board of Directors;

Information regarding contracts under Art. 240b of the Commercial Act
The Company has not entered into contracts with members of the Board of Directors, other than management and control contracts, as well as with persons related to them.

Personnel
Number of personnel:

<table>
<thead>
<tr>
<th></th>
<th>2020 reported</th>
<th>2019 reported</th>
<th>% change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20,386</td>
<td>21,085</td>
<td>(3.32%)</td>
</tr>
</tbody>
</table>

Labor productivity — revenue/number of personnel (in BGN '000):

<table>
<thead>
<tr>
<th></th>
<th>2020 reported</th>
<th>2019 reported</th>
<th>% change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>270.99</td>
<td>319.75</td>
<td>(15.25%)</td>
</tr>
</tbody>
</table>
Related parties

As of 31 December 2020 the economic group of BEH holds interests in the following associates and joint ventures, reported in the consolidated financial statements using the equity method

<table>
<thead>
<tr>
<th>Company</th>
<th>State of incorporation</th>
<th>Main activity</th>
<th>2020</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>%</td>
<td>BGN' 000</td>
</tr>
<tr>
<td><strong>Jointly controlled entities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICGB AD</td>
<td>Bulgaria</td>
<td>Construction and operation of a gas transmission system</td>
<td>50.00%</td>
<td>53,767</td>
</tr>
<tr>
<td>South Stream Bulgaria AD</td>
<td>Bulgaria</td>
<td>Construction and operation of a gas transmission system</td>
<td>50.00%</td>
<td>10,626</td>
</tr>
<tr>
<td>Transbalkan Electric Power Trading S.A. – NECO S. A</td>
<td>Greece</td>
<td>Sales of electricity</td>
<td>50.00%</td>
<td>870</td>
</tr>
<tr>
<td><strong>Total jointly controlled entities</strong></td>
<td></td>
<td></td>
<td></td>
<td>65,263</td>
</tr>
</tbody>
</table>

As of 31 December 2020, the economic group BEH has a stake in the following associates, accounted for in the consolidated financial statements using the equity method:

<table>
<thead>
<tr>
<th>Company</th>
<th>State of incorporation</th>
<th>Main activity</th>
<th>2020</th>
<th>Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>%</td>
<td>BGN' 000</td>
</tr>
<tr>
<td><strong>Associates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ContourGlobal Maritsa East 3 AD</td>
<td>Bulgaria</td>
<td>Generation of electricity</td>
<td>27.00%</td>
<td>91,391</td>
</tr>
<tr>
<td>Contour Global Operations Bulgaria AD</td>
<td>Bulgaria</td>
<td>Operation and maintenance of a thermal power plant</td>
<td>27.00%</td>
<td>1,387</td>
</tr>
<tr>
<td>ZAD Energy</td>
<td>Bulgaria</td>
<td>Insurance company</td>
<td>48.08%</td>
<td>14,678</td>
</tr>
<tr>
<td>POD Allianz Bulgaria AD</td>
<td>Bulgaria</td>
<td>Pension insurance company</td>
<td>34.00%</td>
<td>23,616</td>
</tr>
<tr>
<td>Hydro Power Company Gorna Arda AD</td>
<td>Bulgaria</td>
<td>Construction of hydropower plants</td>
<td>24.00%</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Associates</strong></td>
<td></td>
<td></td>
<td></td>
<td>131,072</td>
</tr>
</tbody>
</table>

The commercial relations between BEH Group and its related parties, specified above, are on equal commercial basis and there are no privileges or relieves based on the fact that they are related parties.
3. Main results for 2020

3.1. Financial result

The reported consolidated net financial result for 2020 is a profit of BGN 157,201 thousand and this figure, as compared to the net profit of BGN 399,402 thousand reported in 2019, points to a decrease by BGN 242,201 thousand or by 60.64%.

The change in the financial result is mainly influenced by the reported decrease in the amount of reported revenues from the sale of electricity and natural gas. The reported decrease in revenues from the sale of electricity is due to the decline in the quantities of electricity sold on the free market by the companies in the group. With regard to the decline in revenues from the sale of natural gas, the decrease is a consequence of both the lower selling price at which Bulgargaz EAD sells natural gas to final suppliers and other industrial consumers and the registered decline in sales volumes. The main factors that led to the reported decline in revenue were the decline in demand for electricity and natural gas due to anti-epidemic measures aimed at limiting the spread of the COVID-19 pandemic, as well as the drastic rise in carbon prices, which led to restrictions on the production and sales of TPP Maritza East 2 EAD. The reported decrease in the sales prices at which Bulgargaz EAD supplies natural gas to its customers also has an impact on the total volume of realized revenues from the sale of natural gas. It is a consequence of the change in the pricing mechanism under the long-term natural gas supply contract concluded between Bulgargaz EAD and Gazpromexport LLC, which determines the price at which Bulgargaz EAD buys the necessary quantities of natural gas to satisfy local consumption. The new pricing mechanism led to a significant reduction in the cost of purchased natural gas, which was reflected proportionally in the final prices at which Bulgargaz EAD sells these quantities.

A significant decrease was also reported in the cost of natural gas, electricity and other current assets sold, which in 2020 amounted to BGN 2,439,580 thousand, compared to BGN 3,369,402 thousand in 2019, which on an annual basis represents a decrease of BGN 929,822 thousand or 27.60%.

The change for each of the main components forming the financial result is presented in the table below:

<table>
<thead>
<tr>
<th>Financial results</th>
<th>2020</th>
<th>2019</th>
<th>Change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from sales</td>
<td>5,595,855</td>
<td>6,741,980</td>
<td>(1,146,125)</td>
</tr>
<tr>
<td>Costs of natural gas, electricity and other current assets sold</td>
<td>(2,439,580)</td>
<td>(3,369,402)</td>
<td>929,822</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(2,887,344)</td>
<td>(2,917,866)</td>
<td>30,522</td>
</tr>
<tr>
<td>Financial revenue/costs, net</td>
<td>(120,550)</td>
<td>(76,000)</td>
<td>(44,550)</td>
</tr>
<tr>
<td>Share of the financial result of investments accounted by the equity method</td>
<td>40,324</td>
<td>40,526</td>
<td>(202)</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(31,504)</td>
<td>(19,836)</td>
<td>(11,668)</td>
</tr>
<tr>
<td>Net profit / (loss)</td>
<td>157,201</td>
<td>399,402</td>
<td>(242,201)</td>
</tr>
</tbody>
</table>

Despite the negative effects of the extraordinary measures related to limiting the spread of the COVID-19 pandemic nationally and globally, as at 31 December 2020 the profit at EBITDA level decreased by 14.88% and reached BGN 898,040 thousand with a reported 1,054,986 BGN thousand in 2019. An important clarification is that in the operating activities of BEH Group in 2021 no other one-off positive
or negative one-off events have been registered that have affected the reported financial results. The operating financial result (EBIT) of the Group's activity for 2020 is a profit of BGN 268,931 thousand, which is by BGN 185,781 thousand, or 40.86% less than the reported profit of BGN 454,712 thousand in 2019.

Total assets increased by BGN 1,719,424 thousand, reaching BGN 20,422,671 thousand in 2020. The reported growth is a result of an increase in the amount of Property, plant and equipment of the Group as of 31.12.2020 by 14.39% compared to the previous year. The increase is mainly due to the significant assets built and put into operation in 2020 by the subsidiary Bulgartransgaz EAD, which are due to the successful completion of two of the stages of the project "Extension of the gas transmission infrastructure of Bulgartransgaz EAD parallel to the northern (highway) gas pipeline to the Bulgarian-Serbian border "- stage" Linear part "with a length of 474 km and stage Compressor station" Rasovo ". The reported decrease in the amount of working capital is a consequence of the forthcoming maturity of the bond issue placed by BEH EAD in 2018, the total value of which is EUR 550 million, as a result of which as of December 31, 2020 it is included in the value of the current liabilities of the group.

The table below provides information on the key performance indicators of the Group's financial position as at 31 December 2020.

<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>2020</th>
<th>2019</th>
<th>Change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Total revenue</td>
<td>5,595,855</td>
<td>6,741,980</td>
<td>(1,146,125)</td>
</tr>
<tr>
<td>Total expenses</td>
<td>(5,326,924)</td>
<td>(6,287,268)</td>
<td>960,344</td>
</tr>
<tr>
<td>EBITDA ¹)</td>
<td>898,040</td>
<td>1,054,986</td>
<td>(156,946)</td>
</tr>
<tr>
<td>EBIT ²)</td>
<td>268,931</td>
<td>454,712</td>
<td>(185,781)</td>
</tr>
<tr>
<td>EBT ³)</td>
<td>188,705</td>
<td>419,238</td>
<td>(230,533)</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>16.05%</td>
<td>15.65%</td>
<td>0.40%</td>
</tr>
<tr>
<td>Total assets</td>
<td>20,422,671</td>
<td>18,703,247</td>
<td>1,719,424</td>
</tr>
<tr>
<td>PPE ⁴)</td>
<td>16,310,862</td>
<td>14,258,572</td>
<td>2,052,290</td>
</tr>
<tr>
<td>Working capital ⁵)</td>
<td>557,758</td>
<td>1,413,282</td>
<td>(855,524)</td>
</tr>
<tr>
<td>Cash</td>
<td>1,446,179</td>
<td>1,683,907</td>
<td>(237,728)</td>
</tr>
<tr>
<td>Equity</td>
<td>11,728,097</td>
<td>11,678,128</td>
<td>49,969</td>
</tr>
</tbody>
</table>

1) EBITDA  — earnings before interest, taxes, depreciation and amortization;
2) EBIT — earnings before interest and tax;
3) EBT — earnings before tax;
4) PPE — plant, property, equipment;
5) Working capital — current assets minus current liabilities;

BEH EAD was established as a corporate structure that unites the state-owned energy companies. The main revenues of the Group originate from transmission, storage and sale of natural gas, electricity generation, transmission and sale, as well as coal mining and sale.

Taking into account the characteristics of the current market model, the activities of the companies and their financial performance depend to a large extent on the influence of external factors related to the macroeconomic factors and market trends, as well as to the market regulation models applied by the
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.


The current market model provides the existence of companies carrying out the functions of public supply of electricity and natural gas. At present, these functions are carried out by two companies belonging to BEH Group – Natsionalna Elektricheska Kompania EAD – public supplier of electricity, and Bulgargaz EAD – public supplier of natural gas. As public suppliers, both companies are subject to regulation by EWRC, where the Commission sets the selling prices of electricity and natural gas at which the public suppliers sell their products to end suppliers. Due to the past imperfections of the pricing models used on the regulated market, especially on the electricity market, significant tariff deficits have been generated in the past that have had an impact on the financial performance and the position of the Group companies.

The reported financial performance indicators by segments are presented below:

- **Electricity segment**

<table>
<thead>
<tr>
<th>Electricity</th>
<th>2020</th>
<th>2019</th>
<th>Change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Revenues from sales:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- external customers</td>
<td>4,130,123</td>
<td>4,781,766</td>
<td>(651,643)</td>
</tr>
<tr>
<td>- other segments</td>
<td>742,581</td>
<td>644,453</td>
<td>98,128</td>
</tr>
<tr>
<td>Segment revenue</td>
<td>4,872,704</td>
<td>5,426,219</td>
<td>(553,515)</td>
</tr>
<tr>
<td>Change in finished goods and work in progress</td>
<td>1,607</td>
<td>(8,511)</td>
<td>10,118</td>
</tr>
<tr>
<td>Cost of acquisition of PPE in an economic manner</td>
<td>34,729</td>
<td>30,139</td>
<td>4,590</td>
</tr>
<tr>
<td>Costs of natural gas, electricity and other current assets sold</td>
<td>(2,420,509)</td>
<td>(2,798,202)</td>
<td>377,693</td>
</tr>
<tr>
<td>Cost of materials</td>
<td>(613,370)</td>
<td>(390,420)</td>
<td>(222,950)</td>
</tr>
<tr>
<td>Hired services expenses</td>
<td>(278,785)</td>
<td>(253,619)</td>
<td>(25,166)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(424,363)</td>
<td>(402,502)</td>
<td>(21,861)</td>
</tr>
<tr>
<td>Employee benefits expenses</td>
<td>(609,060)</td>
<td>(600,827)</td>
<td>(8,233)</td>
</tr>
<tr>
<td>Impairment of sales receivables, net</td>
<td>4,263</td>
<td>6,886</td>
<td>(2,623)</td>
</tr>
<tr>
<td>Impairment of property, plant and equipment</td>
<td>(5)</td>
<td>0</td>
<td>(5)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(79,312)</td>
<td>(343,793)</td>
<td>264,481</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(295,735)</td>
<td>(349,438)</td>
<td>53,703</td>
</tr>
<tr>
<td><strong>Operating profit (loss) for the segment</strong></td>
<td>192,164</td>
<td>315,932</td>
<td>(123,768)</td>
</tr>
</tbody>
</table>

Within BEH Group, operations in the Electricity segment are carried out by the following companies: NEK EAD, ESO EAD, NPP Kozloduy EAD, TPP Maritsa East 2 EAD. In compliance with the legal regulations, the companies hold licenses for generation, sale, transmission and trade of electricity. They carry out their operations in accordance with the requirements of the EU directives and regulations in the field of energy, the Energy Act and the Ordinance for regulating the electricity prices. The regulation
of their operations is carried out by the independent specialized authority – EWRC.

In 2020, the total electricity produced in the country reported a decrease of 11% compared to the previous year and amounted to 37,376,037 MWh compared to 42,184,907 MWh produced a year earlier. In 2020, a decrease in net trade exports of electricity was reported, amounting to 3,408,528 MWh, or 41.34% lower than in 2019 (5,810,395 MWh).

In 2020, the total amount of electricity produced by the electricity generating companies in BEH Group is 21,440,613 MWh, marking a decrease of 10% compared to the production recorded in 2019.

In 2020, TPP Maritsa Iztok 2 EAD reported gross electricity production of 3,820,143 MWh, which is 42.4% lower than in 2019. Sold electricity amounted to 3,252,582 MWh and was 43.7% less than the realized 5,773,622 MWh in 2019. The decrease is due to the reported decline in free market sales due to the drastic increase in carbon emission allowance prices, which negatively affect the company’s competitiveness due to the reported high cost of energy produced.

The sales of TPP Maritsa Iztok 2 EAD on the regulated market in 2020 amounted to 23,044,746 MWh, or 7% higher compared to 2019, which is due to the imposed additional obligations on TPP Maritsa Iztok 2 EAD for servicing the society in the form of providing quantities of electricity to NEK EAD to satisfy the requests of final suppliers on the regulated market segment. On the free market in 2020 TPP Maritsa East 2 EAD realized sales in the amount of 152,801 MWh, which compared to 2019 are 2,667,037 MWh less.

In 2020, the gross electricity production from NPP Kozloduy EAD continues to be at record levels, reaching 16,625,765 MWh, which is 0.43% more than the 16,555,288 MWh produced a year earlier. During the year, units 5 and 6 operate steadily at the increased power level. The amount of electricity sold on the regulated market, including any balancing energy, in 2020 amounted to 2,953,594 MWh, with 20.98% more than in 2019. Sales on the free market by NPP Kozloduy EAD in 2020 were 12,821,503 MWh, a decrease of 3.55% on a year-on-year basis.

The production from HPPs and PSHPs within NEK EAD in 2020 was typical of a dry year as the hydroelectric power plants in the structure of NEK EAD generating 2,377,981 MWh, which is 1.8% more compared to 2019.

In 2020, NEK EAD fulfilled its obligations in accordance with its licensing activities and provided the required amount of electricity to the end suppliers. In accordance with the changes in the regulations and the last two pricing decisions of EWRC, NEK EAD participates as a priority on the regulated market, fulfilling its obligations to society under the Energy Act. The company continues to guarantee the security of the electricity system by providing services for balancing and regulation of the electricity system through its capacities in HPPs and PSHPs.

In 2020, the purchases of electricity from NEK EAD were carried out in accordance with the price decisions of the EWRC for the regulatory periods 2019-2020 and 2020-2021, as well as in accordance with the applicable regulations. The core business of NEK EAD was affected by changes arising from the changes to the basic energy legislation concerning the market model, and the obligations of the Public Supplier for the purchase of electricity for the regulated market decreased significantly, as a result of abandoning the obligation of NEK EAD to purchase electricity from RES and cogeneration producers, which have an installed capacity of 1 MW and over 1 MW.
In 2020 NEK EAD purchased 13,697,505 MWh of electricity, as compared to the previous year a decrease in purchases by 5.9% or 866,275 MWh less. The structure of the purchased electricity has been changed, taking into account an increase in the purchases from the quota power plants and a decrease in the compulsorily purchased electricity under Article 93a, Article 94.

In 2020, the amount of electricity purchased by the company under long-term contracts and preferential prices was 7,273,623 MWh, which is a decrease of 1,785,615 MWh or 19.7% less, with a decrease by all producers.

The base-load power plants with long-term contracts - TPP AES-3C Maritsa East 1 and TPP ContourGlobal Maritsa East 3 in 2020 have supplied NEK EAD with energy in the amount of 6,881,850 MWh, which is 10.5% less than the energy purchased in 2019.

Purchased electricity from RES, according to the requirements of the Energy Act and Energy from Renewable Sources Act was 387,672 MWh, which is a decrease of 914,957 MWh compared to the figure reported in 2019. The decrease in the quantities purchased from renewable energy plants is due to the changed market model as of 01.07.2019, according to which the RES with a capacity of 1 MW and over 1 MW should sell their electricity on IBEX. (NEK Public Supplier buys only electricity from RES with capacity below 1 MW). Significant reduction is also reported in the quantities of electricity purchased from the Highly efficient cogeneration plants, for the same reason - the obligation of the plants with capacity of 1 and over 1 MW to sell their electricity to the IBEX (effective from 01.07.2019), therefore throughout 2020 symbolic quantities have been purchased from highly - efficient cogeneration plants.

NEK EAD sold 15,615,317 MWh on the regulated and free market in 2020, which is 5.7% less than the sold quantities of electricity for the previous year, when sales were at the level of 16,565,094 MWh. The company reports a decrease in its sales, both on the regulated market and a decrease in the realized quantities of electricity of the IBEX and the free market. According to the amendments to the Energy Act from the middle of the year and the last price decision of the EWRC, non-household consumers connected to the low voltage network must choose a trader and enter the free market from October 1.

The highest is the relative share of electricity sold to final suppliers on the regulated market. The quantities of electricity sold by NEK Public Supplier to Final Suppliers in 2020 are at the level of 13,979,423 MWh, which is a decrease of 750,460 MWh or a 5.1% decrease.
**Natural Gas Segment**

<table>
<thead>
<tr>
<th>Natural gas</th>
<th>2020</th>
<th>2019</th>
<th>Change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues from sales:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- external customers</td>
<td>1,120,031</td>
<td>1,652,055</td>
<td>(532,024) (32.20%)</td>
</tr>
<tr>
<td>- other segments</td>
<td>75,387</td>
<td>110,635</td>
<td>(35,248) (31.86%)</td>
</tr>
<tr>
<td><strong>Segment revenue</strong></td>
<td>1,195,418</td>
<td>1,762,690</td>
<td>(567,272) (32.18%)</td>
</tr>
<tr>
<td><strong>Change in finished goods and work in progress</strong></td>
<td>(39)</td>
<td>(57)</td>
<td>18 (31.58%)</td>
</tr>
<tr>
<td><strong>Cost of sales of natural gas, electric energy and other assets</strong></td>
<td>(759,496)</td>
<td>(1,262,968)</td>
<td>503,472 (39.86%)</td>
</tr>
<tr>
<td><strong>Cost of materials</strong></td>
<td>(4,508)</td>
<td>(5,798)</td>
<td>1,290 (22.25%)</td>
</tr>
<tr>
<td><strong>Hired services expenses</strong></td>
<td>(19,054)</td>
<td>(17,894)</td>
<td>(1,160) (6.48%)</td>
</tr>
<tr>
<td><strong>Depreciation and amortization expenses</strong></td>
<td>(108,445)</td>
<td>(104,661)</td>
<td>(3,784) (3.62%)</td>
</tr>
<tr>
<td><strong>Employee benefit expenses</strong></td>
<td>(75,079)</td>
<td>(72,425)</td>
<td>(2,654) (3.66%)</td>
</tr>
<tr>
<td><strong>Impairment of sales receivables, net</strong></td>
<td>8,056</td>
<td>1,198</td>
<td>6,858 (572.45%)</td>
</tr>
<tr>
<td><strong>Impairment of property, plant and equipment</strong></td>
<td>0</td>
<td>(225)</td>
<td>225 (100.00%)</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>(43,675)</td>
<td>(21,611)</td>
<td>(22,064) (102.10%)</td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td>(1,511)</td>
<td>(103,227)</td>
<td>101,716 (98.54%)</td>
</tr>
<tr>
<td><strong>Technological cost of natural gas</strong></td>
<td>(27,712)</td>
<td>(28,637)</td>
<td>925 (3.23%)</td>
</tr>
<tr>
<td><strong>Operating profit for the segment</strong></td>
<td>163,955</td>
<td>146,385</td>
<td>17,570 (12.00%)</td>
</tr>
</tbody>
</table>

The operations of transmission, transit, storage and public supply of natural gas are carried out in accordance with the licenses issued to Bulgartransgaz EAD and Bulgargaz EAD, in compliance with the Energy Act and the secondary legislation which follows the European legislation in the field, as well as the regulatory requirements of EWRC.

Pursuant to the requirements of Commission Regulation (EC) 715/2009 of 13 July 2009 on conditions for access to the natural gas transmission networks, the Energy Act and the regulatory framework as of 01.10.2017, Bulgartransgaz EAD effectively introduced the entry-exit pricing model for the offered services for access and transmission of natural gas for the gas transmission system, owned by the Company, including the national gas transmission network (NGTN) and the gas transmission network for transit transmission (TNTT). With the introduction of the entry-exit tariff model, the pricing model of the access and transmission services provided by Bulgartransgaz EAD changes from a “post stamp” model with uniform prices, determined entirely for the transferred quantities of natural gas, imposed at the exit points of the gas transmission grid, to an entry-exit model with a two-component tariff and a predominant component based on a reserved capacity. The new system is a result of the requirements imposed by the European and national regulatory framework in the natural gas sector.

From 01.10.2017 Bulgartransgaz EAD has implemented an effective daily balancing regime in accordance with the Natural Gas Balancing Rules and Methodology for setting a daily imbalance fee in
accordance with the requirements of Regulation 312/2014 for the establishment of a grid Code for the Balancing of Gas Transmission Grids.

The expected effect of the implementation of the Regulation is that operators carry out market-oriented balancing by using short-term standardized products, that grid users carry out primary balancing, and that operators play a residual balancing role, which aims for a fully balanced system on a daily basis, for which the main responsibility is borne by the users, increased liquidity and competition, increasing the churn rate of the hubs (the ratio between the commercial volumes of gas to the physical deliveries).

With Decision HTI-01 / 01.08.2017 of the EWRC the necessary revenues of Bulgartransgaz EAD for the period 2017-2019 and basic parameters of the tariff model have been approved. From 1 October, 2017 Bulgartransgaz EAD has implemented an effective daily balancing regime in accordance with the Natural Gas Balancing Rules and Methodology for setting a daily imbalance fee in accordance with the requirements of Regulation 312/2014 for the establishment of a grid Code for the Balancing of Gas Transmission Grids. The expected effect of the implementation of Regulation 312/2014 is that operators carry out market-oriented balancing by using short-term standardized products, that grid users carry out primary balancing, and that operators play a residual balancing role, which aims for a fully balanced system on a daily basis, for which the main responsibility is borne by the users, increased liquidity and competition, increasing the churn rate of the hubs (the ratio between the commercial volumes of gas to the physical deliveries).

The introduction of the new balancing regime fulfils the requirements of the Regulation, in particular in the section on information requirements and daily financial clearance of accumulated daily imbalances with a monthly settlement period.

In 2020, the quantities of natural gas transmitted through the national gas transmission network amount to 31,337,081 MWh, marking a decrease of 12.90% (422,221 MWh) compared to the 35,978,593 MWh transferred in 2019. Traditionally, in 2020 the seasonality in the transmission of natural gas was preserved, with the most MWh transmitted in January and the least in August.

The quantities of natural gas transmitted outside the territory of the Republic of Bulgaria to neighbouring countries in 2020 were 3,162,108 million Nm³, registering a decrease of 54.13% compared to 6,893,431 million Nm³ transmitted in 2019. There was a decrease in the quantities transferred to the borders with Turkey and an increase in the quantities transferred to the border with Greece and Northern Macedonia.

In the distribution of the transferred natural gas by destinations there is a decrease of 60.24% of the share in the direction of Turkey, compared to the share in 2019. Its share in the period January - December 2019 is 63.10%, and in 2020 decreases to 2.86%. An increase of 53.82% is observed in the share of the quantities transferred to Greece, which represent 86.43% of the total quantities transferred to the borders with Greece, Turkey and Northern Macedonia in 2020 compared to 32.61% in 2019. The share of the transferred natural gas in the direction of Northern Macedonia for 2020 increases by 6.41%, compared to 2019 and amounts to 10.71% (for 2020) compared to 4.30% (for 2019) of the total quantities of natural gas transported through the natural gas transmission network to the borders with Greece, Turkey and Northern Macedonia.

At the end of 2019, Balkan Gas Hub EAD signed the Agreement on Implementation of the Gas Release Program adopted by the Energy and Water Regulatory Commission (EWRC) with a decision under Protocol No. 209, item 2. In this regard, in view of the tenders under the Gas Release Program (GRP)
Bulgar*s Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

for 2020, according to the requirements of Art. 176a of the Energy Act, Balkan Gas Hub EAD, in its capacity as a party to the Agreement for implementation of the Program and as a provider of the software environment for its implementation, ensured the successful conduct of three tenders in 2019 and fifteen tenders in 2020.

As of 2020, Balkan Gas Hub EAD launches a short-term and long-term segment of the trading platform, as well as a brokerage service that allows the registration of contracts between a trader and an end customer / end supplier with a place of physical delivery connected end customer / end supplier. The short-term segment includes "day-ahead", "intra-day" and "weekend" products. In the long-term segment, products are traded for a week (Monday to Monday), a calendar month, a calendar quarter and a calendar year. Also, the long-term segment is provided with the opportunity to conclude and register non-anonymous transactions with a view to a wider range of services to customers. By the end of 2020, the platform has over 40 participants in the short and long term segment.

As an additional service, the Group also offers its customers the use of an additional screen.

In 2020, Balkan Gas Hub EAD launched the services for reporting transactions concluded or registered through the system of Balkan Gas Hub EAD in connection with the requirements of Regulation (EU) 1227/2011 on the integrity and transparency of the trading market. wholesale with energy, through developed and implemented functionality of the company's information system. This type of service is divided into two subtypes: (1) The reporting service in which Balkan Gas Hub EAD sends to the European Union Agency for the Cooperation of Energy Regulators (ACER) data on the transactions of the respective market participant with wholesale energy products, executed at the organized market of Balkan Gas Hub, including coordinated and uncoordinated orders and (2) Service for providing access to data for the purpose of self-reporting - for clients using another reporting organization. Balkan Gas Hub EAD also offers access to ready-to-report XML documents containing data on the transactions of the respective market participant on the organized natural gas market, prepared in the form and according to the requirements of ACER. Each member of the platform has the right to provide a Declaration for refusal to use the reporting services, which releases Balkan Gas Hub EAD from the commitment to provide and / or report data and this remains the responsibility of the member of the platform in his capacity of a participant in the energy market for wholesale trade.

The activity of Bulgargaz EAD, public supply of natural gas is regulated by the Energy Act and the regulatory acts. According to the Law for amending and supplementing the Energy Act (LAS of the Energy Act), promulgated in SG, no. 79 of 2019, an organized exchange market for natural gas was created and its functioning and the role of market participants in it regulated. As of 01.12.2019, a new obligation was introduced for Bulgargaz EAD to annually offer for sale on the organized power exchange certain quantities of natural gas in accordance with the release program regulated in Art. 176a EA.

The amendment of Art. 30, para. 1, item 7 of the Energy Act (EA), promulgated SG, no. 79 of 2019, significantly narrowed the circle of persons to whom Bulgargaz EAD sells natural gas at a regulated price. The change will enter into force as of 01.01.2020 and Bulgargaz EAD, as a public supplier, will sell natural gas at regulated prices only to:

(i) natural gas end suppliers;
(ii) a person to whom a license for production and transmission of thermal energy has been issued.

All other customers directly connected to the gas transmission network will be eliminated from the regulated market.

For 2020, Bulgargaz EAD, as a Public Supplier, has concluded contracts for the supply of natural gas at regulated prices to customers connected to the gas transmission network, who are not licensees for activities for production and transmission of thermal energy or end suppliers respectively ("Contracts"). The contracts were concluded before the entry into force of the LA of the Energy Act.

As of 31.12.2020, 25,043,900 MWh of natural gas were sold, which is a decrease of 4,186,277 MWh or 14.32%, compared to quantities sold in 2019 - 29,230,177 MWh. The quantities sold at regulated prices in 2020 are 13,157,779 MWh, as their relative share in the total sales volume is 52.54%.

In 2020, a decrease in the sold quantities of natural gas of 14.32% was reported compared to 2019, and in 2020 25,043,900 MWh were sold compared to 29,230,177 MWh a year earlier. The decrease in sales is mainly due to lower consumption in the Chemicals, Glass and Porcelain, Energy, and Distribution Companies sectors due to the extraordinary circumstances and restrictive measures imposed in connection with limiting the spread of the COVID-19 Coronavirus pandemic.

To meet the needs for natural gas, in 2020 the public supplier Bulgargaz EAD delivered 23,605,367 MWh of imported natural gas, which compared to the imported 24,789,424 MWh in 2019 is 4.78% less. The share of imports in 2020 is 94.26% of the total delivered quantities. In 2020, the total delivered quantities are 25,038,266 MWh, which compared to the delivered in 2019 29,204,083 MWh is 14.26% less.

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

The extracted quantities of natural gas in 2020 amount to 2,510,047 MWh, which is less by 26.25%, compared to 3,403,640 MWh extracted in 2019.

The extracted quantities of natural gas in 2020 amount to 2,510,047 MWh, which is less by 26.25%, compared to 3,403,640 MWh extracted in 2019.
Bulgarian Energy Holding EAD  
ANNUAL CONSOLIDATED MANAGEMENT REPORT  
For the year ended 31 December 2020.

- **Coal segment**

<table>
<thead>
<tr>
<th>Coal</th>
<th>2020</th>
<th>2019</th>
<th>Change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Revenues from sales:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- external customers</td>
<td>341,844</td>
<td>314,627</td>
<td>27,217</td>
</tr>
<tr>
<td>- other segments</td>
<td>119,910</td>
<td>199,337</td>
<td>(79,427)</td>
</tr>
<tr>
<td>Segment revenue</td>
<td>461,754</td>
<td>513,964</td>
<td>(52,210)</td>
</tr>
<tr>
<td>Changes in finished goods and work in progress</td>
<td>22,642</td>
<td>60,832</td>
<td>(38,190)</td>
</tr>
<tr>
<td>and overburden cost</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of acquisition of PPE in an economic</td>
<td>9,543</td>
<td>7,572</td>
<td>1,971</td>
</tr>
<tr>
<td>manner</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales of natural gas, electric energy</td>
<td>(3,478)</td>
<td>(5,922)</td>
<td>2,444</td>
</tr>
<tr>
<td>and other assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of materials</td>
<td>(103,639)</td>
<td>(144,836)</td>
<td>41,197</td>
</tr>
<tr>
<td>Hired services expenses</td>
<td>(33,238)</td>
<td>(46,968)</td>
<td>13,730</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(95,738)</td>
<td>(92,550)</td>
<td>(3,188)</td>
</tr>
<tr>
<td>Employee benefit expenses</td>
<td>(266,656)</td>
<td>(267,723)</td>
<td>1,067</td>
</tr>
<tr>
<td>Impairment of sales receivables, net</td>
<td>(5,961)</td>
<td>(1,602)</td>
<td>(4,359)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(17,277)</td>
<td>(18,194)</td>
<td>917</td>
</tr>
<tr>
<td>Provisions</td>
<td>(2,673)</td>
<td>(3,402)</td>
<td>729</td>
</tr>
<tr>
<td><strong>Operating profit for the segment</strong></td>
<td>(34,721)</td>
<td>1,171</td>
<td>(35,892)</td>
</tr>
</tbody>
</table>

The lignite coal extracted by Mini Maritsa-Izток EAD is intended for the supply of the thermal power plants in the Maritsa East complex (TPP Maritsa East 2 EAD, ContourGlobal Maritsa East 3 AD, AES Maritsa – 3C Maritsa East 1 EOОD and Brikel EAD), with which the subsidiary is linked in terms of technology and market.

One of the priorities in the activity of Mini Maritsa-Izток EAD is the implementation of the planned overburden activities aiming at the stabilization of the mining horizons and the increase of the land resistance coefficient. Therefore, the production levels are consistent on one hand with the extraction opportunities provided by the land, and on the other hand with the needs of the plants that the company supplies. The extracted coal in 2020 amounts to 20,600 thousand tons, while in 2019 the extraction was 26,372 thousand tons, as a result of which a decrease of 21.89% is registered on an annual basis.

The reported revenues from coal sales in 2020 amount to BGN 379,041 thousand. and are with BGN 102,654 thousand. (21.31%) less than the revenues reported for the previous year. The reported decrease compared to 2019 represents the net effect of the reduced coal extraction, despite the increase in calorific value by 12 kcal / kg.

The estimated and reported sales prices of the quantities of lignite coal sold by the Company for all counterparties were formed at a fixed price of BGN 77.00 / TCF\(^1\) effective from 01.07.2014.

---

\(^{1}\) TCF = 1 ton of coal with a calorific value of 7000 kcal / kg.
The administrative services rendered to the companies from the other segments are mainly performed by the parent company BEH EAD.

The largest share in the revenues is formed by the dividends paid by the subsidiaries of BEH Group. In 2020 there was no change in the rate of deduction from the profits of state-owned companies and enterprises in favour of the state. According to Ordinance No.1 of the Council of Ministers of 31.05.2019, the dividend deduction shall be kept at 50% of the net profit after the deductions for the Reserve Fund. This is a factor that testifies the important institutional support of the Bulgarian state to such a critical and of high social importance sector as the energy sector. A consistent and predictable policy with regard to dividend deductions implies the preservation of the rate in 2019 and 2020, thus aiming to stabilize the financial position of state-owned companies and enterprises, increasing available own funds to be used for investments and continuing their normal functioning.

In 2020 the reported income from dividends and participations reached BGN 168,319 thousand, compared to BGN 354,422 thousand in 2019. The main reason for the decrease in the amount of dividend income is that in 2020 no additional dividend income from some of the companies in favor of BEH EAD was reported. In 2019, Electricity System Operator EAD and Kozloduy NPP EAD paid an additional dividend in the total amount of BGN 250 million. Based on decisions from Protocol №65-2019 / 08.10.2019, in accordance with the requirements of Art. 247a of the Commercial Law and pursuant to instructions issued by the Minister of Energy, the Board of Directors of BEH EAD decided for additional payment of dividends from its subsidiaries in 2019, as follows:

- NPP Kozloduy EAD - to the amount of BGN 150 million;
- Electricity System Operator EAD - to the amount of BGN 100 million;

In 2020, the item “Accrual / reintegration of impairments” reported an expense in the amount of BGN 217,709 thousand, while in 2019 a reintegration of impairments in the amount of BGN 232,950 thousand was reported. This is due to the review of the application of IFRS 9 in accordance with existing good practices in this area in 2019.
In terms of administrative costs, the management’s efforts were focused on their optimization by applying a selection of good management practices and approaches, aimed at making efficient use of available resources.

The group does not conduct research and development activities.

3.2. Ratios

- **Profitability of revenue - net profit / operating income**

<table>
<thead>
<tr>
<th></th>
<th>2020 reported</th>
<th>2019 reported</th>
<th>% change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.028</td>
<td>0.059</td>
<td>(52.58%)</td>
</tr>
</tbody>
</table>

This indicator summarizes the overall efficiency of the operations of BEH-group.

- **Return on Equity (ROE)**

<table>
<thead>
<tr>
<th></th>
<th>2020 reported</th>
<th>2019 reported</th>
<th>% change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.013</td>
<td>0.034</td>
<td>(60.81%)</td>
</tr>
</tbody>
</table>

The ratio indicates the effectiveness of turning the equity into profit.

- **Return on Assets (ROA)**

<table>
<thead>
<tr>
<th></th>
<th>2020 reported</th>
<th>2019 reported</th>
<th>% change 2020/2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.008</td>
<td>0.021</td>
<td>(63.96%)</td>
</tr>
</tbody>
</table>

The ratio provides information about the effectiveness of turning the assets into profit.

3.3. Compliance with the covenants according to the terms and conditions of the bond issues of BEH EAD

The values of the covenants that BEH EAD is obliged to observe on a consolidated basis according to the terms of the bond issues placed are as follows:

<table>
<thead>
<tr>
<th>Covenants</th>
<th>as of 31.12.2020</th>
<th>as of 31.12.2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA Coverage ratio &gt; 4.0</td>
<td>8.57</td>
<td>10.48</td>
</tr>
<tr>
<td>Debt Coverage ratio &lt; 4.5</td>
<td>2.02</td>
<td>1.01</td>
</tr>
</tbody>
</table>
3.4. Commitments, contingent liabilities and other significant events

Litigation and claims arise during the normal course of business of the Company. The Company’s management is of the opinion that the costs necessary to resolve these disputes and claims will not have a material impact on the financial status and cash flows in future financial periods.

**Bulgarian Energy Holding EAD**

**Loan from the European Investment Bank**

In October 2019, Bulgarian Energy Holding EAD and the European Investment Bank concluded a Financing Agreement for the construction of an IGB gas pipeline worth EUR 109.9 million secured by a state financial guarantee from the Republic of Bulgaria, for which the Guarantee Agreement ratified by the National Assembly. The loan is provided to Bulgarian Energy Holding EAD as a shareholder in ICGB AD. For its part, BEH EAD transfers the loan financing to the project company through a Shareholder Loan Agreement in the same amount, under the same financial conditions set in the agreement with the European Investment Bank and without additional margin for Bulgarian Energy Holding EAD. The repayment of the loan by the European Investment Bank will be carried out using a grace period for repayment of the principal of the disbursed tranches, which according to the Agreement concluded with the bank may last up to 7 years from the date of disbursement of the tranche.

On 17 August 2020, the first tranche of EUR 30 million was disbursed under the following conditions: payment of interest at the rate of six monthly interest rates 0.259%, five-year grace period for payments on the principal, payment of principal twice a year, the last installment being due on 17 August 2045.

**Proceedings of the European Commission against Bulgarian Energy Holding EAD and its subsidiaries**

**Bulgarian Energy Holding EAD**

Two proceedings have been initiated by the European Commission against Bulgarian Energy Holding EAD and its subsidiaries for possible abuse of a dominant position – Case AT.39767 - BEH Electricity and Case AT.39849 - BEH Gas.

**Case COMP/B1/AT.39767 BEH Electricity**

The case concerns a possible infringement of Art. 102 of the Treaty on the Functioning of the European Union (TFEU) in connection with the inclusion of territorial restrictions in the supply contracts concluded by subsidiaries of Bulgarian Energy Holding EAD - Natsionalna Elektricheska Kompania EAD, NPP Kozloduy EAD and TPP Maritsa East 2 EAD, on the market for the wholesale supply of electricity in Bulgaria during the period from September 2008 to March 2013.

The proceedings were initiated in 2012 with a view to the adoption of a decision under Chapter 3 (Articles 7 to 10) of Council Regulation 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty (Articles 101 and 102 TFEU).

By Decision C (2015) 8860 of 10 December 2015 on Case AT.39767 BEH-Electricity, the EC established as legally binding the commitments offered by Bulgarian Energy Holding EAD, Natsionalna Elektricheska Kompania EAD, TPP Maritsa East 2 EAD, NPP Kozloduy EAD, Independent Bulgarian Energy Exchange EAD for a period of five years from the start date of operation on a day-ahead market and terminated the proceedings.
By Decision C (2016) 2246 of the European Commission dated 12 April 2016, the EC approved a Monitoring Trustee - ADVOLIS, to supervise the current management of Independent Bulgarian Energy Exchange EAD and the operation of the day-ahead market platform under the terms and conditions attached to the EC Decision. On April 22, 2016 between Bulgarian Energy Holding EAD and ADVOLIS was concluded a Mandate for Controlling Manager in accordance with the Commitments under case AT.39767 BEH-electricity for a period of 5 years from the date of launch of the platform. (January 19, 2016).

Pursuant to the Commitments, Bulgarian Energy Holding EAD undertakes to separate the Independent Bulgarian Energy Exchange EAD from its structure and to transfer ownership of the company's capital to the Ministry of Finance. The deadline for the transfer of the ownership of Independent Bulgarian Energy Exchange EAD was extended by the EC until 31 January 2018.

The change of ownership of the capital of Independent Bulgarian Energy Exchange EAD was registered in the Commercial Register on 15 February 2018.

In the period from the establishment of Independent Bulgarian Energy Exchange EAD until the moment of transfer of its ownership the company has established itself as a key player in the electricity market in the country. The important role of the electricity exchange, its efficient operation and management have laid the foundation for the reform of liberalization of the electricity market in the country.

The aim is to integrate the Bulgarian "day-ahead" market with the European one as per the Price Coupling of the Regions mechanism, adopted at European level.

At the end of January 2021, the Controlling Manager ADVOLIS submitted to the European Commission a final report on the AT case. 39767 BEH-electricity, which states that the commitments in the case have been met by BEH and its subsidiaries.

The European Commission has accepted the final report of the Supervising Manager without remark and has released ADVOLIS from its duties as Supervising Manager in the case by official letter dated 22 March 2021.

Case COMP/B1/AT.39849 - BEH gas

The case concerns a possible infringement of Art. 102 of the Treaty on the Functioning of the European Union (TFEU) in relation to alleged actions of BEH EAD and its subsidiaries – Bulgargaz EAD and Bulgartransgaz EAD – aimed at:

- preventing their competitors from gaining access to key gas infrastructure (gas transmission network and natural gas storage facility) in Bulgaria, explicitly or implicitly denying access to third parties or causing delays;
- preventing competitors from gaining access to an import main pipeline by reserving capacity which remains unused. The proceedings were initiated in 2013 with a view to the adoption of a decision under Chapter 3 (Articles 7 to 10) of Regulation 1/2003.

On 23 March 2015, the 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
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

(Bulgargaz EAD), 10 July 2015 (Bulgarian Energy Holding EAD) and 17 July 2015 (Bulgarrtransgaz EAD).

On 24 November 2017, the National Assembly of the Republic of Bulgaria adopted a decision for taking the necessary actions for the termination of Case COMP/B1/AT.39849 - BEH Gas, whereby the National Assembly supported the termination of the case under Art. (7) of Regulation (EC) No 1/2003 without acknowledging the alleged infringements and without assuming responsibility for them, by fulfilling the obligations arising from a possible prohibition decision, including a possible financial sanction. At this time, the European Commission has not taken a formal decision to close the case, including the possible amount of the financial sanction. To date, the European Commission has not taken a formal decision to close the case, including on the possible amount of the financial penalty.

On 26 July 2018, a decision was adopted by the 44th National Assembly of the Republic of Bulgaria for taking actions for the termination of Case COMP/B1/AT.39849 - BEH Gas pursuant to Art. 9 of Regulation (EC) No 1/2003 by entering into commitments by the Bulgarian side and reaching an agreement with the European Commission. The second decision of the NA comes as a result of the development of case COMP/B1/AT.39816 between the EC and Gazprom, where on 24 May 2018, the Commission announced that an agreement had been reached and it was closed under Art. 9 of Regulation (EC) No.1/2003 without a financial sanction.

On 17 December 2018, the European Commission notified the adoption of Decision C (2018) 8806 in case AT.39849 BEH-Gas, whereby the European Commission imposed a fine on Bulgarian Energy Holding EAD (BEH), its subsidiary for gas supply Bulgargaz EAD and its subsidiary for gas infrastructure Bulgarrtransgaz EAD ("BEH Group") in the amount of EUR 77,068,000 for blocking the access of competitors to key gas infrastructure in Bulgaria in violation of EU antitrust rules. The decision was received in the registry offices of the three companies on 19.12.2018, which set the start of the appeal period of the EC Decision (two months and ten days after notification of the Decision to the parties) and payment of the fine (three months after the notification of the Decision to the Parties), set therein. The appeal against the decision does not delay the payment of the fine.

On 18 March 2019 two unsecured bank guarantees were issued by ING Bank NV in favor of the EC, for a total amount equal to the total amount of the fine of EUR 77,068,000, as follows:
- Bank guarantee amounting to 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 and
- Bank guarantee in the amount of EUR 25,689 thousand, securing the obligation of Bulgarrtransgaz EAD on the imposed penalty.

On 4 July, 2019, the Bulgarian state, through the Ministry of Foreign Affairs, filed an application to intervene in the case in support of BEH EAD and its gas subsidiaries.

On 26 August, 2019, the European Commission presented its Defense to the General Court in response to the complaint filed from Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgarrtransgaz EAD.

On 29 November, 2019, Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgarrtransgaz EAD filed a Response against the Defense of the European Commission.
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

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

It should be borne in mind that if the General Court decides to open the oral procedure, the Chairman of the General Court of the EU, shall set the date of the hearing for the oral hearings, most likely in 2021.

4. Risk factors

The Group's risk management policies identify and analyze the risks affecting the Group, set risk limits for individual types of risks, define rules for risk control and compliance with the established limits. Risk management policies and systems are subject to regular review in order to identify the changes occurred in the market and activities. By trainings and application of the established standards and procedures, the Group aims to develop discipline and constructive control environment where all employees understand their role and obligations. The main types of risks to which the Group is exposed in the course of its business are as follows:

4.1. Interest rate risk

Interest rate risk is the risk of adverse change in interest rates leading to higher interest costs and/or lower interest income of the Company.

The Group is exposed to risk of change in the market interest rates primarily in terms of its financial assets and liabilities with variable (floating) interest rates.

Within the Group's asset structure, the interest-bearing assets are represented by cash, bank deposits and loans, the majority of which are at fixed rates. The Group also has loans granted with a combined structure of the loan rates, which contains two components – fixed and variable. The borrowed funds of the Group are in the form of long-term and short-term loans and predominantly have a fixed interest rate. This approach minimizes the likelihood of unfavorable changes in the cash flows.

4.2. Currency risk

The Group carries out purchases, sales, lending and borrowing operations in foreign currencies – Euro, US Dollars, Japanese Yen, British Pounds, Swiss Francs and Macedonian Denars. The majority of these operations are performed in Euro and US Dollars. Since the exchange rate of BGN/EUR is fixed at 1.95583, the currency risk arising from the Group's Euro exposures is minimal.

The Group makes payments for construction and installation works, deliveries for assets under construction and goods in US Dollars. In this regard, there is a risk of a change in the exchange rate ratios. Consequently, the Group is exposed to the risk of changes in the exchange rate of the US dollar. In the event of material fluctuations in the future, the Group may hedge its exposure through derivative instruments such as foreign currency swaps.

4.3. Liquidity risk
Liquidity risk arises if the Group fails to meet its obligations when they become due. The Group applies an approach that provides the necessary liquidity to meet the liabilities under normal or stressful conditions without incurring unacceptable losses.

One of the objectives of the parent company is to provide, if necessary, financial resources to its subsidiaries in order to maintain their operations and to implement certain strategic projects.

The parent company finances the operating activities of the Group companies in two ways:

- Internal financing, within the economic group, by redistribution of the free cash resource. Bulgarian Energy Holding EAD acts as an intermediary between the companies, by coordinating the conditions between them and monitors the execution of transactions at market levels.
- The interest rates on money loans and deposits are based on market levels. The interest rate conditions of cash and currency deposits are tied to a percentage that is the market rate for similar transactions in the transaction period (floating or fixed).
- External financing - in case of shortage of funds in the economic group, Bulgarian Energy Holding EAD may undertake actions on external financing. This is the preferred method to raise funds for the implementation of investment projects. On 7 November 2013, the parent company successfully placed a bond issue at a rate of EUR 500,000 thousand on the Irish Stock Exchange, with a five-year maturity and an annual coupon of 4.250%. A second bond issue was placed on 2 August 2016 by the parent company again on the Irish Stock Exchange. The issue was at the amount of EUR 550,000 thousand with a five-year maturity (August 2021) and an annual coupon of 4.875%. In 2018 BEH EAD placed a third bond issue in three installments, totaling EUR 600,000 thousand for a period of 7 years and an interest coupon of 3.5%. With some of the funds from the issue, BEH EAD repaid the first bond loan maturing on 7 November 2018. The rest of the funds are used to finance the investment projects of the Group companies and for general corporate purposes.

4.4. Market risk

Market risk is related to the fact that a change in market prices, such as foreign currency, interest rates or equity instruments, will affect the Group’s income from financial instruments. The purpose of market risk management is to control market exposure with acceptable parameters while optimizing the returns.

The Group undertakes periodic analyses on the macroeconomic environment in the country and an in-depth analysis of specific macro indicators, including information on interest rates to be presented to the Board of Directors. It is responsible for assessing the future risks faced by the Group. In the event of a deterioration in market conditions, hedging instruments may be used.

4.5. Credit risk

In carrying out its activities, the Group is exposed to credit risk, which is related to the risk that some of the counterparties will not be able to fully meet their obligations in the usual timeframe. Customer credit quality is measured by taking into account financial status, past experience and other factors. The Group’s receivables are presented in the consolidated statement of financial position in net amount after deduction of accrued impairment.

In relation to the credit risk of uncollectibility of receivables from counterparties, the Group takes the following precautionary measures:
for commercial and other receivables that are overdue and were not secured upon their
origination, deferred payment arrangements are concluded and a collateral of not less than the
initially recognized amount of the claim is negotiated;

- for other contracts not previously secured, the following usual measures are taken in the event
of overdue payments – offsetting debts to the Group against overdue receivables of the
defaulting debtor, and if the amount of the debts does not cover the receivables, other out-of-
court options for settling claims are sought.

The Group is currently monitoring and analyzing the servicing of the receivables, the reasons for the
defaults and the changes in the financial capacity of the debtor companies and the status and quality of the
collaterals received.

The Group has a significant concentration of credit risk in respect of receivables from Toplofiksatsia
Sofia EAD, which constitute 60% of the total net non-current and current receivables. As of 31
December 2020 the net book value of receivables from Toplofiksatsia Sofia EAD amounts to BGN
557,668 thousand.

Credit risk arising from other financial assets of the Group, such as cash and other financial assets, is
the credit exposure of the Group arising from the likelihood that its contractors may fail to meet their
obligations.

The Group’s maximum credit exposure with respect to its financial assets amounts to their respective
carrying amount in the consolidated statements of the financial position as of 31 December 2020.

4.6. Regulatory risk

Regulatory risk is determined by the specificity of the activity. Pursuant to Art. 21, para. 1, item. 8a, 8b,
8c, Art. 30, para 1 and art.33a of the Energy Act, the following prices are subject to regulation by the
EWRC:

- At which the producers, within the limits of the availability set by the Commission under Art. 21,
para. 1, item 21 sell electricity to the public supplier;
- At which producers sell heat to the heat transmission plant and to directly connected customers;
- At which the heat transfer company sells heat to customers;
- At which the public supplier sells to the end suppliers the energy purchased on the grounds of
Art. 21, para. 1, item 21 of the Energy Act;
- (amended - SG, issue 79 of 2019, effective from 1.01.2020) prices at which the public supplier
sells natural gas to the end suppliers of natural gas and to a person to whom a license for
production and transmission of thermal energy has been issued;
- At which end suppliers sell natural gas to customers connected to the respective gas distribution
networks;
- (amended. SG 57/20, effective from 01.10.2020) at which end suppliers sell electricity to
residential and end customers for sites connected to a power distribution network at a low voltage
level;
- for access and/or transmission through the transmission grid;
- to connect to the grids;
- for access and transmission of natural gas through transmission and / or distribution networks,
except when the Commission, at its discretion, approves a methodology for setting the price for
access and transmission over a transmission network;
- for access and/or transmission through electricity distribution networks;
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

- for access and storage of natural gas in a storage facility;
- for the distribution of traction electric energy on the distribution networks of the railway transport;
- for the provision of services to customers, as determined by the Commission, related to the licensed activity;
- including the price or price component through which all end customers connected to the electricity system, including the transmission system operator and the electricity distribution system operators, participate in the compensation of the costs under Art. 34 and Art. 35.
- determines for each price period a limit value of the costs of the electricity transmission network operator for purchasing availability for additional services by the order of Art. 105, para. 2;
- determines annually by June 30 premiums for electricity from renewable sources and from high-efficiency cogeneration of electricity and heat produced by power plants with a total installed electrical capacity of 500 kW and over 500 kW
- for the pricing objectives shall determine annually by June 30 an estimated market price of the electricity for covering the technological costs of the electricity transmission network operator and of the electricity distribution network operators.

Price regulation has a significant impact on revenue, expense, and hence on the overall economic and financial position of the Group.

4.7. Cash flow risk

The cash flow risk depends on fluctuations in the amount of future cash flows associated with a monetary financial instrument. The Group plans its cash flows and floating rate financial instruments are of a short-term nature of less than 1 year.

Detailed information regarding the Group's financial risk management objectives and policy and the main categories of financial assets and liabilities, is included in the consolidated financial statements of BEH EAD for 2020.

5. Future development, investments, forthcoming significant transactions and other information pursuant to Art. 247 of the Commercial Act

5.1. Future development of Bulgarian Energy Holding EAD

The objectives of BEH EAD are focused on the following main areas and priority areas:

Financial sustainability of BEH Group and the electricity sector in the country

- Providing funding for key activities and projects:
  - Effective management of financial assets and instruments;
  - Participation in the capital markets in order to attract external financing from international financial institutions on competitive terms;
  - Assimilation of the advantages arising from the scale of the holding structure (economies of scale);

- Cost optimization in BEH Group:
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

✓ Forecasting and planning the costs of BEH Group;
✓ Transparency and predictability of costs;
✓ Enhancing the efficiency of the business activities;

• **Eliminating the deficits in BEH Group:**

✓ Ongoing monitoring and control over the amount of the generated tariff deficit;
✓ Providing cooperation and support to the Ministry of Energy, EWRC and the Energy Commission in the development of regulatory and regulatory changes related to the reform of the sector and the compensation of the generated tariff deficits in the system;
✓ Assisting ESO EAD and the Ministry of Energy in the process of introducing a capacity mechanism before the EC, in accordance with the requirements of Regulation 2019/943 of the European Parliament and the Council of the EU on the internal electricity market.

**Ensuring the security of the energy system**

**Projects**

• **Diversification of sources:**

✓ Projects aimed at guaranteeing the supply of natural gas through new sources. The goal is independence by providing more than one source of natural gas.
✓ Main current investment projects in this area - Gas interconnector Greece-Bulgaria.

• **Diversification of routes:**

✓ Projects aimed at eliminating the risk of a single natural gas import route and of non-use in the future of existing transport routes
✓ Expansion of the gas transmission infrastructure of Bulgartransgaz EAD from the Bulgarian-Turkish border to the Bulgarian-Serbian border as part of the concept for development of a gas hub
✓ Acquisition of a shareholding in the construction of the new liquefied natural gas terminal (LNG terminal) in Alexandroupolis, Greece by the gas operator
✓ Participation of Bulgargaz EAD in the binding phase of the market test procedure for capacity reservation from the liquefied natural gas terminal to the town of Alexandroupolis, Hellenic Republic.

• **Security, reliability and continuity of gas supplies**

✓ Expansion of UGS Chireh

• **Extending the life of the facilities, ensuring the security of the system, combined with ensuring long-term profitability.**

✓ Projects to extend the useful life of a number of key capacities for the energy system, contributing to the security of electricity supply, the balance of the energy system and increasing the value of the services offered.
Main current projects in this direction - ensuring the long-term operation of the 5th and 6th nuclear power units over their design resource in the next 30 years and the implementation of measures ensuring the operation of the units at increased capacity; rehabilitation of hydropower capacities, expansion of the production capacity and modernization of the capacities in order to guarantee the long-term and efficient exploitation of the hydropower resource of our country;

Diversification of fresh nuclear fuel supplies

- **Regional and European interconnection of systems.**

Projects aimed at optimally connecting the Bulgarian market with the regional and European markets, thus fulfilling one of the basic European goals - unification of the markets, on the one hand, and increasing energy security on the other.

Main ongoing projects in this area - gas interconnectors connecting Bulgaria with neighboring countries, which will contribute to increasing the regional connectivity of the systems, such as the Bulgaria-Serbia interconnector and the Bulgaria-Northern Macedonia interconnector; expansion and increase of the capacity of the electricity transmission network: the construction of the Bulgarian section of the 400 kV interconnector, connecting the Maritza East substation in Bulgaria and the Nea Santa substation in Greece, the construction of another interconnector between Bulgaria and Turkey, which will increase the cross-border capacity between the two countries by more than 500 MW, digital transformation of power grid management systems.

- **Liberalization of the energy market**

- **Liberalization of the electricity market:**

Active participation in:
- day-ahead exchange market
- bilateral contract exchange market
- intra-day exchange market
- balancing market

Implementation of projects for market mergers in the "day-ahead" and "intra-day" segments with neighboring countries, which will lead to increased liquidity and competition in the stock market, limit price volatility and automatic access to markets across Europe.

- The main current projects in this area are the unification of the electricity day-ahead markets between Bulgaria and Romania under the Interim Coupling Project (ICP), which will connect the borders of the 4MMC market coupling (Czech Republic, Hungary, Romania and Slovakia) with Multi Regional Coupling (MRC); the unification of the day-ahead electricity markets between Bulgaria and Greece, as part of the project for unification across the borders of Italy - Italian Borders Working Table (IBWT) with the Multi Regional Coupling (MRC); the accession of the borders of Greece (Greece-Italy and Greece-Bulgaria) to the already functioning intra-day coupling is expected to take place with the fourth wave of the project together with the borders of Slovakia in LIP 17 (Slovakia-Czech Republic, Slovakia-Poland, Slovakia-Hungary); project for the unification of the day-ahead electricity markets between Bulgaria and Northern Macedonia; project for the unification of the day-ahead electricity markets between Bulgaria and Serbia.
✓ Providing full assistance to the responsible institutions for the implementation of the reforms envisaged in the Implementation Plan, as part of the process of notification and implementation of the Capacity Mechanism, including:
  o termination of the long-term contracts for purchase of electricity with TPP "AES 3C-Maritsa East 1 EOOD and TPP ContourGlobal Maritsa East 3 EAD;
  o liberalization of the wholesale electricity market, according to the set deadline of 30.06.2021;
  o liberalization of the retail electricity market, by 31.12.2024;
  o bringing the activity of the balancing market in line with the European requirements regarding the pricing of the provided services;

• Liberalization of the gas market:

✓ Development of a competitive natural gas market, in the context of the European goals for building an interconnected and single pan-European gas market by building a gas distribution hub on the territory of Bulgaria, which will contribute to:
  o maintaining the role of Bulgaria as a major country providing input quantities and trade in natural gas, as well as cross-border transmission to the region and the EU
  o ensuring security of natural gas supply, not only for Bulgaria, but also for Europe and the region
  o development of the natural gas market in Bulgaria and the region
  o providing a suitable market environment for organized trade in natural gas on a market basis

5.2. Expected investments

Bulgarian Energy Holding EAD

Project for construction of the gas interconnector “Greece-Bulgaria”

At present, the investment priorities of Bulgarian Energy Holding EAD are focused on the successful implementation of the project for construction of the gas-Bulgaria interconnection. The project is implemented by the joint investment company ICGB AD with equal participation of BEH EAD and IGI Poseidon. IGI Poseidon is a joint venture, with equal participation of DEPA SA. and Edison International Holding NV. It is envisaged that the joint venture will build and own the gas pipeline, allocate its capacity and receive the revenues from natural gas transmission.

The total estimated value of the project from the beginning of its implementation, including the design phase, to the completion of the construction and commissioning phase is about EUR 240 million.

The Bulgarian side (Bulgarian Energy Holding EAD) should provide financing through equity in accordance with the 50% share of the holding in the investment company.

A procedure for certification of the company as an independent gas transmission system operator according to the ITO model, set in Directive 2009/73, is to be carried out by ICGB AD, in order to issue certification decisions by the energy regulators before the date of commercial operation. The company should prepare a Compliance Program for approval by the regulators to confirm the functional separation and implement measures for independent operation by shareholders. These obligations are reflected in the Decision of the regulatory bodies EWRC and RAE for granting an exception under Art. 36 of
Directive 2009/73. The company will also take action to obtain a license for transmission of natural gas under the Energy Act in the territory of Bulgaria. Actions will be taken to negotiate and conclude agreements for interconnection with the neighbouring operators of IGB - Bulgartransgaz EAD, the Trans-Adriatic Gas Pipeline and DESFA.

It is planned to start the utilization of the EU grants approved for the implementation of the project - a grant under the "European Energy Program for Recovery" worth EUR 45 million and a grant from OPIC 2014-2020 worth EUR 39 million.

In August 2020, EUR 30 million of the EIB loan in the form of the first tranche was disbursed. In January 2021, another EUR 30 million of the loan in the form of the second tranche was disbursed. The remaining part of the loan is envisaged to be disbursed through two additional tranches by the first quarter of 2022.

The phase of construction and assembly works, tests of the gas transmission system, implementation of the procedures for obtaining the necessary permits for use of the gas transmission infrastructure by the authorities in Bulgaria and Greece, and commissioning are planned by the second quarter of 2022.

5.3. Future development in 2021 by segments

- **Electricity segment**

A significant factor that has a material impact on the activities of the companies of BEH Group is the ongoing liberalization of the electricity market in Bulgaria and its unification with the Internal Single Energy Market of the European Union. In pursuance of the state policy for achieving full liberalization of the electricity market in Bulgaria, the government is working hard to implement a roadmap for market liberalization.

Due to its specific nature, the main part of the subsidiaries of BEH EAD carry out their activity in the conditions of a hybrid energy market, consisting of a regulated and unregulated (free) market segment. In recent years, the financial position of the companies in the group has been negatively affected by the imperfections of the established regulatory framework, which determines the operating conditions of the regulated market segment, resulting in a significant tariff deficit accumulated in the public electricity supplier NEK EAD.

In 2015 and 2016, a number of legislative and regulatory changes were undertaken, aimed at improving the financial condition of NEK EAD. In 2017, the pricing policy of the EWRC regarding the determination of the price of NEK EAD - public supplier was maintained. In this way, the full coverage of the costs of NEK EAD for the obligatorily purchased electricity with the revenues generated by its activity as a public supplier, together with revenues from the Security of the Electricity System Fund, was strengthened.

At the end of 2017, an amendment to the Energy Act introduced an obligation, according to which from 1 January 2018 transactions with electricity at freely negotiated prices, concluded by electricity producers with a total installed capacity of above 5 MW, are carried out on the organized energy exchange market. Steps have thus been taken to (i) ensure a level playing field for traders; (ii) increasing the liquidity of the energy exchange market in the country, as a prerequisite for achieving a fair market price and development of competition towards full liberalization of the electricity market in Bulgaria.

With amendments to the Energy Act in 2018, a number of legislative changes were introduced, which support the state's efforts aimed at achieving full liberalization of the electricity market in the country,
and the adopted measures are related to:

- obligation of the transmission system operator and the electricity distribution operators to purchase electricity for the technological losses on a market basis. This approach has been implemented in many European countries and provides a prerequisite for liquidity in the electricity exchange, while encouraging operators to seek to reduce losses.

- integration of RES and electricity producers with indicators for high-efficiency combined heat and power (cogeneration), whose energy is purchased at preferential prices from the public supplier, on the free market. These producers sell the electricity they produce at market prices and receive a premium for each megawatt-hour sold until net specific production is reached, with EECP indicators. Through, the introduced mechanism, power plants with a total installed capacity of 4 MW and over 4 MW, producing electricity from renewable sources and cogeneration plants, are compensated by a “premium contract”, which premium is calculated as the difference between the preferential price of the specific producer and the EWRC forecasted market price for the respective pricing period. Parties to the "premium contract" are the specific producer and the Security of the Electricity System Fund, as an institution administering the implementation of the mechanism.

- the functions for administration of “obligation to society” fee were transferred by NEK EAD to the Security of the Electricity System Fund.

Through the amendments to the Energy Act adopted in 2019, the gradual integration of RES producers and electricity producers with indicators for high-efficiency combined heat and power generation (cogeneration) on the free market was continued, as the plants with total installed capacity of 1 MW and above 1 MW should sell the energy produced by them on the electricity exchange, and the commitment of the public supplier to buy the amount of electricity produced by them was dropped.

In 2020, the ongoing reform in the energy sector was continued in order to introduce full liberalization of the wholesale market and integration of the national market into the common European energy market.

With amendments to the Energy Act, the transactions for the purchase of cold reserve to ensure the security of the electricity system were dropped. This objective will be achieved through the conclusion of competitive bidding transactions for the availability of additional services, namely participation in primary frequency regulation, automatic secondary regulation and manual secondary regulation of frequency and exchange capacity in accordance with the provisions Commission Regulation (EU) 2017/1485 of 2 August 2017 establishing a guideline on electricity transmission system operation, to the extent specified in this Regulation. According to said Regulation, each transmission system operator shall manage its control area with sufficient reserves to increase and decrease the active capacity so as to be able to deal with imbalances in its control area caused by the mismatch between supply and demand and emergencies. The legal changes were brought in line with the Regulation, explicitly stipulating that the operator provides the necessary reserves by concluding contracts for additional services on a market basis - after a tender. The abolition of cold reserve availability transactions is another step towards the introduction of a capacity mechanism. The changes are aimed at settling market relations in the transition period before the full liberalization of the wholesale electricity market and creating a predictable environment for all market participants. Full liberalization of the wholesale electricity market and the introduction of a capacity mechanism will allow all producers to take part in a competitive procedure, which in turn will increase the liquidity of the free electricity market.
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

In order to ensure the adequacy of national resources, the EU has adopted Regulation (EU) 2019/943 on the internal market for electricity, which allows Member States to put in place a capacity mechanism in case of concerns about the adequacy of electricity supply, to operate on a market basis. In the coming years, the Bulgarian electricity market is expected to face challenges arising from the new European legislative framework, which requires a transition to a new low-carbon market model. Taking into account the energy mix of the country, in which coal-fired power plants have a significant share of production and provision of additional services, taking into account the strengthened decarbonization measures and European practices, to ensure a smooth transition to the new market model, it is necessary to introduce the Capacity Mechanism.

The measure is expected to help ensure the necessary level of resource adequacy, both in the medium term, by supporting existing capacity, and in the long term, by stimulating investment in low-emission production.

Current legislation considers Capacity Mechanisms a temporary measure, which should be preceded by clear commitments to address identified market imperfections. To this end, as part of the State aid procedure, Member States are required to adopt measures to remedy the violations found by drawing up an Implementation Plan with a timetable for the adoption of measures.

In connection with the initiated procedure for prior notification of the capacity mechanism, pursuant to Article 20 (4) of Regulation 2019/943, the Bulgarian state through the Ministry of Energy sent an implementation plan containing a schedule for adoption of market reform measures in the electricity sector, as part of the state aid notification process. The plan has been drawn up in accordance with Article 20 (3) of Regulation 2019/943 and includes: analysis of the electricity market in Bulgaria; identification of regulatory and market distortions; analysis of the necessary market reforms and Member State Implementation Plan. Following the submission to the EC of the national Implementation Plan with a timetable for the adoption of measures, within four months, the Commission should issue an opinion on whether the measures are sufficient to eliminate the identified regulatory deviations or market failures. The reforms envisaged in the Implementation Plan, as part of the process of notification and implementation of the Capacity Mechanism, including:

- termination of the long-term contracts for purchase of electricity with TPP "AES 3C-Maritsa East 1 EOOD and TPP ContourGlobal Maritsa East 3 EAD;
- liberalization of the wholesale electricity market, according to the set deadline of 30.06.2021;
- liberalization of the retail electricity market by 31.12.2024;
- bringing the activity of the balancing market in line with the European requirements regarding the pricing of the provided services;

The other goal of the amendments to the Energy Act in 2020 is related to the continuation of the liberalization of the wholesale electricity market and the increase of its liquidity. With the amendments to the Energy Act in 2020, all producers, with the exception of sites with a total installed electrical capacity of less than 500 kW, should offer the electricity they produce at freely negotiated prices. This will provide additional quantities of electricity in order to achieve a stable and predictable market.

With the legislative amendments, these producers will switch to the free market from 1 July 2021 and conclude a "premium contract" with the Electricity System Security Fund, without providing for a transitional period during which the public supplier will continue to purchase the energy they produce at preferential prices.

39
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

An important step in the process of full liberalization is the elimination of the regulated market segment and the introduction of household consumers to the free market. The electricity market in Bulgaria is partially liberalized, with the regulated share being 40% of the total electricity consumption. In line with the EC's Third Liberalization Package, Bulgaria has taken steps towards full liberalization of the electricity market. It is envisaged that the retail market will be liberalized by 31.12.2024, and for this purpose it is necessary to take steps to define energy-poor consumers and develop adequate mechanisms to support them.

The change in the way of functioning of the electricity market and the elimination of the figure of the public supplier will lead to a complete transformation of the profile of Natsionalna Elektricheska Kompania EAD and the company will participate in the market as a producer and trader.

With the projected growth of RES capacity, the need to procure balancing energy to cover the dynamics of their production in the process of managing the electricity balance in the country, Natsionalna Elektricheska Kompania EAD will be increasingly important to ensure the security of the electricity system, through the 31 hydroelectric power plants operated by the company and the only PSHPP in the country. In addition, the Company will be a key player on each of the exchange trading platforms by offering attractive products at competitive prices. The technical characteristics of the production units of TPP Maritza East 2 EAD allow the plant to offer both basic and modulated electricity at peak hours, which is traditionally traded at a higher price, however, the main challenge for the plant are the high prices of carbon allowances, which limit the company's ability to actively participate in the market given the high cost of electricity produced.

The full liberalization of the market and especially the unification of the Bulgarian electricity market with the single European market will lead to a partial convergence of prices in Bulgaria with those in neighbouring countries. The expected introduction of "green duties" on the production of countries outside the EU and therefore do not apply the high environmental standards of the community will have a positive impact on the activities of companies, which will limit the process of carbon leakage. This, in turn, implies higher revenues for the producers in the country, increased demand for electricity in the country and respectively growth in the sales of electricity by the subsidiaries of BEH Group which are power generators.

The main challenges for the future functioning of the electricity market are the forthcoming changes related to the achievement of the set goals for a carbon-neutral economy. In this regard, BEH EAD and the companies of the group should organize their activities in accordance with the adopted plans for future development of the sector, which will be set in the National Strategy for Energy Development in Bulgaria.

- **Natural Gas Segment**

In January 2019, Bulgartransgaz EAD established its subsidiary Balkan Gas Hub EAD (BGH EAD) as the first step in the process of implementing the concept for construction of a gas distribution center in the territory of Bulgaria. Balkan Gas Hub EAD operates trading platforms for the needs of the natural gas markets within the Balkan Gas Hub. In synergy with the physical infrastructure of the gas distribution center, the company provides the necessary prerequisites for the construction of the first liquid physical and commercial gas hub in the region of Southeast Europe, based in Bulgaria.

Amendments to the Energy Act were adopted in 2019 aimed at creating conditions for demonopolization of the market and the establishment of a liquid natural gas exchange market, including measures to overcome the current low liquidity. The changes enable natural gas traders to conclude deals in the same
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

place and thus to provide benefits for all market participants. The introduction of exchange trading is one of the first and main prerequisites for creating a competitive environment for extraction companies, traders and consumers of natural gas. An opportunity is created for market makers and liquidity providers to participate in the market.

The law also provides for a gradual increase in the quantities of natural gas that the public supplier Bulgargaz EAD should sell in the organized exchange market, which may not be less than:

- 2,220 GWh in 2020;
- 4,281 GWh in 2021;
- 6,342 GWh in 2022;
- 8,720 GWh in 2023;
- 11,099 GWh in 2024.

These quantities are offered for sale under the terms and conditions of an agreement approved by the Commission for the implementation of a natural gas release program concluded between the operator of the organized natural gas market (Balkan Gas Hub EAD - a subsidiary of Bulgartransgaz EAD) and the public supplier (Bulgargaz EAD). The agreement also determines the procedure for conducting auctions for release, price mechanisms for release, including the initial price in an auction, the term of the agreement, types of products offered and the periods of their offering.

The quantities traded on the gas exchange market will be sold as follows:

- To cover domestic consumption in Bulgaria;
- In the neighbouring markets - Greece, Turkey, Romania, Macedonia and Serbia;
- By connecting between hubs: via Serbia / Hungary / Austria to Central Europe; via Romania / Hungary to Central Europe; via Romania / Moldova to Ukraine (reverse of the Trans-Balkan gas pipeline), etc.
- Through swaps and spread products, including options and futures

The adopted amendments to the Energy Act regarding the development of the natural gas market ensure not only the formal fulfillment of Bulgaria's obligations under European legislation, but also create all the necessary prerequisites for the implementation of effective liberalization of the natural gas market. To avoid disruptions in the way the market functions, a smooth and gradual transition from a market at regulated prices to an organized market for natural gas at freely negotiated prices is envisaged, with a view to adapting the market.

The main priority in the Group's activity in the Natural Gas segment is the implementation of the investment projects of BEH Group. In order to ensure the diversification of the sources and routes for natural gas supply, projects for construction of gas interconnections with the neighbouring countries Romania, Turkey, Greece and Serbia are being implemented with priority. They will provide an opportunity to supply natural gas from various sources, which in turn will contribute to increased competition and have a positive effect on natural gas consumers. The new gas connections will significantly increase the input capacity to Bulgaria from Greece and Turkey and will provide access to and supply of liquefied natural gas (LNG) from the terminals in both countries.

The adopted amendments to the Energy Act regarding the development of the natural gas market ensure not only the formal fulfillment of Bulgaria's obligations under European legislation, but also create all the necessary prerequisites for the implementation of effective liberalization of the natural gas market. To avoid disruptions in the way the market functions, a smooth and gradual transition from a market at
regulated prices to an organized market for natural gas at freely negotiated prices is envisaged, with a view to adapting the market.

- **Coal segment**

Mini Maritsa-Iztok EAD is the largest coal mining company in Bulgaria. It operates the Maritsa East lignite field, which has a productive area of 240 km² and is of key importance for maintaining and ensuring the electricity balance in the country.

Considering the current technological state of the mines in the field and the extraction during the period 2015-2018, in 2021 Mini Maritsa-Iztok EAD should concentrate its efforts on opening activities in order to ensure the safety of the mines.

Another important priority of the company is the rehabilitation, modernization and renewal of the heavy mining equipment, which will provide for the efficient exploitation of the deposit and ensure the supply of lignite coal to the Maritsa East region power plants.

The set goals for decarbonisation of the economy presuppose significant changes in the future development and positioning of the company. The strategy for future development of Mini Maritsa-Iztok EAD will be directly dependent on the National Strategy for Development of the Republic of Bulgaria.

- **Corporate governance**

BEH EAD will actively continue its activities in the implementation of effective management practices within the Group. The aim of the management is to provide a long-term vision for the development of the Group companies which is in line with the Energy Strategy of Bulgaria.

The management of BEH EAD works in close cooperation and takes advantage of the necessary support from the State represented by the Minister of Energy. In the process of management of the holding and its subsidiaries, all important decisions regarding the management strategy and their future development are taken after being agreed and approved by the Principal – the Minister of Energy.

6. **Events after the end of the reporting period**

No adjusting events or significant non-adjusting events occurred after the reporting period until the date of approval of the financial statements for issue except for the following:

*Extension of the epidemic emergency situation in connection with the spread of Covid-19*

In connection with the continuing global pandemic of Covid-19, with a Decision of the Council of Ministers No. 72 of January 26, 2021, the term of the emergency epidemic situation in Bulgaria was extended until April 30, 2021.

**Bulgarian Energy Holding EAD**

*Disbursement of a tranche under a Financing Agreement for the construction of an IGB gas pipeline with the European Investment Bank and granting of a second tranche under a Shareholder Loan Agreement with ICGB AD*
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

On January 18, 2021, the second tranche of the Financing Agreement for the construction of the IGB gas pipeline with the European Investment Bank in the amount of EUR 30 million was disbursed and the amount was provided to ICGB AD under a Shareholder Loan Agreement. The due date for repayment of the amount is 18 January 2046.

Re-election of the members of the Audit Committee

By a protocol decision of 26 February 2021 of the Minister of Energy, the members of the Audit Committee were re-elected with a new term of three years, as follows:

- Nadezhda Dimitrova Sandolova-Hristova - member
- Vanya Doneva Georgieva - member
- Magdalena Georgieva Lateva - member

Publication of a fourth partial account for distribution of funds from Corporate Commercial Bank AD (n)

On 17 February 2021, a fourth partial account was published for distribution of available amounts among the creditors of Corporate Commercial Bank AD (in bankruptcy). The allocated amount for Bulgarian Energy Holding EAD amounts to BGN 752,153.43 and was received on 5 April 2021.

Adoption of a new Articles of association of Bulgarian Energy Holding EAD

With a protocol decision of 16 April 2021, the Minister of Energy adopted a new Articles of Association of Bulgarian Energy Holding EAD, submitted for announcement in the Commercial Register and the Register of Non-Profit Legal Entities on 20 April 2021.

Change in the management of Bulgarian Energy Holding EAD

By a protocol decision of 19 April 2021, a new composition of the Board of Directors was elected of the Minister of Energy, as follows:

- representatives of the state in the Board of Directors: Stelian Penchev Koev, Ivan Todorov Andreev, Valentin Aleksiev Nikolov
- independent member of the Board of Directors: Dian Stanimirov Dimitrov;
- Member of the Board of Directors for a period from the date of registration until a new selection procedure: Aleksandar Plamenov Tzarnorechky

The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 31 May 2021.

Change in credit rating assigned by Fitch Ratings

On 26 February 2021 the rating agency raised the perspective of the long-term credit rating in foreign and local currency of BEH EAD from stable to positive, maintaining the rating at the level of “BB”, and the rating “BB-” of “Bulgarian Energy Holding” EAD of the unsecured foreign currency bonds was confirmed.

On 10 May 2021, the rating agency upgraded the credit rating of the unsecured bonds of Bulgarian Energy Holding EAD to the „BB“ level from „BB-“.
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

Natsionalna Elektricheska Kompania EAD

Publication of a fourth partial account for distribution of funds from Corporate Commercial Bank AD (n)

On 17 February 2021 a fourth partial account for distribution of available amounts between the creditors of Corporate Commercial Bank AD (n) was published in the Commercial Register, as the distributed amount in favor of NEK EAD amounted to BGN 767 thousand and the same was received as of the date of issuance of report.

Decision of the Sofia Court of Appeal regarding Energy Financial Group AD

On 15 March 2021, a decision of the Sofia Court of Appeals was issued, which confirmed the decision of the Sofia City Court to uphold a claim filed by Energy Financial Group AD against NEK EAD for principal and interest in the amount of BGN 3,063 thousand. NEK filed a cassation appeal and requested suspension of the execution of the appellate decision and a security was paid to the account of the Supreme Court of Cassation.

Cancellation of collateral on a loan from Bank Austria Creditanstalt

As of 31 December 2019, the loan from Bank Austria Creditanstalt has been fully repaid. In 2020 the activity on cancellation of the loan collateral by Bank Austria Creditanstalt has started and as of 31.12.2020 there is a partial cancellation of collateral, as of 31.03.2021 all collateral on the loan has been completely canceled

TPP Maritsa East 2 EAD

Change in the management of TPP Maritsa East 2 EAD

With a protocol decision of 21 April 2021 of the Board of Directors of Bulgarian Energy Holding EAD, a new composition of the Board of Directors of TPP Maritsa East 2 EAD was elected, as follows:

- representatives of the state in the Board of Directors: Zhivko Dimitrov Dinchev, Ruslan Tanev Germanov, Boyan Ivanov Boev;
- independent members of the Board of Directors: Milan Angelov Milanov, Boncho Ivanov Bonev.

The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 27 April 2021.

Professional football club Beroe - Stara Zagora EAD

The simultaneous decrease and increase of the capital of Professional Football Club Beroe - Stara Zagora EAD was entered in the Commercial Register on 25.02.2021. On 10.03.2021, Professional Football Club Beroe - Stara Zagora EAD paid to TPP Maritsa East 2 EAD the interest on commercial loans accrued until 25 February 2021, in the amount of BGN 132,584.16, whereby the liabilities are fully repaid.
Bulgarian Energy Holding EAD  
ANNUAL CONSOLIDATED MANAGEMENT REPORT  
For the year ended 31 December 2020.

**NPP Kozloduy EAD**

*Change in the management of NPP Kozloduy EAD*

With a protocol decision of 19 April 2021 of the Board of Directors of Bulgarian Energy Holding EAD, a new composition of the Board of Directors of NPP Kozloduy EAD was elected, as follows:

- representatives of the state in the Board of Directors: Nasko Assenov Mihov, Aleksandar Hristov Nikolov, Vladimir Andreev Uruchev;
- independent members of the Board of Directors: Iliya Todorov Iliev, Iva Eduard Nikolova.

The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 23 April 2021.

**Bulgargaz EAD**

*Agreements with clients of the company*

On 25 February 2021, Additional agreements were signed with the last clients, in connection with the refund of funds from Bulgargaz EAD to clients of the company for the period from 05.08.2019 to 31.03.2020, according to the Law for supplementing the Energy Act. The signed Agreements are reflected as adjustment events for 2020.

*Termination of a contract of a member of the Board of Directors*

The contract for assignment of management services of Bulgargaz EAD to Petyo Angelov Ivanov, in his capacity of non-executive member of the Board of Directors and Chairman of the Board of Directors, was terminated as of 11 February 2021, and the termination was entered in the Commercial Register of 1 March 2021.

**Mini Maritsa-Iztok EAD**

*Signing of an additional agreement with Brickel EAD*

In December 2020, an Additional Agreement to Contract №2-2015 / 09.09.2015 for the supply of lignite coal was concluded with Brickel EAD. The agreement entered into force on 01.01.2021, extending the term of the Contract from 01.01.2021 to 31.12.2021 and agreeing on the quantities of lignite coal that the company will supply to Brickel EAD during this period.

*Publication of a fourth partial account for distribution of funds from Corporate Commercial Bank AD (n)*

On 17 February 2021, a fourth partial account was published in the Commercial Register for distribution of available amounts among the creditors of Corporate Commercial Bank AD (in bankruptcy). Mini Maritsa-East EAD has been allocated an amount of BGN 927,646.90.
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

Bulgartransgaz EAD

Shareholding in G astrade SA

On 28 January 2021, the transaction for acquisition of a shareholding in G astrade SA in the amount of 20% of its capital from Bulgartransgaz EAD was finalized and on the same date Bulgartransgaz EAD was entered as a shareholder in the book of shareholders of G astrade SA. On 19.02.2021, the Management Board of Bulgartransgaz EAD approved an increase in the share capital of G astrade S.A. with the amount of EUR 2,000 thousand.

Publication of a fourth partial account for distribution of funds from Corporate Commercial Bank AD (n)

On 17 February 2021, a fourth partial account was published in the Commercial Register for distribution of available amounts among the creditors of Corporate Commercial Bank AD (in bankruptcy). An amount of BGN 3,081 thousand has been allocated to Bulgartransgaz EAD.

Balkan Gas Hub EAD license

On 25.03.2021, the Energy and Water Regulatory Commission adopted a Decision for issuing a License for the activity "organization of a natural gas exchange market" according to Art. 39, para. 1, item 6 of the Energy Act to Balkan Gas Hub EAD.

Gas interconnection Bulgaria-Serbia

On 7 April 2021, the Management Board of Bulgartransgaz EAD took a final investment decision for the implementation of the Bulgaria-Serbia Gas Interconnection on Bulgarian territory. The estimated value of the investment is BGN 153,184 thousand.

Election of new members of the Supervisory Board

According to a decision of Bulgarian Energy Holding EAD dated 13.04.2021, new members of the Supervisory Board of Bulgartransgaz EAD have been elected. On 27.04.2021 in the Commercial Register and the Register of Non-Profit Legal Entities the following persons were entered as members of the Supervisory Board of Bulgartransgaz EAD: Kiril Georgiev, Snezhana Yovkova-Markova, Delyan Koynov, Stefan Iliev and Nikolay Stefanov.

Election of new members of the Management Board

According to a decision of the Supervisory Board of Bulgartransgaz EAD dated 14.05.2021, the following members of the Management Board of the Company were elected - Vladimir Malinov, Darina Koleva and Delyan Dimitrov. As of the date of preparation of the consolidated financial statements, the new circumstances have been entered in the Commercial Register and the register of the non-profit legal entities on 03.06.2021.

Utilization of bank loans

Until the date of preparation of the consolidated statement of Bulgartransgaz EAD, loans in the amount of EUR 175,668 thousand and BGN 113,584 thousand have been utilized from several Bulgarian commercial banks. The funds are intended to finance investment costs.
Accounting of activities under a project for expansion of the gas transmission infrastructure of Bulgartransgaz EAD

Documents were received certifying and confirming that activities under the project "Expansion of the gas transmission infrastructure of Bulgartransgaz EAD parallel to the northern (main) gas pipeline to the Bulgarian-Serbian border" - stage "Linear part" with a length of 474 km were actually carried out to the date of the financial statements. The amount of project costs invoiced in 2021, but relating to 2020 amount to BGN 724,010 thousand. As a result, the management of the company has made a reasonable assessment that the value of the contract should be recognized in its entirety and in accordance with the actual activities performed under the project. In addition, an additional value of BGN 116 million has been accrued, which is expected to be invoiced by one of the project contractors within 2021.

Electricity System Operator EAD

Commitments under case AT.39767

From January 2021, given the deadline for the commitments signed by BEH EAD under case AT.39767 (BEH-Energy) of the European Commission, ESO EAD started purchasing electricity to cover the technological costs of the day-ahead market segment, which will allow effective management of the operator's portfolio, taking into account the nature of technological costs, their connection with the system load. In this regard, ESO EAD will be able to use the new financial mechanism of IBEX EAD for trading in Euro-denominated Bulgarian financial futures for products on a weekly, monthly, quarterly and annual basis. Financial settlement is performed by European Commodity Clearing (ECC) and is based on the achieved day-ahead market price.

The establishment of a subsidiary ESO Engineering EOOD

The establishment of a subsidiary ESO Engineering EOOD with a sole owner of the capital ESO EAD with a share capital of BGN 500,000, which has been paid in full, has been entered in the Commercial Register as of February 18, 2021. The new company has the following activities: "Design, consulting, construction of technologies and projects for energy sites, project management, construction, commercial representation and mediation, domestic and foreign trade, purchase and sale of real estate, transport and forwarding, and any other commercial activity that is not explicitly prohibited by law." and with registration address Sofia, Stolichna Municipality, Sofia 1404, Triaditsa district, 24 Petko Yu. Todorov Blvd.

EWRC decisions in connection with Regulation 2017/1485

In connection with the requirements of Regulation 2017/1485 for establishing guidelines on the operation of electricity transmission systems, as well as Regulation 2017/2195 on guidelines for electricity balancing, ESO EAD is obliged to maintain operational reserves. With State Gazette 9/02.02.2021 becomes effective the Law for amending and supplementing the Energy Act, which provides for the elimination of transactions for the purchase of cold reserve, and for the needs of the management of the electricity system will be concluded on a market basis transactions for the purchase of availability for primary frequency containment, automatic frequency restoration and manual frequency restoration reserves and exchange capacities.

In view of the changes that have become effective, the Energy and Water Regulatory Commission has adopted Decision C-10 of 24.02.2021, which determines the amount of operating reserves that ESO EAD should maintain and for which to pay availability:

- Frequency containment reserve (FCR) - 45 MW.
Bulgarian Energy Holding EAD
ANNUAL CONSOLIDATED MANAGEMENT REPORT
For the year ended 31 December 2020.

- Frequency restoration reserve (afR) - 155 MW.
- Manual frequency restoration reserve (mfR) - 100 MW from hydropower plants (HPPs) to cover the impact of electricity production from renewable sources (RES). According to Art. 157, para. 2, p. "D" and "e" of Regulation 2017/1485, the amount of this reserve must not be less than the size of the largest "reference" accident (single generating capacity, consumer or interconnector in the electricity system). For the case of Bulgaria, this is generating capacity of NPP Kozloduy in the amount of 1000 MW net. Pursuant to Decision № IП-29 of 01.07.2020 of EWRC, ESO EAD has funds for payment of availability for cold reserve in the amount of 650 MW * h on average per year, which should be transformed into an additional amount of reserve for manual frequency restoration.

The decision of the EWRC only led to a change in the structure of the price-forming elements forming the access prices of the producers, namely: availability costs for reserves for primary frequency regulation, costs for automatic secondary regulation and costs for manual secondary regulation of frequency and exchange capacities, without the need to amend the approved by ESO EAD with Decision №IП-29 of 01.07.2020 d. The current prices for access to the electricity transmission network for the producers shall remain at the same level until the expiration of the regulatory period 30.06.2021.

Change in the management of Energy System Operator EAD

With a protocol decision of 20 April 2021 of the Board of Directors of Bulgarian Energy Holding EAD, a new composition of the Supervisory Board of ESO EAD was elected, as follows:

- representatives of the state in the Supervisory Board: Evden Todorov Nikolov, Plamen Georgiev Radonov;
- independent members of the Supervisory Board: Aleksandar Aleksandrov Trichkov, Kostadin Ivanov Popov;
- Petar Statev Petrov (registered in the Trade Register and Non-Profit Legal Entities on 15.03.2019) - continues to be a member of the Supervisory Board of ESO EAD until a new procedure for election of one member representing the state of the Supervisory Board of ESO EAD.

The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 21 May 2021.

VALENTIN NIKOLOV
CHIEF EXECUTIVE OFFICER

15.06.2021
Sofia
BULGARIAN ENERGY HOLDING EAD

CORPORATE GOVERNANCE DECLARATION

31 December 2020
1. GENERAL PROVISIONS

This Corporate Governance Declaration was prepared in compliance with the requirements of Art. 40 para. 1 of the Accountancy Act and according to Art. 100m, para. 8 in relation to para. 7, item 1 of the Public Offering of Securities Act (POSA).

Bulgarian Energy Holding EAD (BEH EAD, the Company) is a company of public interest under §1, item 22 of the additional provisions of the Accountancy Act and Art. 2 of Directive 2013/34/EU of the European Parliament and of the Council whose transferable securities are admitted to trading on a regulated market in a Member State of the European Union.

BEH EAD is a separate legal entity under Bulgarian law, a sole-owner joint stock company acting in accordance with the provisions of the Commerce Act, the Public Enterprises Act, the Rules on the application of the Public Enterprises Act (the Rules) and the other legislative acts of the Republic of Bulgaria. The Sole Owner of the Capital, who has all the rights of a shareholder under the law and the statutes, is the Bulgarian state through the Minister of Energy.

The Company is managed by a one-tier management system. The Board of Directors has management, representation and control functions.

Regardless of the statutory requirement for the implementation of the Corporate Governance Code, the adoption of such a standard is a result of the management's desire to continuously improve the principles and practices of corporate governance adopted by BEH EAD. The efforts of the executive management are focused on work transparency by presenting timely and complete information, stakeholder consideration, independence, and prevention of conflict of interest.

The Company complies with the established principles and rules of corporate governance set in the current regulations applicable to its business. The Company will continue to strictly observe these norms and principles.

The Corporate Governance Declaration is a separate report, which is published together with the activity report. Information on the implementation of the Corporate Governance Code is also available on the Company's website www.bgenh.com.
2. INFORMATION PURSUANT TO ARTICLE 100m, paragraph 8, item 1 of POSA

Bulgarian Energy Holding EAD adheres, as appropriate, to the National Corporate Governance Code, as amended in April 2016, approved by the Deputy Chairperson of the Financial Supervision Commission under Art. 100m, para. 7, item 1 of the Public Offering of Securities Act by decision No. 461-KKU dated 30.06.2016 and adopted by the National Commission for Corporate Governance.

The Code is applied on a "comply or explain" principle, i.e. in case of deviation, the management clarifies the reasons for this.

3. INFORMATION PURSUANT TO ARTICLE 100m, paragraph 8, point 2 of POSA

The number of the companies in which the members of the Board of Directors can hold managerial positions and the number of successive terms of the independent members of the Board of Directors is not defined in the regulatory acts of BEH EAD. However, the Company complies with the good practices, without a formal regulatory requirement for prevention of a high concentration of control functions in individual companies by one single person.

The remuneration of the Board of Directors shall be determined in accordance with the terms and conditions of the Rules on the application of the Public Enterprises Act. Remuneration, other than those specified in the Regulations, is not allowed.

BEH EAD protects the rights of the shareholders described in Chapter three of the National Corporate Governance Code, as long as there are no restrictions on their application in relation to the presence of one shareholder - the Bulgarian State.

BEH EAD has no validated information disclosure policy. The Company strictly complies with the requirements for information disclosure regarding the term of disclosure and completeness of information according to the Bulgarian legislation and the instructions of the Minister of Energy. Information on annual, semi-annual and quarterly financial statements and activity reports is available in a timely manner 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 Public Enterprises and Control Agency.

The Company regularly publishes on its website important and essential information for its business activities.

BEH EAD does not have approved rules for taking into account the interests of the stakeholders but on all matters that directly or indirectly concern them the appropriate coordination procedures are made.

Bulgarian Energy Holding EAD has issued two bond emissions that are traded on the Irish Stock Exchange - in 2016 and in 2018, and the emission issued in 2018 was admitted to trading on the Bulgarian Stock Exchange as well. The communication between the bondholders and BEH EAD is performed through an Investor Relations Person. Information required under Bulgarian legislation as well as other important information, at the discretion of the issuer, is published on the Company's website, the Irish Stock Exchange website, the Bulgarian Stock Exchange website and on the website of the Financial Supervision Commission.

4. INFORMATION PURSUANT TO ARTICLE 100m, paragraph 8, item 3 of POSA

By decision of the Board of Directors dated 28 February 2017, an Internal Audit Unit was established at BEH EAD, which is a separate department of direct subordination to the Executive Director. The internal audit activity is carried out in compliance with the requirements of the Internal Audit in the Public Sector Act. The Status of Internal Audit Department is approved by the decision of the BD of BEH EAD under item 1.2.1. of Record No. 68-2017/31.10.2017. Audit engagements for assurance and consultation are carried out at BEH EAD and its subsidiaries, except for the independent transmission operators.

The internal audit assists BEH EAD's management and employees to achieve their objectives, by:

- Identifying and evaluating the risks in BEH EAD with a view to allocating audit resources to maximize coverage of the audit environment;
- Assessing the adequacy and effectiveness of the financial management and control system in relation to:
  a) identification, assessment and risk management by BEH EAD's management;
  b) compliance with legislation, internal acts and contracts;
  c) reliability and comprehensiveness of financial and operational information;
d) the effectiveness, efficiency and cost-effectiveness of the activities;
e) protection of assets and information;
f) performing tasks and achieving goals.

- Providing recommendations for improvement of BEH EAD's activities.

On 2 April 2014, the Financial Management and Control System of BEH EAD was approved and entered into force on 14 April 2014.

The purpose of the system is to provide reasonable assurance that the objectives of the holding are achieved through:
- compliance with the legislation, the internal acts of the holding and the contracts concluded,
- reliability and comprehensiveness of financial and operational information,
- economy, efficiency and effectiveness of the activities,
- safeguarding of assets and information.

The control environment includes:
- personal integrity and professional ethics of the employees of the holding,
- management philosophy and work style,
- an organizational structure ensuring separation of responsibilities, hierarchy and clear rules, rights, obligations and reporting levels,
- human resources management policy,
- competence of the staff.

The Risk Management Strategy of BEH EAD for 2017-2019 was adopted by decision under item I.2. of Record No 35-2017/27.04.2017 of the Board of Directors of BEH EAD.

The Risk Management Strategy of BEH EAD for 2019-2021 was adopted by decision under item I.2.3 of Record No 71-2018/04.12.2018 of the Board of Directors of BEH EAD.

The risk management policies and procedures applied in BEH EAD are an integral part of the Strategy.

The risk management policy aims to regulate the general framework of risk management processes. In general, it is a set of measures designed to reduce the risk of errors at the stage of taking management decisions and minimizing potential negative consequences of the decision adopted in later stages. In addition, the policy sets out the basic principles and practices of implementing risk management processes. Risk management policy identifies, assesses and manages risks in the Company, measures the adequacy and effectiveness of the financial management and control systems of the holding. The risk management strategy ensures:
- Systematic and consistent implementation of a single risk management model in BEH EAD with common terminology, rules and procedures;
- Creating the necessary prerequisites for the successful running of the risk management process;
- Raising awareness of risk management and focusing on the key risk areas in conducting management functions;
- Stimulating the introduction and implementation of adequate and effective control mechanisms;
- Focusing the attention of the managers of the Holding and the subsidiaries on the potential events, which may adversely affect the achievement of the strategic and operational objectives, the measures to mitigate their negative impact and the probability of their occurrence;
- Providing the information on potential events, possible ways to mitigate their negative impact and probability of occurrence;
- Identification of the risks that may affect the legitimate, effective, efficient and cost-effective operation of the Holding and its subsidiaries;
- Optimal use of the resources needed to carry out the activity of the Holding;
- Protection of the institutional image and reputation of BEH EAD.

Control activities include written policies and procedures designed to give reasonable assurance that risks are limited to the acceptable limits set in the risk management process. Control activities include:
- authorization and approval procedures,
- segregation of responsibilities in a way that prevents an employee from being simultaneously responsible for approval, execution, accounting and control,
Bulgarian Energy Holding EAD

Corporate Governance Declaration
31 December 2020

- a double signature system that does not allow for a financial commitment or payment to be made without the signatures of the Executive Director and the person responsible for accounting entries,
- rules on access to assets and information,
- procedures for the complete, correct, accurate and timely booking of all transactions,
- reporting and verification of activities - assessment of the efficiency and effectiveness of operations,
- monitoring procedures,
- human resources management rules,
- rules for the documentation of all operations and transactions related to the holding’s activity,
- rules for compliance with personal integrity and professional ethics,
- the financial controller performs preliminary control over the legality before undertaking an obligation and incurring expenses in BEH EAD.

5. INFORMATION PURSUANT TO ARTICLE 100m, paragraph 8, item 4 of POSA


Bulgarian Energy Holding EAD is the owner of an economically related group, which includes the following direct subsidiaries and joint ventures as at 31 December 2020:

<table>
<thead>
<tr>
<th>Subsidiaries</th>
<th>Country of incorporation</th>
<th>Share</th>
<th>Value of investments (thousand BGN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgartransgaz EAD</td>
<td>Bulgaria</td>
<td>100%</td>
<td>734,569</td>
</tr>
<tr>
<td>Bulgargaz EAD</td>
<td>Bulgaria</td>
<td>100%</td>
<td>325,391</td>
</tr>
<tr>
<td>NEK EAD</td>
<td>Bulgaria</td>
<td>100%</td>
<td>1,051,427</td>
</tr>
<tr>
<td>NPP Kozloduy EAD</td>
<td>Bulgaria</td>
<td>100%</td>
<td>101,716</td>
</tr>
<tr>
<td>TPP Maritsa East 2 EAD</td>
<td>Bulgaria</td>
<td>100%</td>
<td>673,916</td>
</tr>
<tr>
<td>Mini Maritsa Iztok EAD</td>
<td>Bulgaria</td>
<td>100%</td>
<td>65,000</td>
</tr>
<tr>
<td>ESO EAD</td>
<td>Bulgaria</td>
<td>100%</td>
<td>61,103</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,013,122</td>
</tr>
<tr>
<td>Joint ventures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICGB AD</td>
<td>Bulgaria</td>
<td>50%</td>
<td>57,991</td>
</tr>
<tr>
<td>South Stream Bulgaria AD</td>
<td>Bulgaria</td>
<td>50%</td>
<td>34,372</td>
</tr>
<tr>
<td>Impairment</td>
<td></td>
<td></td>
<td>(23,746)</td>
</tr>
<tr>
<td>South Stream Bulgaria AD, net</td>
<td>Bulgaria</td>
<td>50%</td>
<td>10,626</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>68,617</td>
</tr>
<tr>
<td>Associate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ZAD Energy</td>
<td>Bulgaria</td>
<td>0.32%</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>21</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,081,760</td>
</tr>
</tbody>
</table>


BEH EAD has no issued securities with special rights of control.


There are no restrictions on voting rights.
The rules that regulate the appointment and replacement of board members are described in item 5.

The Sole Owner of the Capital amends and supplements the Company’s Statute.

The powers of the members of the Board of Directors are described in item 5.

6. INFORMATION PURSUANT TO ARTICLE 100m, paragraph 8, item 5 of POSA
The management bodies of BEH EAD are:
- Sole Owner of the Capital;
- Board of Directors.


6.1. Sole Owner of the Capital

6.1.1. Status
The sole owner of the Company’s capital is the Republic of Bulgaria. The rights of the State as the Sole Owner of the Capital in the Company are exercised by the Minister of Energy who is the principal of the Company and is the body empowered to take all decisions within the competency of the Sole Owner of the Capital under the law or the statutes.

6.1.2. Competence
(1) The Sole Owner of the Capital has all the rights of a shareholder of the Company in accordance with the law and the statutes. The Sole Owner of the Capital has the power to decide on all matters that the law places in the competence of the General Meeting of Shareholders.
(2) The Sole Owner of the Capital:
- amends and supplements the Statute of the Company;
- increases and decreases the Company’s capital;
- transforms and terminates the Company;
- elects and dismisses the members of the Board of Directors and determines their remuneration;
- elects and dismisses the chartered expert accountant;
- approves the annual financial statements after verification by the appointed chartered expert accountant;
- decides to issue bonds;
- appoints the liquidators upon termination of the Company, except in case of insolvency, and concludes a contract with them;
- dismisses the members of the Board of Directors;
- makes decisions to open, transfer or close branches of the Company;
- determines the amount of compensation to owners of nationalized property, which they receive in cases under Article 18 of the Transformation and Privatization of State and Municipal Enterprises Act (repealed) and the Compensation of Owners of Nationalized Property Act;
- authorizes: disposals of fixed assets; rental of real estate whose carrying value exceeds 5% of the total carrying amount of fixed assets at 31 December of the previous year; acquisition of shares in other companies as well as disposal of shares in other companies owned by the Company; signing credit agreements; the conclusion of joint venture agreements; acceptance of bills of exchange; securing the obligations of the Company by establishing a mortgage or pledge on the Company’s fixed assets; the provision of collateral in favor of third parties; the conclusion of a court or extra-judicial agreement, which recognizes the Company’s liabilities or the Company’s receivables from third parties are forfeited;
a substantial change in the Company's activity; essential organizational changes essential for the Company for long-term cooperation, and the termination of such cooperation;
- approves the choice of an insurer when concluding compulsory insurance contracts;
- authorizes the conclusion of contracts for the sale, exchange and rental of fixed assets, regardless of their book value, by direct negotiation;
- authorizes the sale and replacement of homes, studios, offices and garages of employees of the Company;
- approves the business program of the Company prepared by the Board of Directors;
- makes a decision on the distribution of the Company's profits and its payment and on the payment of royalties to the members of the Board of Directors and determines their size;
- decides on other matters provided in its competence by the law and the statute.

6.1.3. Decision-making

(1) The Sole Owner of the Capital makes decisions in the competence of a regular Annual General Meeting once a year, and in the competence of an Extraordinary General Meeting - as required. The Sole Owner of the Capital shall not announce an invitation in the Commercial Register and the Register of Non-profit Legal Entities for the exercise of the competence of a General Meeting. The Sole Owner of the Capital may make decisions within the competence of a General Meeting at any time in writing by notifying the Executive Director for their performance and sending them an original copy of their decisions.

(2) The Board of Directors fulfills its obligations under Art. 223, respectively under Art. 251 of the Commerce Act, by sending a written application to the Sole Owner of the Capital regarding the necessity, respectively the readiness, to make decisions by the Sole Owner of the Capital. The written application contains suggestions on the matters on which the Board of Directors proposes to the Sole Owner of the Capital to make decisions. Proposals do not bind the Sole Owner of the Capital to consider and decide on the questions raised, nor limit them with respect to the range of matters they can decide on.

(3) For their decisions, the Sole Owner of the Capital shall prepare a record in writing, signed by the Principal of the Company.

(4) If the Sole Owner of the Capital wishes the members of the Board of Directors to be present during the decision-making process, they are obliged to do so. The Sole Owner of the Capital may require the members of the Board of Directors present or other persons invited by them to re-sign the record containing the decisions taken.

When such decisions are subject to registration, the Executive Director will be responsible for filing an application for registration and in such case the Executive Director shall be entitled to act as the sole representative of the Company or to authorize a person to do so.

6.2. Board of Directors

6.2.1. Composition

The current Board of Directors is appointed by decisions under Record No. Е-РД-21-14/19.07.2019 of the Minister of Energy. The term of the Board of Directors is until 25 July 2022. The composition is as follows:

Jacklen Yosif Cohen
Zhivko Dimitrov Dinchev
Andon Petrov Andonov

Andon Andonov was elected Chairman of the Board of Directors, and Jacklen Cohen was elected as a representative of the Company and was appointed as Executive Director at a meeting of the Board of Directors.

By a protocol decision of April 19, 2021 of the Minister of Energy, a new composition of the Board of Directors was elected as follows:

- representatives of the state in the Board of Directors: Stelian Penchev Koev, Ivan Todorov Andreev, Valentin Alexiev Nikolov;
Independent member of the Board of Directors: Dian Stanimirov Dimitrov;

Member of the Board of Directors for a period from the date of registration until a new tender procedure: Alexander Plamenov Tsamorevchki.

The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on May 31, 2021.

6.2.2. Status

(1) The Board of Directors reports to the Sole Owner of the Capital for the management of the Company. The Board of Directors holds meetings as necessary but not less than once every three months.

(2) The Board of Directors shall consist of 3 to 5 members – individuals, elected by the Sole Owner of the Capital.

(3) The Board of Directors shall elect one or two of its members for executive members (one CEO and one Executive Director, if two, or one Executive Director, respectively) and the remaining shall be non-executive members. The term of the Board of Directors is for a period of 3 years from the registration of the Board of Directors in the Commercial Register and the Register of Non-profit Legal Entities, where the Board of Directors continues to exercise its jurisdiction until the registration of a new Board of Directors even after the expiry of its term.

A member of the Board of Directors cannot be any individual who:

- on their own behalf or on the behalf of a third party performs commercial transactions similar to those of the Company;
- is a partner in an unlimited partnership, limited partnership or limited liability company when it carries out activities similar to those of the Company;
- has been a member of a management or supervisory body of a company discontinued due to bankruptcy in the last two years preceding the date of the bankruptcy where there are unsatisfied creditors;
- is a spouse or relative up to third degree in a straight or collateral line, including by marriage, of another member of the Board of Directors;
- has been convicted of a criminal offense of a general nature, including being deprived of the right to hold a substantive reporting function by a sentence or administrative penalty;
- is a director or a member of an executive or supervisory body of another commercial company with state participation in the capital or is a related party to a director or a member of an executive or supervisory body of another commercial company with state participation in the capital;
- is a member of parliament, a minister, a regional governor, a deputy regional governor, a mayor, a deputy mayor, a mayor's viceroy, a secretary of a municipality, a chairman of a state agency, a member of a state commission, an executive director of an executive agency, head of a state institution, established by a law or an act of the Council of Ministers, which has executive functions in relation to the implementation of executive power, is an executive director or a member of a board of the Privatization Agency and the Agency for Post-privatization Control;
- holds a leading or supervisory position in a political party;
- has outstanding public liabilities to the state or municipality;
- has no university degree or fails to meet other requirements provided by law.

(5) The Company may have one or two procurators; eligible persons for this position shall be those who meet the aforesaid requirements. Procurators also use the title of "Deputy Executive Director". Procurators are appointed by the Board of Directors at the proposal of the Executive Director.

6.2.3. Functions

The Board of Directors carries out the operational management of the Company and controls the activities of the Executive Director, including compliance with the Policies. It performs all the functions and decides on all matters that are not within the exclusive competence of the Sole Owner of the Capital by virtue of the law or the Company statute. The Board of Directors adopts its Rules of Procedure.
6.2.4. Competence

(1) The Board of Directors shall exercise all powers of the Board of Directors in accordance with the law and the Company statute.

(2) The Board of Directors:

- organizes, manages and controls the overall activity of the Company;

- prepares a business plan of the Company for the whole term and for each year separately and ensures its implementation;

- implements the investment policy of the Company and decides on the acquisition of property and other real estate rights;

- resolves issues related to the movement and marketing of the Company's capital securities, bonds and securities in civil turnover that are not within the exclusive competence of the Sole Owner of the Capital or which are delegated to it by the Principal;

- elects one or two of its members as executive directors (if two, one shall be the CEO) and empowers him/her to manage and represent the Company in relations with third parties. In the event that two Executive Directors are elected, they represent the Company jointly.

- takes unanimous decisions on all transactions provided for in Art. 236, para. 2 of the Commerce Act;

- adopts Corporate Governance Policy, Financial and Accounting Policy, Information Technology Policy, Human Resource Management Policy, Investment Management and Projects Policy, Public Procurement Policy (including Policy for conducting tenders, competitions and direct contracts for the supply of goods and delivery of works and services), policy on tenders, competitions and direct contracts for sale, exchange and leasing of fixed assets, Risk management and internal audit policy, and other policies that are mandatory for the Company and its subsidiaries; it is also responsible for implementing those Policies;

- makes proposals to the principal to resolve the issues that are within the competence of the Sole Owner of the Capital and decides on any matters provided for resolution by the Board of Directors in this Statute.

(3) With the prior written approval of the Principal, the Board of Directors may change the Executive Director at any time and replace them with another member of the Board of Directors.

6.2.5. Contracts with members of the Board of Directors, Remuneration and Expenses

(1) Each member of the Board of Directors concludes a management contract with the Sole Owner of the Capital. The contract is concluded for a period until the end of the term of the Board of Directors and contains the rights and obligations of the parties, the amount of remuneration and payment terms, the liability of the parties in case of default, the grounds for termination of the contract and the type and amount of the guarantee that members give for their management and the amount of the penalty for early termination of the contract not by the fault of the member of the Board of Directors.

(2) Members of the Board of Directors receive remuneration determined by the terms and conditions of the Rules on the application of the Public Enterprises Act.

(3) The members of the Board of Directors must guarantee their management with the amount of three monthly remunerations determined by the Sole Owner of the Capital. The guarantee is returned after termination of the contract and after the decision of the Sole owner of the Company for discharge.

(4) In case of need for business trips, the members of the Board of Directors are seconded abroad by the Minister of Energy according to the terms and conditions determined by him/her in compliance with current legislation and in case of business trips in the country - by the Executive Director. The Executive Director shall be seconded by himself on behalf of the Company. When conducting meetings of the bodies of the Company, the expenses for holding the meeting and for seconding the members of the Board of Directors, if the venue differs from the place of residence of a member of the Board of Directors, shall be borne by the Company.
6.2.6. Status of the executive member of the Board of Directors

(1) The Board of Directors assigns the Executive Director to manage and represent the Company. The non-executive members of the Board of Directors control the activities of the Executive Director.

(2) The Executive Director represents the Company independently and is entitled to carry out all actions and transactions related to the Company's activity, as well as to prepare and sign documents on behalf of the Company and to authorize other persons to perform standalone actions and transactions. With the election of two Executive Directors, the Chief Executive Member of the Board of Directors represents the Company jointly with the other executive member or any of the Procurators of the Company (if elected) and is entitled under the terms of such joint representation to carry out all actions and transactions related to the activity of the Company, as well as to draw up and sign documents on behalf of the Company and to authorize other persons to perform standalone actions and transactions (they may jointly authorize one person).

(3) The Executive Director organizes the activity of the Company in compliance with the law, the Statute, the decisions of the Sole Owner of the Capital, the Policies and the Decisions of the Board of Directors. He/she undertakes the operational management of the Company's activities, concludes and terminates the labor and other contracts of the employees and the partners of the Company and is responsible for the Company's records and archives. The Executive Director shall also resolve all other matters which are not in the exclusive competence of the Sole Owner of the Capital or of the Board of Directors according to the law, the Company Statute, or which assigned to it by decision of the Sole Owner of the Capital.

(4) The management contract with the Executive Director, a member of the Board of Directors, is signed by the Chairman or, respectively, by the Deputy Chairman of the Board of Directors. The Executive Director signs the contracts with other members of the Board of Directors unless the representative of the Sole Owner of the Capital signs these contracts himself/herself.

(5) The Deputy Executive Director responsible for the IGB Project carries out, independently, without any decision or approval of the Board of Directors, all actions and activities related to the IGB Project, such as:

1. Prepares and submits for approval/permission by the Minister of Energy all issues under Art. 20, para. 2, item 12a of the Company’s Statute;
2. Performs all operational activities necessary for the day-to-day operation and operational management of the IGB Project and for the preparation of the documents to be submitted for approval/permission by the Minister of Energy;
3. May independently request expert assistance on the IGB Project from all units of the Holding;
4. Carries out communication and approves the work and expenses of all external consultants of the Company under the IGB Project;
5. Represents the Holding to third parties and signs documents, contracts, agreements, including commitments on behalf of the Holding on all issues of the IGB Project, upon authorization by the Executive Director and subject to the prior approval of the Minister of Energy.

6.2.7. Company Representation

The Company is represented before third parties by the sole Executive Director independently (even if a procurator is appointed) and in all matters related to the implementation of the IGB Project, including the state-guaranteed Loan agreement between BEH EAD and the European Investment Bank that has been concluded for the purposes of financing the IGB Project and the Loan Agreement between BEH EAD and ICGB AD, which has been concluded on the basis of the Loan Agreement between BEH EAD and the European Investment Bank, by an authorized Deputy Executive Director, at the discretion of the Sole Owner of the Capital.

6.3. Audit Committee

6.3.1. Composition

By a Decision under Record No. E-РД-21-18/28.06.2018 of the Minister of Energy, the following persons have been elected to the committee:
Bulgarian Energy Holding EAD

Corporate Governance Declaration
31 December 2020

Nadezhda Dimitrova Sandolova-Hristova – Chairperson
Vanya Doneva Georgieva – Member
Magdalena Georgieva Lateva – Member

6.3.2. Status

The Committee is a specialized, supervisory and advisory body. Members of the Committee are appointed by the Minister of Energy of the Republic of Bulgaria in his/her capacity of the Sole Owner of the Capital of BEH EAD at the proposal of BEH EAD's Board of Directors. The Committee consists of 3 to 5 members, one of which is appointed as chairperson.

6.3.3. Remuneration

The remuneration of the members of the Audit Committee is determined by the Minister of Energy and is borne by BEH EAD. By Record No. Е-РД-21-07 dated 28.02.2018, the Minister of Energy determines the remuneration of the members of the Audit Committee in the amount of two average monthly salaries for the country according to the National Statistical Institute for the previous calendar year, as well as half of the minimum salary in the country for each meeting held, except in the cases under Art. 19, para. 8 of the Administration Act, Art. 7, para. 3 of the Civil Servant Act and Art. 107a of the Labor Code. By Record No. Е-РД-21-25 dated 29.08.2017, the Minister of Energy has approved the Statute of the Audit Committee of BEH EAD.

6.3.4. Duties and powers


(2) The Committee has 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 to financial reporting;
- to monitor the effectiveness of the adopted current controls in the monthly review of the financial condition of BEH EAD;
- to monitor the timely and reliable provision of financial information by the subsidiaries in preparation of the annual consolidated financial statement of BEH EAD;
- to monitor the effectiveness of the internal control system, the risk management system and the internal audit activity with respect to financial reporting in BEH EAD;
- to review and express an opinion on the risk management strategy, the holding's risk register and the annual report on the condition of the financial management and control system;
- to express an opinion on the status and the numbers of the internal audit unit and on the strategic and annual plans for the internal audit activity;
- discusses and approves the Annual Report on Internal Audit Activities and, where necessary, takes note and gives opinions on individual audit reports from audit engagements, as well as on all relevant internal audit matters;
- to be responsible for the selection procedure of the registered auditor, except where the audited entity has a selection board, and to recommend its appointment;
- to verify and monitor the independence of the statutory auditor and to take decisions in the cases provided by the law, in accordance with the requirements of Chapters 6 and 7 of the Independent Financial Audit Act, and with Art. 6 of Regulation (EU) No 537/2014, including the advisability of providing services outside the audit under Art. 5 of the same Regulation;

11
- to supervise the statutory audit of annual and consolidated financial statements, including its performance, taking into account the findings and conclusions of the Commission for Public Oversight on Statutory Auditors regarding the application of Art. 26, para. 6 of Regulation (EU) No 537/2014;

- becomes familiar with the audit strategy and audit plan of the statutory audit and gives an opinion on them, evaluating the arguments in favor of important decisions and making choices at the planning stage;

- to monitor the implementation of the audit plan, making recommendations to the management of the Holding and the auditors for elimination of any difficulties;

- reviews the draft audit reports under Art. 59 and Art. 60 of the Independent Financial Audit Act and the identified key audit issues, the findings and the auditor's opinion, as well as forms an opinion on the annual work of the statutory auditor, which includes: independence of the auditor; objectivity and professional skepticism; composition of the audit team; findings from audits by the Commission for Public Oversight on Statutory Auditors; communication and relationships with BEH EAD's management. 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 auditor's additional report (prepared pursuant to Art. 11, p. 2 of Regulation (EU) No 537/2014) and to make recommendations to the management of BEH EAD for removal of the significant weaknesses and deficiencies identified in the report;

- For the purposes of coordinating the relations with the audit committees of the subsidiaries of the Holding, the Committee is entitled, following the approval of the Board of Directors of BEH EAD:
  
  - to request information from the Audit Committees of the subsidiaries in connection with the performance of their activities and, if necessary, to inform the Board of Directors of BEH EAD when it considers that there are facts and circumstances that are relevant for the activity of the respective subsidiary;

  - to carry out investigations within its powers in the respective subsidiaries of BEH EAD after informing the management of BEH EAD and the management of the respective subsidiary. The investigations may be carried out at the proposal of any member of the Committee. The decision to conduct the investigation shall determine its term and subject, as well as the persons to conduct it.

7. INFORMATION PURSUANT TO ARTICLE 100m, paragraph 8, item 6 of POSA

The Board of Directors is appointed by a protocol decision of the Minister of Energy. The election of new members of the Board of Directors is performed in accordance with the principle of conformity of the candidates' competence with the nature of the Company's business operations.

VALENTIN NIKOLOV
EXECUTIVE DIRECTOR
BULGARIAN ENERGY HOLDING EAD
Consolidated non-financial statement

According to Art. 51, Section IV of the Accounting Act

Bulgarian Energy Holding EAD
31 December 2020
# TABLE OF CONTENTS

1. Brief description of the business model and general information ........................................... 3
   Holding structure ......................................................................................................................... 3
   Main activities. Mission and goals .............................................................................................. 3
   Management bodies .................................................................................................................... 5

2. Information related to environmental issues .............................................................................. 6
   Environmental protection systems, policies and rules. ............................................................... 6
   Monitoring of environmental indicators and resources used in the production process .......... 11

3. Information related to social matters ....................................................................................... 12
   Social responsibility to employees .............................................................................................. 12
   Personnel allocation ................................................................................................................... 12
   Health and Safety at Work ......................................................................................................... 14
   Professional development .......................................................................................................... 15
   Collective labour agreements .................................................................................................... 15
   Reported results ......................................................................................................................... 16

4. Issues related to human rights and the fight against corruption and bribery ........................ 16
   Sectorial anti-corruption plan for the energy sector ................................................................. 16
   Code of Ethics ............................................................................................................................ 17

5. Impact of the COVID-19 pandemic on the business of the companies ................................ 17
This Consolidated Non-Financial Statement has been prepared in accordance with the requirements of Art. 48-52 of the Accounting Act and contains a description of the policies of the companies within the "Bulgarian Energy Holding" EAD with regard to the activities carried out in the field of ecology, social issues and those related to employees, human rights and the fight against corruption.

1. Brief description of the business model and general information

Bulgarian Energy Holding Group (BEH) EAD includes companies operating in production and transmission of electricity, transmission, transit and storage of natural gas, as well as lignite mining. The group occupies a leading position in the natural gas and electricity market in Bulgaria. The Group owns the main electricity generation companies in the country, as well as the electricity transmission network and the natural gas transmission and transit networks. The group is also the public supplier of both electricity and gas in Bulgaria and is therefore a strategically important state-owned company.

Holding structure.

BEH EAD (parent company) and its subsidiaries form an economic group. The holding structure is presented in the chart below:

Main activities. Mission and goals.

BEH EAD and the companies within BEH Group carry out their operations in compliance with the Bulgarian and European legislation and in accordance with the licenses issued to them by the Energy and Water Regulatory Commission (EWRC) and the Nuclear Regulatory Agency.
### Brief description of the main activities

**Bulgarian Energy Holding EAD** operates as a financial holding company with the companies within its structure retaining their operational independence.

The services provided to the subsidiaries are in the field of financial management, project management, corporate governance and business planning, legal and regulatory issues, public relations and communication. These activities ensure the implementation of a unified approach within the group regarding the future development of energy companies, which is in line with the directions set out in the Energy Strategy of Bulgaria.

**NPP Kozloduy (NPP) EAD** is the only nuclear power plant in Bulgaria and the largest manufacturer of electricity in the country, providing more than a one third part of the national annual electricity production.

**TPP Maritsa East 2 (TPP ME2) EAD** is a basic condensing plant with an installed capacity of 1,620 MW, located in Maritsa East Energy Complex. The plant is a production source of strategic importance for the country. It is a key element in the Bulgarian energy system, providing the main load for consumption and regulating energy in the system for securing the supplies for the power system.

The main activity of Natsionalna Elektricheska Kompania (NEK) EAD is production, purchase and sale of electricity. NEK EAD owns and operates 30 hydropower plants (HPPs) and pumped storage hydropower plants (PSHPPs) with a total installed capacity of 2,713 MW in turbine mode and 937 MW in pumping mode.

The Natsionalna Elektricheska Kompania EAD is a public supplier of electricity and as such occupies a key position in the regulated market in the country.

### Mission and goals

The goals of Bulgarian Energy Holding are focused on the following main areas and priority areas:

- Financial sustainability of BEH Group and the electricity sector in the country through:
  - Providing funding for key activities and projects;
  - Cost optimization in BEH Group;
  - Elimination of deficits in BEH Group;
- Ensuring the security of the energy system through project management for:
  - Diversification of sources;
  - Diversification of routes;
  - Security, reliability and continuity of gas supplies;
  - Extending the life of the capacities guaranteeing the security of the system, coupled with ensuring long-term profitability;
  - Regional and European interconnection of the systems;
  - Liberalization of the electricity and gas markets.

The mission of NPP Kozloduy EAD is to supply the country and the region with energy in a reliable way with safe, efficient and environmentally friendly production at a reasonably low price.

The vision of the management of NPP Kozloduy EAD is to continue to be a safe and secure nuclear power plant in the long-term, to produce electricity with care for the environment and to achieve a reasonable balance between quantity, quality and prices.

The goal of the management of NPP Kozloduy EAD is safe, efficient and environmentally friendly long-term energy production with guaranteed quality and security of supply, in accordance with national and international standards.

The mission of TPP Maritza East 2 is aimed at achieving the following strategic goals:

- Increasing the security of energy supply;
- Strengthening the position in the regional and European markets;
- Increasing the investment attractiveness of the Bulgarian energy sector;

In the field of power supply and trade, Natsionalna Elektricheska Kompania EAD considers the following as its commitment and responsibility:

- To provide the required quantities of electricity for the customers of the end suppliers in the regulated electricity market;
- To fulfil its obligations for providing public interest services;
- To be a competitive participant in the power trade in the free market in the country and the region;

The strategic goals of NEK EAD include:

- Expansion of the company's market positions in the domestic and foreign markets;
- Portfolio development of business activities, ensuring sustainability and competitiveness;
- Offering licensing services to customers that meet their requirements.
The main activities of the Electricity System Operator (ESO) EAD include:
• Transmission of electricity through the electricity transmission network;
• Power System Management;
• Administration of electricity transactions in the balancing energy market;
• Electricity metering;
The company is certified as an Independent Power Transmission Operator.

Bulgargaz (BGAZ) EAD is mainly engaged in public supply of natural gas, as well as its related purchases and sales, purchase of natural gas for the purpose of its storage in a gas storage facility, marketing research and analysis of the natural gas market.

As a public supplier of natural gas, Bulgargaz EAD has as its main strategic goal to guarantee the interests of the public by providing long-term supplies of natural gas to the country.

Bulgartransgaz (BTG) EAD is a combined gas operator carrying out natural gas transmission and storage activities.

The mission of Bulgartransgaz EAD, as a combined gas operator holding licenses for transmission and storage of natural gas, is to ensure these activities following the interests of the state and society, to ensure conditions for security and sustainable development of the gas market in the country and the region, actively help the process of liberalization in the spirit of pan-European energy policy.

Strategic goals:
• Ensuring the security and reliability of the gas transmission system and the Chiren Underground Gas Storage (UGS);
• Development, modernization and expansion of the state infrastructure for transmission and storage of natural gas. Ensuring operational efficiency and flexibility of the system for establishing of a gas distribution center (hub) in the country and creation of an organized natural gas market (gas exchange);
• Ensuring the necessary conditions for establishing a competitive, efficient, liberalized and integrated gas market, in accordance with the requirements of the European legislation on the Third Energy Package for the natural gas market.

The main activity of Mini Maritsa-Iztok (MME) EAD includes extraction and sale of lignite coal through the development and operation of three open pit mines - "Troyanovo-1", "Troyanovo-North" and "Troyanovo-3".

The main goal of Mini Maritsa-Iztok EAD is to ensure the smooth and secure supply of lignite coal to the thermal power plants in the region, and respectively to fully meet their needs.

Management bodies

The sole owner of the capital of BEH EAD is the Republic of Bulgaria with the rights of the sole owner being exercised by the Minister of Energy, who has the capacity of Principal and is authorized to take all decisions provided within the competence of the sole owner of the capital, according to the law and the Articles of Association of the Company. The company is managed through a one-tier management system. The management bodies are the sole owner of the capital in its capacity of General Assembly - the Minister of Energy of the Republic of Bulgaria and the Board of Directors.

The subsidiaries NPP EAD, BGAZ EAD, MME EAD, NEK EAD, TPP ME2 EAD of BEH Group are managed through a one-tier management system. The management bodies of the companies are the sole owner of the capital - BEH EAD, which decides upon the issues within the competence of the General Meeting and the Board of Directors of the respective company, consisting of three members.
Bulgarian Energy Holding EAD
CONSOLIDATED NON-FINANCIAL STATEMENT
For the year ended 31 December 2020

The management bodies of the subsidiaries of BEH Group - ESO EAD and BTG EAD, in their capacity of independent transmission operators, include the Supervisory Board, consisting of three members, and a Management Board, consisting of three members. The rights of the sole owner of the capital of the companies are exercised by the Board of Directors of BEH EAD.


2. Information related to environmental issues

As a socially responsible structure, the protection of human health and the protection of the environment from adverse impacts, are key priorities for the Group. BEH EAD and the companies within BEH Group strictly observe the environmental standards and the applicable legislation in this field, both within the country and in the EU.

Environmental protection policies have been developed, aimed mainly at achieving the goals for protection of the atmosphere and the air cleanliness, safe management, minimization and recovery of waste, energy efficiency and assessment of the impact of raw materials on the environment, minimizing the risk of environmental damage and accidents.

All safety standards in the operation of production facilities are strictly observed, constant, systematic and comprehensive control over the activities, products and services that have a detrimental impact on the environment and human health is exercised, the best available techniques are applied and introduced.

Environmental protection systems, policies and rules.

*Bulgarian Energy Holding EAD*

Bulgarian Energy Holding EAD operates as a financial holding company and its activity does not imply violation of the environmental norms and the applicable legislation, both within the country and in the EU. The specifics of the company’s operation are such that its activities do not endanger the protection of the environment in any way.

*NPP Kozloduy EAD*

Environmental management is a process which forms part of the NPP Integrated Management System (IMS). The management of the non-radiation aspects of the impact of the nuclear power plant on the environment covers the entire site and all structural units included in the organizational and management structure. It is carried out according to the requirements of the international and Bulgarian standard BDS EN ISO 14001: 2015.

To manage the significant aspects and comply with the regulatory requirements, as well as the requirements and conditions of the permits and licenses issued to the NPP, programs are developed, the implementation of the activities of which is controlled and reported.

The environmental policy is aimed at achieving the following objectives:

- Protection of the atmosphere and the purity of the atmospheric air.
- Protection and management of the waters in the area of NPP Kozloduy.
- Safe management, minimization and utilization of non-radioactive waste.
- Energy efficiency and control of the environmental impact of the raw materials used.
- Minimization of the risk of environmental damage and accidents.
- The protection of the environment in the area of the nuclear power plant is based on the following principles:
  - Application of the requirements of the national and European legislation.
  - Maintaining compliance with the terms of the permits issued by the competent environmental authorities.
  - Regular planning and reporting of environmental policies, objectives and programs.
  - Carrying out effective monitoring and control of the processes and activities that have / could have an adverse impact on the environment.
  - Periodic review of the condition and optimization of the existing infrastructure for environmental protection;
  - Providing and maintaining the necessary resources to prevent and / or limit adverse effects on humans and the environment as a result of accidents and extreme natural conditions and events;
  - Maintaining and increasing the competence and safety culture of the NPP personnel with regard to environmental protection;
  - Appropriate informing of suppliers about the environmental policy of the NPP;
  - Maintaining public relations regarding the state and measures for environmental protection.
The implementation of the statutory and other environmental requirements concerning the non-radiation monitoring at the NPP is organized and controlled by the Environmental Management Department. The department is included in the structure of the Quality Assurance Department at the Safety and Quality Directorate. The infrastructure related to environmental protection includes facilities and means for:

- maintenance of equipment, systems and apparatus that contain fluorinated greenhouse gases (FGG);
- drainage, treatment, discharge and monitoring of wastewater;
- collection, transportation, storage and disposal of non-radioactive waste;
- safe storage and use of hazardous chemicals and mixtures, etc.

The condition of the environmental infrastructure is monitored during patrols, inspections and audits by responsible officials, according to the internal company documents. The results are reported to the NPP Management and are taken into account in the planning and organization of the activities.

The main competent environmental authorities with which the NPP maintains communications are the Ministry of Environment and Water (MoEW), the Regional Inspectorate of Environment and Water (RIEW) - Vratsa, the Danube Region Basin Directorate (BDR) - Pleven and the Executive Agency on Environment and Water (EAEW).

The management conducts annual reviews of IMS, and the results include a conclusion on the effectiveness of IMS, including SLD, and decisions related to any need for changes in the policy, environmental objectives, resources and activities, as well as opportunities for improvement.

The obligatory own non-radiation monitoring of water in the area of NPP Kozloduy, arising from water use permits, issued to the Company includes:

- measuring and reporting of the quantity of water used from the Danube River;
- measurement of the quantity of waste water (by individual streams) and the concentration of the pollutants in them, for which there are certain individual emission limitations in the permits;
- measuring the amount of groundwater extracted;
- monitoring of water levels and chemical status of groundwater bodies used for water extraction;
- monitoring of water levels and chemical status of groundwater on the industrial site, etc.

The non-radiation monitoring of water in NPP Kozloduy EAD is performed by the Testing Laboratory (TL) with the Engineering Chemistry Sector, Quality Assurance Department. LIK-IX is accredited according to BDS EN ISO / IEC 17025 by EA BAS under reg. №172 LI. The management system (MS) of LIK-IX is subject to annual reviews by the management, internal audits and planned supervision by the Bulgarian Accreditation Service (BAS).

**TPP Maritsa East 2 EAD**

The company has an established and continuously improved Environmental Management System (EMS) certified according to the international standard ISO 14001:2015 by the authorized body TÜV Rheinland Cert GmbH with initial certification in 2009. It has a certificate Reg. № 01 104 1334435 valid from 03.02.2021 until 02.02.2024 with the following scope of application: "Power generation in desulphurization plants at all existing units and provision of services - available power, primary and secondary frequency regulation and voltage regulation". In the period 09.12.2019 - 11.12.2020, a second supervisory audit was successfully completed after recertification of the EMS of the Company to prove compliance with the new requirements of the ISO 14001: 2015 standard.

The main goals of the company are:

- constantly improve the environmental status of the plant and the region;
- power generation with high reliability and energy efficiency;
- providing the best available techniques for environmental protection, and bringing the activity in line with the requirements of national regulation, the European directives and environmental standards;
- ensuring monitoring, measurement, analysis and evaluation of processes regarding the quality of products and services, environment and health and safety at work, aimed at decision-making based on evidence of the suitability, adequacy, efficiency and effectiveness of the Integrated Management System maintained by the company;
- protecting the components of the environment for present and future generations, and protecting human health and safety.
The main pollutants emitted into the atmosphere as a result of the combustion of East Marita lignite coal by MME EAD, characterized by a high content of moisture, ash and sulphur from the steam generators of TPP ME 2 EAD include: sulphur dioxide, nitrogen oxides, carbon dioxide, carbon monoxide and dust.

The minimization of dust emissions in the flue gases emitted into the ambient air from the combustion installations of the Company is carried out in electrostatic precipitators of Russian make. The company has made efforts and brought its activities in line with European environmental legislation.

In compliance with the requirements of Directive 2001/80 / E0 on the limitation of emissions to air of certain pollutants, emitted by large combustion plants, the Company has built and operates desulphurisation plants (DSPs) on all energy boilers at the respective power units: DSP 1 (unit 1 and unit 2), DSP 2 (unit 3 and unit 4), DSP 5,6 (unit 5 and unit 6), DSP 7 (unit 7) and DSP 8 (unit 8).

The built desulphurization plants for the purification of flue gases from sulphur dioxide on the basis of the "wet limestone method" with limestone suspension, located after the electrostatic precipitators in the path of the flue gases further reduce the emissions of dust released into the atmosphere.

To ensure compliance with Directive 2010/75/EU on industrial emissions, integrated pollution prevention and control and implementation of stricter emission limit values, the company is implementing since 01.01.2016 a series of projects to ensure an improved fuel process and complete engineering of low emission burners on boilers 1 - 12. The aim of the projects is to reduce nitrogen oxides to levels below 200 mg / Nm3.

TPP ME 2 EAD is included in the National Investment Plan (NIP) for the period 2013-2020. The following environmental projects are included in the plan and are in the process of implementation:

- Complete engineering for a gas-tight furnace at energy boilers 1 - 8;
- Complete engineering for a gas firing installation at energy boilers 1 - 12;
- Complete engineering for low emission burners at energy boilers 1 - 12.

The construction and commissioning of gas firing installations at energy boilers 1 - 12, internal gas pipeline network and 8 gas control points at power units from 1 to 8 is aimed at replacing fuel oil with natural gas during the start-up operations of the energy boilers.

The fuel oil will remain as a reserve firing fuel in case of suspended supply of natural gas. The implementation of the project will increase the efficiency of the company and reduce the negative impact on the components of the environment. It will contribute to the protection of life and health of citizens by reducing the equivalent amount of greenhouse gases, the annual emissions of dust, as well as the amount of sulphur dioxide released into the atmosphere.

**Natsionalna Elektricheska Kompania EAD**

NEK EAD has a certified "Integrated system for the management of quality, environment and health and safety at work" with the following scope "Construction and commissioning of HPPs, SHPPs and HEPs. Management of HEPs. Production of electricity in HPPs and SHPPs. Public supply of electricity. Power trading and coordination of a standard balancing group. Power supply from a supplier of a last resort and coordinator of a special balancing group. Decommissioning of HEPs, HPPs and SHPPs". In the environmental section, TÜV Rheinland Bulgaria OOD has issued a certificate № TRBA 110 0178 for compliance with the BDS EN ISO 14001: 2015 standard valid until 15.11.2022.

NEK’s policy is aimed at achieving and maintaining full compliance with applicable regulatory and other environmental requirements, reducing risks and preventing environmental incidents, as well as reducing the consequences of environmental impacts. The activities in the Company are carried out in strict compliance with the internal instructions and rules regarding the environment. The key internal rules ensuring environmental protection include:

- Instruction for determining the aspects of the environment.
- Work program with quality, environment and health and safety at work goals and measures to achieve in 2020.
- Program with long-term environmental measures of NEK EAD
- Methodology. Risk assessment in NEK EAD.
- Instruction. Conformity assessment.
- Non-compliance management rules.
- Instructions for safe storage and use of hazardous chemicals and mixtures.
- Instruction for administration of permits, according to the Water Act.
- Instruction on the procedure for carrying out waste management activities at NEK EAD.
- Emergency instruction and measures to reduce and prevent the consequences for the environment in case of calamities, accidents, disasters, etc. at the sites within the area of HPP Enterprise.
- Emergency instruction and measures for reduction and prevention of the consequences for the environment in case of disasters, accidents, catastrophes and others at the sites within the area of the "Dams and cascades" Enterprise.
- Instruction and measures for reduction and prevention of the consequences for the environment in case of disasters, accidents and other events in the headquarters.
- Plans for own water monitoring in the HPP Enterprise.

**Electricity System Operator EAD**

In 2020, ESO EAD continued to implement an environmental policy aimed at reducing the consequences of environmental impacts as a result of its operations. The company operates in strict compliance with environmental requirements in accordance with Bulgarian legislation and in accordance with Directive 75/439 / EEC on the disposal of waste oils.

- Activities involving treatment of waste oils and waste oil products

In a pursuant of Ordinance on waste oils and waste oil products, adopted by CMD №352 / 27.12.2012, promulgated SG, issue 2 / 08.01.2013 and on the grounds of Art. 3, para 1 of the same Ordinance, there is a process line operating in the system of ESO EAD in the area of MED Plovdiv, section BRTM, for the treatment of critically polluted oils by a sedimentation-absorption method using bleaching earth for transformer oils. This type of technological treatment generates hazardous waste, which is utilized by specialized contractors registered under the WMA.

To minimize the amount of released waste, ESO EAD has invested significant resources and procured an innovative computerized plant for the processing of low and medium contaminated transformer oils. The specialized percolation treatment plant uses a granular adsorbent, which can be made to undergo repeated recovery /over 300 work cycles/, during which operation practically no waste is generated.

According to WMA, SG. No. 53 / 13.07.2012, art. 6, art. 7 and art. 8, as well as in connection with art. 35, the holders of waste are obliged to provide the necessary financial means for the fulfilment of their obligations, specified in this law. Pursuant to the above-cited legal provisions, in 2020, ESO EAD has spent funds in the environmental field up to BGN 131 thousand, out of the allocated BGN 139 thousand at 31.12.2019. As of 31.12.2020, the company has accrued a provision for ecology for 2021 to the amount of BGN 428 thousand.

The following activities were also performed:
- Introduction of a comprehensive and efficient system, reflecting the condition and movements of existing waste for all sites of ESO EAD.
- Practical introduction of all forms under Ordinance №1 of MoEW “Procedure and templates for the provision of information on waste activities, as well as procedure for keeping public registers” – an identification document according to Annex №8 to Art. 1 of Ordinance №1, annual reports, etc., the environmental requirements being reflected in all contracts and other activities dealing with waste.

- Activities aimed at reducing ozone-depleting emissions of fluorinated greenhouse gases SF6 /elegas/:
  - Coordinating the achievement of compliance with the requirements of the Clean Air Act, the requirements of Regulation (EC) № 1005/2009 on substances that deplete the ozone layer and Regulation (EU) № 517/2014 on fluorinated greenhouse gases and associated regulations.
  - Drawing up annual reports in accordance with the Annexes to the Regulations implementing Regulation (EC) № 1005/2009 and Regulation (EU) № 517/2014.
  - Coordinating the implementation of the requirements of Ordinance № 1 of 17 February 2017 on the procedure and method of training and issuing documents for qualification of persons performing activities involving equipment containing fluorine-containing greenhouse gases, as well as on the documentation and reporting of fluorine-containing emissions greenhouse gases, issued by the Minister of Environment and Water and the Minister of Interior - promulgated, SG No. 20 of 7 March 2017, effective 07/03/2017.

- Activities for modernization or replacement of energy facilities containing environmentally hazardous components with facilities of a new type, which do not contain such components.
  - Gradual replacement of oil-filled circuit breakers;
Gradual replacement of oil-filled measuring transformers;
- Commissioning of new types of lighting fixtures;
- Partial replacement of spare HV battery stations with the incorporation of non-acidic cells;
- Upgrading the existing and constructing new oil collection pits at the sites where no such facilities have been provided so far.

- Accountability

Drawing up annual reports for submission to MoEW, EEA, NSI and GDFSPP-ML, according to the forms and deadlines for reporting under Ordinance №1 of MoEW "Procedure and templates for providing information on waste activities and procedure for keeping public registers.

Bulgargaz EAD

Bulgargaz EAD, as a public supplier of natural gas, does not carry out production activities and does not have any production sites exerting an impact on the environment. The company does not own any infrastructure sites (linear and on-site), while only using services related to the operation of the same, provided to it by the operators of these sites (Bulgatransgaz EAD and the Romanian operator Transgaz). Bulgargaz EAD carries out only commercial activities - purchase of natural gas for the purpose of its sale to customers.

Bulgatransgaz EAD

Bulgatransgaz EAD has developed a high culture in the field of environmental protection, in all activities and at all levels in the Company's structure. The main rule is to avoid any accidents or negative impacts on the environment by adopting an environmentally friendly behaviour in compliance with regulatory requirements. To fulfill the commitments aimed at ensuring environmental protection, the following activities related to the company's environmental policy are performed:

- Ensuring the necessary actions to maintain the environmental management system in accordance with the regulatory requirements of environmental legislation and all other compliance obligations. The company has developed, implemented and certified an environmental management system (EMS), which is in full conformity with the requirements of ISO 14001: 2015 "Environmental management systems". In 2020, Bulgatransgaz EAD successfully passed the first audit after the recertification according to the requirements of the standard in connection with the operation of the EMS, which was performed by TÜV NORD Bulgaria EOOD;

- The company applies and adopts the best available techniques. As a proof serve the projects for modernization of the compressor stations "Litamant", "Petrich" and "Lozenets". Modernization consists of the installation and commissioning of low-emission gas turbine compressor units, which meet all applicable environmental requirements;

- Developing and implementation of the risk mitigating policy of major accidents and limiting their consequences through a safety management system applicable within all entities of the company and in particular in UGS "Chiren", which has an updated, coordinated and approved safety report for operation of an enterprise with high-risk potential;

- Improving the qualification of the employees in relation to the issues of the environmental protection, according to the existing staff training program;

- Monitoring of key environmental parameters in accordance with set monitoring plans. The process includes monitoring of the greenhouse emissions, waters, soils, noise level, etc. Assessment of the compliance with the applicable regulatory requirements;

- Efficient management of the waste generated by the production activity, according to the normative requirements. Preparation of plans for construction waste management when the company is involved in construction activities;

- Maintaining communication with control bodies and all stakeholders in resolving environmental protection issues related to applicable environmental legislation;
Continuous improvement of the environmental management system in order to increase its effectiveness in relation to environmental protection.

*Mini Maritsa-Iztok EAD*

MME EAD is certified under ISO 14001: 2015 - an international standard that defines the requirements for the environmental management systems. It allows the organization to develop and implement policies, common goals, instructions, regulations and programs, taking into account the legal and other requirements that the organization should comply with towards minimizing the impact of significant aspects on the environment.

The last recertification audit of the three management systems and the certificates of conformity handed over by the Certification Body for Management Systems "TUV Rheinland Bulgaria" was conducted in 2019.

The following is achieved through the environmental management system, which forms part of the IMS:

- Supporting and improving the environmental management and performance;
- Assisting the achievement of compliance with the regulatory obligations for environmental management;
- Improving the image of the organization;
- Environmentally sound waste management across the Company.

Written documents for managing the activities related to the environment area have been approved and are being applied, and the company policy in this area is set out in the general Statement by the Management and forms part of the general policy of the Company. All documents are mandatory and count as an Order issued by the Executive Director.

In accordance with the national priorities for development of the energy sector and environmental protection, presented in "Energy Strategy of the Republic of Bulgaria" and "National Environmental Strategy", MME EAD declares sustainable development considering the requirements and expectations of all stakeholders and continuous reduction of the adverse impact on the environment as a result of its activities.

In 2020, considering the timely collection of the humus in the area of the mines, 600 000 cubic meters were collected and deposited. After coal extraction, the disturbed land is restored through technical remediation. No such activity has taken place during the reporting period. Requests for technical remediation are about to be made - about 50 ha for agricultural use in the area of "Troyanovo-3".

All waste is treated according to the "Program for waste management activities in the area of Mini Maritsa-Iztok EAD for the period 2016-2021", as endorsed by the Director of the Company.

Spent oil, lead-acid batteries, used car tires, used electrical and electronic equipment, PET bottles, ferrous and non-ferrous metal scrap, fluorescent tubes and other mercury-containing waste were handed over to licensed companies in 2020 on the basis of concluded contracts.

No spills or other accidents posing immediate threat to people and the environment have occurred during operation of the landfills in the reporting period.

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

Regarding the companies of BEH Group, producers of electric energy, the following results have been reported:

<table>
<thead>
<tr>
<th>Indicators for NPP Kozloduy EAD</th>
<th>Unit</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Radiation indicators (Emissions to the environment):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RBG activity in discharges</td>
<td>TBq</td>
<td>0,827</td>
</tr>
<tr>
<td>JA activity in discharges</td>
<td>MBq</td>
<td>3,28</td>
</tr>
<tr>
<td>I-131 activity in discharges</td>
<td>MBq</td>
<td>0,742</td>
</tr>
<tr>
<td>Unbalanced water activity (without tritium)</td>
<td>MBq</td>
<td>14,40</td>
</tr>
<tr>
<td><strong>Emissions of pollutants to the atmosphere:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO₂</td>
<td>t</td>
<td>471</td>
</tr>
<tr>
<td><strong>Resources used:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water resources, of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooling water (Danube River)</td>
<td>thousand m³</td>
<td>2 588 002</td>
</tr>
<tr>
<td>Water for CPW production (river Danube)</td>
<td>m³</td>
<td>1 236 400</td>
</tr>
<tr>
<td>Drinking water (WSS)</td>
<td>m³</td>
<td>284 050</td>
</tr>
<tr>
<td>Electricity ESO EAD (balancing market – shortage)</td>
<td>MWh</td>
<td>938,6</td>
</tr>
</tbody>
</table>
3. Information related to social matters

Human Resource Management (HRM) in BEH Group is defined as a strategic approach for managing the most valuable resource of the Group - the people who achieve the goals and provide a sustainable competitive advantage through their ability to create uniqueness and value.

Social responsibility to employees

BEH Group invests in its employees in the belief that they are its most valuable asset. As a responsible employer, the Group follows certain principles of workplace relations:

- No discrimination in the workplace;
- Ensuring health and safety at work;
- Providing development opportunities based on gender and age equality;
- Ensuring the right of association and labour protection of employees.

Human resources management plays a leading role in the successful implementation of the goals and priorities of the corporate strategy of BEH EAD. With regard to human resources management, BEH EAD operates a Human Resources Management Policy endorsed for the Group, as approved by Report № 71–2018 / 04.12.2018 by the Board of Directors of BEH EAD, effective from 01 January 2019 (the Policy). The policy regulates the general framework for the human resources management processes, while at the same time enabling the companies within the holding structure to apply the established approach, taking account of the specifics of the companies and the existing applicable regulations. Internal code of conduct at work and internal renumeration rules have been developed.

BEH Group strives to select the most suitable employees, organize their training and motivate them thus offering them opportunities for development in order for them to effectively perform the work. To achieve all this, the company maintains a working environment and working conditions which guarantee job security, good remuneration, in line with achieved results, opportunities for training and development and, above all, good working relationships.

BEH Group does not tolerate any form of discrimination based on sex, race, nationality, ethnicity, citizenship, origin, religion or belief, education, convictions, political affiliation, disability, age, property status, or other criteria. Equal rights and opportunities for work, development and career growth are provided based solely on the professional qualification, acquired experience, personal qualities and achieved work results. Personnel allocation

The number of employees in BEH EAD and the companies within the group, as of the end of 2020, is 20,386. The allocation of employees by category in the subsidiaries of the holding is as follows:

Personnel allocation according to the national classification of occupations and positions:
### Personnel allocation according to education:

<table>
<thead>
<tr>
<th>BEH</th>
<th>NPP</th>
<th>TPP</th>
<th>NEK</th>
<th>ESO</th>
<th>BGAZ</th>
<th>BTG</th>
<th>MME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher education</td>
<td>68</td>
<td>2183</td>
<td>911</td>
<td>774</td>
<td>1916</td>
<td>43</td>
<td>551</td>
</tr>
<tr>
<td>including women</td>
<td>39</td>
<td>840</td>
<td>259</td>
<td>305</td>
<td>437</td>
<td>27</td>
<td>352</td>
</tr>
<tr>
<td>Secondary education</td>
<td>8</td>
<td>1469</td>
<td>1353</td>
<td>1231</td>
<td>2046</td>
<td>8</td>
<td>593</td>
</tr>
<tr>
<td>including women</td>
<td>7</td>
<td>335</td>
<td>276</td>
<td>239</td>
<td>201</td>
<td>4</td>
<td>605</td>
</tr>
<tr>
<td>Primary education</td>
<td>-</td>
<td>22</td>
<td>50</td>
<td>57</td>
<td>20</td>
<td>-</td>
<td>12</td>
</tr>
<tr>
<td>including women</td>
<td>-</td>
<td>3</td>
<td>11</td>
<td>5</td>
<td>6</td>
<td>-</td>
<td>22</td>
</tr>
</tbody>
</table>

### Personnel allocation by age:

<table>
<thead>
<tr>
<th>BEH</th>
<th>NPP</th>
<th>TPP</th>
<th>NEK</th>
<th>ESO</th>
<th>BGAZ</th>
<th>BTG</th>
<th>MME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 18 - 30 years</td>
<td>5</td>
<td>198</td>
<td>123</td>
<td>102</td>
<td>177</td>
<td>3</td>
<td>56</td>
</tr>
<tr>
<td>including women</td>
<td>3</td>
<td>73</td>
<td>18</td>
<td>22</td>
<td>26</td>
<td>1</td>
<td>25</td>
</tr>
<tr>
<td>Age 31 - 40 years</td>
<td>26</td>
<td>805</td>
<td>545</td>
<td>374</td>
<td>736</td>
<td>15</td>
<td>209</td>
</tr>
<tr>
<td>including women</td>
<td>12</td>
<td>239</td>
<td>110</td>
<td>101</td>
<td>101</td>
<td>8</td>
<td>153</td>
</tr>
<tr>
<td>Age 41 - 50 years</td>
<td>24</td>
<td>1117</td>
<td>857</td>
<td>587</td>
<td>1218</td>
<td>12</td>
<td>375</td>
</tr>
<tr>
<td>including women</td>
<td>17</td>
<td>399</td>
<td>221</td>
<td>186</td>
<td>218</td>
<td>10</td>
<td>372</td>
</tr>
<tr>
<td>Age 51 - 60 years</td>
<td>14</td>
<td>1419</td>
<td>765</td>
<td>756</td>
<td>1469</td>
<td>16</td>
<td>419</td>
</tr>
<tr>
<td>including women</td>
<td>9</td>
<td>444</td>
<td>193</td>
<td>215</td>
<td>266</td>
<td>8</td>
<td>411</td>
</tr>
<tr>
<td>Age over 60 years</td>
<td>7</td>
<td>135</td>
<td>34</td>
<td>243</td>
<td>382</td>
<td>5</td>
<td>97</td>
</tr>
<tr>
<td>including women</td>
<td>5</td>
<td>23</td>
<td>6</td>
<td>25</td>
<td>33</td>
<td>4</td>
<td>18</td>
</tr>
</tbody>
</table>

The main areas of corporate social responsibility of the companies within the Group are focused on transparent corporate governance, sustainable development and guaranteed quality and safety of employees. The companies within the Group cooperate with and are members of various organizations thus supporting the adequate and effective implementation of the strategy for corporate social responsibility.

Within the framework of the Corporate Social Responsibility policy of NPP EAD, joint initiatives with the municipalities in the region and voluntary initiatives have been undertaken resulting from the personal commitment of the employees to ensure lasting benefits for the local community: helping people in need,
supporting the development of public works, infrastructure and healthcare, as well as such in the field of education, science, culture and sports.

The activities implemented with the support of NPP EAD in 2020 included repairs and renovation of public buildings and sites, donation of assets to social institutions, purchase of medical equipment and support of medical institutions, numerous donations for medical treatment of those in need. The employees of the Company respond to many medical treatment actions and blood donation initiatives.

As part of the corporate social responsibility of Mini Maritsa-Izток EAD, projects related to healthcare, art, sports, protection of cultural and historical heritage, etc. are traditionally implemented. A priority in the corporate social responsibility program of Mini Maritsa-Izток EAD is the support of young people. The Children's Ethno Festival "Children of the Balkans" has been traditionally supported, which provides an opportunity for creative expression and development of young talents.

The fund of the community centres and schools in the municipality of Radnevo is supported with instructional and other literature. Internship and on-the-spot training for pupils and students from Sofia University "St. Kliment Ohridski" and the University of Mining and Geology "St. Ivan Rilski" - Sofia are provided and the company supports on an annual basis the education of students and young professionals.

The company supports a number of donation programs. Traditionally, it supports the mission of SOS Children's Villages to create families for children in need, and Mini Maritsa-Izток EAD participates each year in the charity initiative "The Bulgarian Christmas".

Health and Safety at Work

Health and safety at work is the main priority of the holding. Given the specifics of their activities, the companies within BEH Group purposefully follow a policy of strict compliance with the requirements of the laws and regulations on health and safety at work in force in the country. In this regard, the main objectives relate to the protection of life, safety and working capacity of employees in the company, as well as maintaining the health of staff and the public in carrying out activities related to the use of nuclear energy, eliminating or minimizing existing risks associated with the production process, adopting and implementing decisions for the implementation of legal, socio-economic, organizational-technical, sanitary-hygienic and treatment-and-prophylactic measures to ensure safe and healthy working environment.

The factors of the working environment are regularly measured and the risks for each work activity assessed in order to successfully eliminate or mitigate the risks for the health and safety of workers.

Each worker and employee receives adequate training in and is briefed on healthy and safe conditions of work in accordance with the specifics of their position and workplace. The employees of the Group are offered a wide range of social services - medical check-ups, proper recreation, rehabilitation and recovery from the work process.

Given the specifics of the activity in NPP Kozloduy EAD, a set of organizational and technical measures for ensuring a safe working environment have been introduced for the protection of life, safety and working capacity of the employees. For the safe realization of the labor process, appropriately trained and instructed persons, possessing the necessary qualification and legal capacity, are admitted to the respective labor activities. Employees are presented with continuous information through instructions for safe work, examples of good practice, supportive training and opportunities for professional development. Means of collective protection are provided. The workplaces are designed in accordance with the ergonomic requirements and the anthropometric characteristics of the workers. All workers are provided with personal protective equipment depending on the specifics of the workplace, the possible dangers and risks at work. Constant monitoring and analysis of the health condition of the employees is provided, including the provision of emergency care through the Occupational Medicine Service and its medical emergency team. Preventive medical examinations are organized, the frequency of which is determined by the nature of the work, the working conditions and the age of the employees. Prophylaxis is provided to strengthen the health and working capacity of workers, as well as prevention of the often ill and chronically ill. Reduced working hours, regulated work and rest regime, as well as free food have been introduced.

In accordance with the requirements of the legislative documents, continuous control of the factors of the working environment is performed, through periodic measurements and assessment of the risks for each labor activity. Risk management programs have been developed in the structural units. The assessed risk is negligibly low or small, which does not require additional measures, but compliance with those currently introduced. Workers are informed about the possible risks and the measures taken to prevent or reduce their impact.

In order to develop effective corrective measures to ensure the prevention of accidents at work or to reduce the frequency and / or severity of their consequences, as a preventive measure, the accidents at work on the territory
of NPP Kozloduy EAD, despite the fact that they are not leading to loss of working time and ability to work are investigated and analyzed on a general basis as in the case of accidents at work.

Operating as a dedicated unit, responsible for ensuring safety and health at work at TPP ME2 EAD, is the "Department for safety and health at work" (DSHW). Each newly appointed employee at TPP ME 2 EAD receives training in Safety and Health at work according to the specifics of their workplace and profession. The officials who manage, control or are immediately involved in the technical operation of the plants, machinery and equipment are periodically tested for their awareness of Ordinance № 9 of 9.06.2004 on the technical operation of power plants and grids, and the HSW Regulations for non-electrical/ electrical installations in power plants.

Ensuring safe and healthy conditions of work forms part of the overall concept for the future development of MME EAD. The employees of the Company are provided with: special work clothes and personal protective equipment; free food; tonic and invigorating drinks for night shift workers; medical staff for round-the-clock duty; ambulances and first aid equipment; measuring the parameters of the working environment by an accredited body; opportunity for up to 4% of the full-time jobs in the affiliates and up to 10% in the management to be occupied by transferred workers and employees and others.

Professional development

The purpose of training for and development of employees is to improve their knowledge, skills and personal qualities, and to provide opportunities for their development, so that the employees meet the requirements for the position and adapt to the changing environment external to the company.

Taking account of the specifics of the operations and in accordance with the international standards and national requirements, a system for personnel training and qualification has been put in place at NPP EAD which forms an integral part of the plant’s management system. The Plant has its own instructional and training centre (ITC) providing conditions for specialized training and featuring a full-scale simulator for units equipped with BBEP-1000 reactors. The company conducts mandatory initial and supportive specialized training in activities taking place in nuclear facilities and such involving sources of ionizing radiation.

The NPP EAD has the necessary license issued by the NRA to perform specialized training for activities in nuclear facilities and with sources of ionizing radiation.

The training of the personnel of NPP EAD starts from the appointment of the specific person and continues until the end of his / her employment, being conducted in the form of instruction (initial, on-the-job, periodic and extraordinary), theoretical (lecture training, self-preparation and interactive training), practical (practical training in workshops and laboratories, training in working conditions and training) and simulation training.

In 2020, a total of 1350 training courses were organized and conducted in the "Training Center" department and nearly 1345 on-the-job trainings. A total of 3135 employees of NPP and 4160 persons, from 162 different external companies and organizations, have been trained.

An important part of the human resources management strategy at the company is the recruitment of young professionals. To this end, NPP EAD annually opens its doors for conducting: group on-the-job training of students from the last year of the course of studies in vocational high schools specializing in nuclear energy; group practical or specialization training for students; paid group specialization of students; paid and unpaid individual summer student internships. These activities are carried out in accordance with the requirements of an approved Administrative Instruction. In 2020, the Company continued the scholarship program launched in 2018 for students in priority specialties of higher education.

One of the priorities of the human resources management in ESO EAD is raising the qualifications in accordance with the requirements of the new techniques and technologies in the branch. The additional training at the company is carried out in the form of various specialized programs – carrier enhancement training organized by the Centre for Professional Qualification /CPQ/, workshops and external training by authorized and reputable organizations.

The established system for training and qualification of the personnel forms an integral part of the management system of TPP ME2 EAD. The plant has its own Advanced Training Centre (ATC) which provides conditions for specialized training. ATC at TPP MI2 EAD offers and organizes training courses for 7 professions and specialties.

Collective labour agreements

Collective labour agreements (CLAs) have been concluded between the trade unions and some of the companies in BEH Group, which regulate specific labour, social security and social relations that are not regulated by mandatory legislative provisions. CLAs guarantee compliance with the Employer's commitments to guarantee the rights of the staff. The typical arrangements in the collective labour agreements are also aimed at maintaining the
Bulgarian Energy Holding EAD
CONSOLIDATED NON-FINANCIAL STATEMENT
For the year ended 31 December 2020

social peace in the companies, a prerequisite for effective conduct of negotiations and a form of conflict prevention. The arrangements establish a framework for social activities in some of the companies, and the achieved conditions are mainly oriented towards the following: safety and health of workers and employees in the companies, providing favorable conditions for rest and recreation of staff, social benefits, financial benefits, compensations, etc.

Reported results
The following results have been reported in relation to implemented social policies:

<table>
<thead>
<tr>
<th>Indicators / th. of BGN /</th>
<th>BEH</th>
<th>NPP</th>
<th>TPP</th>
<th>NEK</th>
<th>ESO</th>
<th>BGA Z</th>
<th>BTG</th>
<th>MME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trainings, qualifications and workshops</td>
<td>7</td>
<td>283</td>
<td>40</td>
<td>142</td>
<td>195</td>
<td>1</td>
<td>75</td>
<td>154</td>
</tr>
<tr>
<td>Donations and social events</td>
<td>376</td>
<td>5,042</td>
<td>5,159</td>
<td>-</td>
<td>168</td>
<td>24</td>
<td>9</td>
<td>343</td>
</tr>
<tr>
<td>Social costs, including</td>
<td>671</td>
<td>41,901</td>
<td>17,492</td>
<td>19,503</td>
<td>26,534</td>
<td>876</td>
<td>22,955</td>
<td>32,995</td>
</tr>
<tr>
<td>Free food, work clothes, personal protective equipment</td>
<td>-</td>
<td>12,905</td>
<td>6,450</td>
<td>-</td>
<td>3,077</td>
<td>321</td>
<td>4,854</td>
<td>631</td>
</tr>
<tr>
<td>Medical care</td>
<td>-</td>
<td>1,108</td>
<td>233</td>
<td>377</td>
<td>731</td>
<td>-</td>
<td>33</td>
<td>254</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>-</td>
<td>10,809</td>
<td>19,126</td>
<td>22,726</td>
<td>555</td>
<td>-</td>
<td>32,110</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicator</th>
<th>BEH</th>
<th>NPP</th>
<th>TPP</th>
<th>NEK</th>
<th>ESO</th>
<th>BGA AZ</th>
<th>BTG</th>
<th>MME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence of a valid CLA</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>Membership as of December 31 2020</td>
<td>-</td>
<td>3,674</td>
<td>2,318</td>
<td>417</td>
<td>3,982</td>
<td>-</td>
<td>1,156</td>
<td>7,048</td>
</tr>
<tr>
<td>% of the number of employees as of 31.12.2020</td>
<td>-</td>
<td>100</td>
<td>99.74</td>
<td>20.22</td>
<td>100</td>
<td>-</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Newly joined members in 2020</td>
<td>-</td>
<td>196</td>
<td>73</td>
<td>433</td>
<td>82</td>
<td>-</td>
<td>92</td>
<td>129</td>
</tr>
<tr>
<td>Employees who renounced the terms of CLA in 2020</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>208</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

4. Issues related to human rights and the fight against corruption and bribery

Anti-corruption plan for the energy sector

The companies in BEH Group implement the Sectorial Anti-Corruption Plan for the energy sector1 (Sectorial anti-corruption plan), approved by Order № E-PD-16-536 / 30.10.2015 of the Minister of Energy. This plan elaborates on and makes more specific the priority areas for prevention of and cracking down on corruption in the energy sector, ensuring transparent management and accountability in the conduct of activities at the Ministry of Energy and at the companies with more than 50% state-ownership of equity.

BEH EAD and the companies in BEH Group apply internal rules and procedures for registration and taking action upon complaints of corruption and / or conflict of interest and such of a more general nature, and for the protection of persons who have submitted such information. The examination of the received complaints is carried out on the principle of confidentiality of the information and protecting the anonymity of the persons who have submitted such complaints. The following results have been reported in connection with the implementation of the Sectorial Anti-Corruption Plan in the energy sector in 2020:

Code of Ethics

BEH EAD and the companies in BEH Group have adopted a Code of Ethics, which aims to define the ethical norms and rules of conduct in the corporate culture of employees, sets out the framework in which all employees operate, guides them in their daily contacts with colleagues and external contractors and reflects the norms of proper corporate behaviour. The purpose of the Code of Ethics is to achieve a more comfortable working environment that leads to a higher level of commitment of each employee in the work process.

5. Impact of the COVID-19 pandemic on the business of the companies

In relation to permanent COVID-19 pandemic and according to the state of emergency declared with the Decision of the National Assembly of the Republic of Bulgaria from March 13th, 2020, and recommendations of the National Operational Headquarters, established by Order №P-37 / 26.02.2020. of the Prime Minister, and on the basis of Order №RD-01- 124 / 13.03.2020. of the Minister of Health, BEH Group’s companies took anti-epidemic measures and established the necessary organization for the safe and quality functioning of the electricity system (EES) in the conditions of the declared state of emergency in the country. The aim of the measures was to protect the employees and thus to ensure the smooth and continuous operation of the country’s electricity system.

Imposed measures restricting the access of foreign citizens on the territory of the Republic of Bulgaria in relation to the emergency state declared necessitated the optimization of the investment costs allocation by years and postponement of part of scheduled investments.

The start of vaccination process worldwide is expected to have a positive impact on the economy and on the recovery of major production and trade activities.

VALENTIN NIKOLOV
CHIEF EXECUTIVE OFFICER
15.06.2021
Sofia
Consolidated Report on Payments to Governments

Bulgarian Energy Holding EAD

31 December 2020
Bulgarian Energy Holding EAD
Annual consolidated report on payments to governments as at 31 December 2020

This Annual consolidated report on payments to governments was prepared in compliance with the requirements of Art. 58 of the Accountancy Act, according to which parent enterprises operating in the field of mining, quarrying or logging of primary forests, which are required to prepare consolidated financial statements, shall draw up a consolidated report on payments to governments in accordance with the requirements of Section V of the Account Act.

Bulgarian Energy Holding EAD is a holding company and owns the company “Mini Maritsa-Izток” EAD.
“Mini Maritsa-Izток” EAD operates in the mining industry, CEA 2008 05.20 “Mining of coal and lignite”.

1. Payments on concession contract

Under decision № 655 dated 13 July 2005 of the Council of Ministers (promulgated in State Gazette, 61 from 26 July 2005) a concession for mining of mineral resources in the „Maritsa Izток coal basin“ has been granted to the Company. The concession contract was signed on 11 August 2005 between the Grantor — Council of Ministers of the Republic of Bulgaria and the Concessionaire — “Mini Maritsa-Izток” EAD.

According to the contract Mini Maritsa-Izток EAD is granted the exclusive right to conduct exploration and mining of coal from the „Maritsa Izток coal basin“ within the concession area and to acquire the extracted coal.

The coal extraction from the deposit is performed by an open mining within the concession area including transport and sale of the extracted coal under the following conditions:

- within the concession area – 473,685,540.87 square meters
- for a 35-years period – as the period starts from the date of entry into force of the Contract with an option the Contract to be extended for another 15 years if the mining continues in commercial quantities; there are proven reserves in the Coal deposit and the Concessionaire requests in written form such extension.

For the period 01.01.2020 – 31.12.2020 concession fees to the Ministry of Energy amounting to BGN 13,265 thousand have been paid as follows:

- Paid obligation for the second half of 2019 – BGN 7,302 thousand, VAT excluded, or paid amount with VAT – BGN 8,763 thousand
- Paid obligation for the first half of 2020 – BGN 3,751 thousand, VAT excluded, or paid amount with VAT – BGN 4,502 thousand

The amount of the concession fee due for the second half of 2020 amounts to BGN 3,829 thousand, VAT excluded, with maturity payment to 31.01.2021, and has been paid on time.

The development of the operational mining activities of „Mini Maritsa-Izток“ EAD based on the concession contract (project) is the reason for the occurrence of the following payments to different entities (governments).

2. Payments to Municipality of Radnevo

In relation to the mining activities development, the Company has made payments under the following projects to the Municipality of Radnevo:

- „Mini Maritsa-Izток“ EAD has concluded a contract for financing and conducting rescue archeological excavations on 19.06.2020 with the Municipality of Radnevo in favor of the Maritsa East Archaeological Museum. The amount paid in 2020 is BGN 264 thousand.

3. Taxes paid

“Mini Maritsa-Izток” EAD has paid BGN 1,875 thousand corporate tax on the accounts of „Large Taxpayers and
Bulgarian Energy Holding EAD
Annual consolidated report on payments to governments as at 31 December 2019

Insurers’ TD of NRA Sofia, including:

- BGN 675 thousand - final corporate tax on annual tax declaration for 2019;
- BGN 1200 thousand - corporate tax advance payments for 2020.

The report on Payments to Governments has been prepared on 15 June 2021 and approved by the Board of Directors of “Mini Maritsa-Iztok” EAD on 15 June 2021.

VALENTIN NIKOLOV
EXECUTIVE DIRECTOR
BULGARIAN ENERGY HOLDING EAD

15 June 2021
Sofia
INDEPENDENT AUDITOR'S REPORT

TO THE SOLE SHAREHOLDER OF

BULGARIAN ENERGY HOLDING EAD

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of BULGARIAN ENERGY HOLDING EAD and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the "Basis of qualified opinion" section of our report the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for Qualified Opinion

1. The Group has concluded an agreement for the construction of a nuclear power plant, as disclosed in Note 19 “Property, plant and equipment” of the financial statements. The Government of the Republic of Bulgaria decided to discontinue the construction of the nuclear power plant and pursuant to a Decision, dated 27 February 2013, of the 41st National Assembly upheld this decision.

Pursuant to a Decision of the National Assembly, dated 7 June, 2018, the Government of the Republic of Bulgaria made a decision to resume actions in seeking opportunities for the construction of NPP Belene together with a strategic investor, on a market basis and without providing a state guarantee, through separation of the assets and liabilities for the Project NPP Belene into a separate project organization. Pursuant to this decision and the decision of the Council of Ministers of 29 June, 2018, "National Electric Company" EAD issued a call for selection of a strategic investor for the construction of NPP Belene. The notice also gives an opportunity to declare interest in acquiring a minority stake in the future project company as well as to purchase electricity from the future power plant. In accordance with the procedure for selecting a strategic investor for the implementation of Belene NPP, the Ministry of Energy sent letters to the five companies included in the "short list" prepared by a working group to confirm their intention to continue their participation in the procedure by submitting binding offers. By 31 January 2020, confirmation letters for submitting binding bids from all five companies were received at The Ministry of Energy.

The indicative deadline for submitting the binding offer was planned for 31 May 2020, but due to the current pandemic situation, the deadline for preparing binding offers has been postponed and will start from the date on which the candidates are provided with physical access to the information department for the project, located in the building of "National Electric Company” EAD.

As at 31 December 2020, the presented in Note 19 “Property, plant and equipment” to the financial statements include property, plant and equipment related to a project for construction of the Nuclear Power Plant “Belene” with a total carrying amount of BGN 2,398,080 thousand (31 December 2019: BGN 2,349,474 thousand), of which assets under construction BGN 2,325,019 thousand (31 December 2019:
BGN 2,273,205 thousand). In accordance with its accounting policy, the Group has agreed to capitalize all costs directly attributable to the project as assets under construction until a final decision about the future of the project.

The Group is not able to make a reliable estimate of the recognized assets related to the project and accordingly in the financial statements as at 31 December 2020 no impairment loss is recognized, as well as provisions for possible future liabilities of the Group related to the construction of the nuclear power plant “Belenë”. We were unable to obtain sufficient and appropriate audit evidence regarding the recoverable value of the mentioned above Group assets and the completeness of the recognized liabilities related to this project, respectively we have not been able to determine whether any adjustments to these amounts are necessary, also to determine their effect on the financial statements as at 31 December 2020.

2. As disclosed in Note 19 "Property, plant and equipment" of the financial statements, for assets under construction with carrying amount of BGN 38,053 thousand as at 31 December 2020 (31 December 2019: BGN 37,994 thousand) which implementation has been discon tinued by the Group and postponed for a period exceeding five years. We were unable to obtain sufficient and appropriate audit evidence, regarding the recoverable value of these assets to become convinced with reasonable assurance about their amount and to determine whether any adjustments of the amount of these assets are necessary and the possible amount of the impairment as at 31 December 2020.

3. As disclosed in Note 4.27 "Provisions - Provision for decommissioning of nuclear facilities" of the consolidated financial statements, as at 31 December 2020, the Group’s activity gives rise to the necessity to provide for future expenses for the decommissioning of nuclear facilities. According to the legislation currently in force and other international agreements, a portion of these expenses could be assumed by national and international funds. In accordance with the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Group should recognize provisions for decommissioning of nuclear facilities and a separate asset for its right to receive reimbursements in the event the asset’s value can be reliably determined. We were not provided with an assessment of these future expenses and any related reimbursements. Consequently, we were not able to become convinced with reasonable assurance about the assessment of provisions and receivables related to them as at 31 December 2020.

4. As disclosed in Note 35 “Related Party Disclosures” of the financial statements as at 31 December 2020, the Group has not recognized a liability in respect of a commitment to a third party, under the Agreement of March 7, 2016 for reimbursement of the expenses in capital investment amounting to BGN 23,470 thousand. Due to the lack of a mechanism under the legislation in force at the date of preparation of the financial statements to reimburse these costs, the Group has not recognized this obligation as of the date of the report. In 2019, the counterparty initiated arbitration proceedings against the Group and filed a claim for the amount of BGN 23,470 thousand, representing outstanding principal and BGN 1,269 thousand representing contractual interest for delay, as of the date of service of the arbitration notice.

As a result, we were unable to obtain sufficient and appropriate audit evidence regarding the completeness of the recognized liabilities in the consolidated financial statements and related receivables as at 31 December 2020.

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

1. As at 31 December 2020, the Group, through its subsidiary „National Electric Company“ EAD, exploits property and equipment disclosed in Note 19 “Property, plant and equipment”, with a carrying amount of BGN 882,950 thousand (2019: BGN 892,867 thousand), which have been declared public state property under the Water Act. According to the requirements of the same law, the functions of management and maintenance of dam walls and their facilities should be performed by a “dam wall operator”, which function as at the date of preparation of this financial statement has not yet been assigned to the subsidiary by the competent authorities. As of the date of this financial statement there is no change in the legislation regarding the ownership and exploitation of these assets.

2. We draw attention to the disclosure in Note 4.27 “Provisions” and 40.5 “Commitments and Contingent Liabilities”, where is disclosed an information about the Group’s commitments under a concession contract for the development and mining of coal. The financial collateral obligation for the costs for leaving the concession area is realized by setting aside funds into special security accounts that can be used only for the purpose of which they are intended. Despite the actions, taken by the Group and a started procedure for opening special accounts, as at 31 December 2020 the procedure is not finalized and the Group does not have set aside funds in an additional guaranteed bank account and has not issued a bank guarantee in favor of the concession provider to secure contract activities.

Our opinion is not modified in respect of these matters.

Information Other than the Consolidated Financial Statements and Auditor’s Report Thereon

Management is responsible for the other information. The other information comprise the consolidated management report, including the corporate governance declaration, consolidated non-financial statement and the consolidated report on payments to governments, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor’s report thereon, which we received before the date of our audit report.

Our opinion on the consolidated financial statement does not cover the other information and we do not express any form of assurance thereon, unless it is explicitly stated in our report and to the extent it is stated.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and thus to consider whether the other information is materially inconsistent with the consolidated financial statements or with our knowledge obtained during the audit or otherwise appears to contain incorrect reporting.

If, based on the work we have performed, we conclude that there is a material incorrect reporting of this other information, we are required to report this fact.

As described in the “Basis for Qualified Opinion” section, matters from 1 to 4 above, we were unable to obtain sufficient and appropriate audit evidence about the valuation of assets and liabilities, related to Project NPP Belene, the valuation of other assets under construction with carrying amount of BGN 38,053 thousand, the assessment of provisions for decommissioning of nuclear facilities, the completeness of the recognized liabilities and the related receivables in conjunction with expenses for capital investment in the amount of BGN 23,470 thousand, representing unpaid principal and the amount of BGN 1,269 thousand representing contractual interest for delay, as of the date of service the notice of arbitration as at 31 December 2020. Accordingly, we were unable to conclude whether the other information does not contain incorrect reporting regarding to the financial indexes and respective disclosures referring to these matters.

Key Audit Matters

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

In addition to the matters described in the “Basis for Qualified Opinion” section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<thead>
<tr>
<th>Fair value measurement of property, plant and equipment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Note 19 <em>Property, plant and equipment</em>, Note 37 <em>Fair value measurement</em></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Key audit matter</th>
<th>How this key audit matter was addressed in our audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Group applies the revaluation model for subsequent measurement of property, plant and equipment. Under the accounting policy of the Group, assets are revalued every 3 years or shorter. The frequency of subsequent revaluation of property, plant and equipment when applying the revaluation model depends on whether the carrying amount materially differs from the fair value at the end of the reporting period. At the date of the financial statements, the fair value of property and equipment amounts to BGN 12,176,129 thousand, which represents 60% of the Group’s assets. The revaluation reserve as at 31 December 2020 amounts to BGN 6,972,027 thousand. Revaluation of property, plant and equipment at fair value is a complex process of calculating estimates, using multiple assumptions and applying specific methods and models. The last revaluation of the Company was performed for the period ending on 31 December 2018. Due to the specific nature of the machinery and equipment and the lack of similar assets to be treated as market analogues, the evaluator used the depreciated recoverable value method as the one with the highest weight that is part of the cost approach. The estimate is influenced by assumptions about recoverable value, physical, functional and economic wear and tear of machinery and equipment and residual useful life. Therefore, these valuations have inherent relative uncertainty associated with the use of various forecasts and assumptions with a certain degree of subjectivity. Due to the specificity of the valuation process of the type of assets and the significant use of fair value level 3 of the fair value hierarchy, as well as the materiality of that assets group, we have identified this matter as a key audit matter.</td>
<td></td>
</tr>
<tr>
<td>In this area our audit procedures included, but were not limited to:</td>
<td></td>
</tr>
<tr>
<td>• Review of the adopted accounting policy regarding the subsequent reporting of this group of assets in accordance with the applicable standards.</td>
<td></td>
</tr>
<tr>
<td>• Review of the certain useful life of this group of assets.</td>
<td></td>
</tr>
<tr>
<td>• Review of the accounting policy for impairment of this group of assets in accordance with the applicable standards.</td>
<td></td>
</tr>
<tr>
<td>• Analysis of the independence, objectivity, competence and qualification of the independent appraiser, performed the last assessment.</td>
<td></td>
</tr>
<tr>
<td>• Evaluation and analysis of the methods used by the independent appraiser.</td>
<td></td>
</tr>
<tr>
<td>• Comparison of the results of the valuation report with the accounting records of the Group’s entities.</td>
<td></td>
</tr>
<tr>
<td>Review for completeness and adequacy of the disclosures in the consolidated financial statement of the Group, regarding to Property, plant and equipment.</td>
<td></td>
</tr>
</tbody>
</table>

*HLB BULGARIA*

149-151, Konstantin Velichkov blvd., Sofia 1309, Bulgaria

**TEL:** +359 (2)920 2201  **FAX:** +359 (2)920 3665  **EMAIL:** office@hlb.bg
Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

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

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

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

— Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient and appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Additional Matters to be reported under the Accountancy Act and the Public Offering of Securities Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the “Information Other than the Consolidated Financial Statements and Auditor’s Report Thereon” section, in relation to the consolidated management report, the Group corporate governance statement, the consolidated non-financial statement and the consolidated report on payments to governments, we have also performed the procedures added to those required under ISAs in accordance with “Guidelines about new and expanded auditor’s reports and communications from the auditor’s side” of the professional organization of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA) applicable in Bulgaria.

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

Based on the procedures performed, our opinion is that:

a) The information included in the consolidated management report referring to the financial year for which the consolidated financial statements have been prepared is consistent with those consolidated financial statements on which we have expressed a qualified opinion in „Report on the Audit of the Consolidated Financial Statements” section above.

b) The consolidated management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and Art. 100m, paragraph 7 of Public Offering of Securities Act.c).

c) The Group corporate governance statement referring to the financial year for which the consolidated financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100(m), paragraph 8 of the Public Offering of Securities Act.

d) The consolidated non-financial statement referring to the financial year for which the consolidated financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

e) The consolidated report on payments to governments referring to the financial year for which the consolidated financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Opinion in connection with Art. 100(m), paragraph 10 in conjunction with Art. 100(m), paragraph 8 (3) and (4) of the Public Offering of Securities Act

hlb.bg
149-151, Konstantin Velichkov blvd., Sofia 1309, Bulgaria
TEL: +359 (2)920 2201 FAX: +359 (2)920 3665 EMAIL: office@hlb.bg
Based on the procedures performed and the obtained knowledge and understanding about Group’s activities and the environment in which it operates, in our opinion, the description of the main characteristics of Group’s internal control and risk management systems relevant to the financial reporting process, which is part of the consolidated management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

**Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act**

In accordance with the requirements of the Independent Financial Audit Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

— Audit firm HLB Bulgaria OOD was appointed as a statutory auditor of the consolidated financial statements of BULGARIAN ENERGY HOLDING EAD for the year ended 31 December 2020 by the Minutes № Е-РД-21-16 of the Minister of Energy dated from 15 June 2018 for a period of three years.

— The audit of the consolidated financial statements of the Group for the year ended 31 December 2020 represents sixth total uninterrupted statutory audit engagement for that group carried out by us.

— We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to the audit committee of BULGARIAN ENERGY HOLDING EAD, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

— We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.

— We hereby confirm that in conducting the audit we have remained independent of the Group.

Audit firm
HLB BULGARIA OOD

Veronica Revalskaya
Manager
Registered auditor, responsible for the audit
16 June 2021
Consolidated Financial Statement
Bulgarian Energy Holding EAD
31 December 2020
# Bulgarian Energy Holding EAD

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Revenue from sales</td>
<td>6</td>
<td>4,462,353</td>
</tr>
<tr>
<td>Other operating income</td>
<td>7</td>
<td>1,133,502</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>5,595,855</strong></td>
<td><strong>6,741,980</strong></td>
</tr>
<tr>
<td>Cost of natural gas, electricity and other current assets sold</td>
<td>8</td>
<td>(2,439,580)</td>
</tr>
<tr>
<td>Change in finished goods and work in progress</td>
<td>9</td>
<td>24,210</td>
</tr>
<tr>
<td>Cost of acquisition of property, plant and equipment</td>
<td>10</td>
<td>44,272</td>
</tr>
<tr>
<td>Cost of materials</td>
<td>11</td>
<td>(294,793)</td>
</tr>
<tr>
<td>Hired services expenses</td>
<td>19</td>
<td>(288,233)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>20</td>
<td>(629,109)</td>
</tr>
<tr>
<td>Employee benefits expenses</td>
<td>13</td>
<td>(956,118)</td>
</tr>
<tr>
<td>(Expenses for)/reintegration of impairment, net</td>
<td>12</td>
<td>(30,378)</td>
</tr>
<tr>
<td>Cost for purchase of greenhouse gas emissions and other provisions</td>
<td>32</td>
<td>(393,988)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>14</td>
<td>(363,207)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>268,931</strong></td>
<td><strong>454,712</strong></td>
</tr>
<tr>
<td>Share of profit from associates and joint ventures</td>
<td>21</td>
<td>40,324</td>
</tr>
<tr>
<td>Financial income</td>
<td>15</td>
<td>30,198</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>16</td>
<td>(150,748)</td>
</tr>
<tr>
<td><strong>Profit/(Loss) before tax</strong></td>
<td><strong>188,705</strong></td>
<td><strong>419,238</strong></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>17</td>
<td>(31,504)</td>
</tr>
<tr>
<td><strong>Profit/(Loss) for the year from continuing operations</strong></td>
<td><strong>157,201</strong></td>
<td><strong>399,402</strong></td>
</tr>
<tr>
<td><strong>Profit/(Loss) for the year</strong></td>
<td><strong>157,201</strong></td>
<td><strong>399,402</strong></td>
</tr>
</tbody>
</table>

Profit/(loss) for the year attributable to:

- Sole-shareholder of the parent company | 157,254 | 399,573 |
- Non-controlling interest | (53) | (171) |
| **Total** | **157,201** | **399,402** |

## Earnings/(Loss) per share

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Earnings/(Loss) from continuing operations</td>
<td>18.1</td>
<td>0.045</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>0.045</td>
</tr>
</tbody>
</table>

Valentin Nikolov
Executive Director

Marieta Velikova
Chief Accountant

Date of preparation: 15 June 2021

The Consolidated financial statement was authorized for issue by a Decision of the Board of Directors, dated 15 June 2021.

The accompanying notes from page 8 to page 118 are an integral part of these consolidated financial statements.

Audit firm
HLB Bulgaria OOD
Bulgarian Energy Holding EAD

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’000</td>
<td>BGN’000</td>
</tr>
<tr>
<td></td>
<td>157,201</td>
<td>399,402</td>
</tr>
</tbody>
</table>

**Other comprehensive income**

*Items that will not be reclassified to profit or loss:*
- Revaluation of property, plant and equipment: 19 (107,788) -
- Revaluation of defined benefit liability: 31 (12,739) (40,215)
- Net change in the fair value of financial assets (equity instruments): 23 (193) 85
- Income tax, relating to items that will not be reclassified to profit or loss: 23 12,074 4,014

*Items that may be reclassified to profit or loss:*
- Exchange differences from recalculation of foreign activities: (4) 2

**Share of other comprehensive income of associates**

*Items that may be reclassified to profit or loss:*
- Cash flow hedges, net of tax: 1,733 2,131
- Income tax related to items that may be reclassified to profit or loss: 23 (173) (213)

*Items that will not be reclassified to profit or loss:*
- Revaluation of defined benefit liability: 94 (258)
- Net change in the fair value of financial assets (equity instruments): (195) 105
- Income tax, related to items that will not be reclassified to profit or loss: 23 10 15

**Other comprehensive income for the year, net of tax**
23 (107,181) (34,334)

**Total comprehensive income for the year**
50,020 365,068

Total comprehensive income for the year, attributable to:
- Sole-shareholder of the parent company: 50,073 365,239
- Non-controlling interest: (53) (171)

50,020 365,068

Valentin Nikolov
Executive Director

Marieta Velikova
Chief Accountant

Date of preparation: 15 June 2021

The Consolidated financial statement was authorized for issue by a Decision of the Board of Directors, dated 15 June 2021.
The accompanying notes from page 8 to page 118 are an integral part of these consolidated financial statements.

Audit firm
HLB Bulgaria OOD
Bulgarian Energy Holding EAD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 December 2020 BGN’ 000</th>
<th>31 December 2019 BGN’ 000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, Plant and Equipment</td>
<td>19</td>
<td>16,310,862</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>20</td>
<td>25,517</td>
</tr>
<tr>
<td>Investments in joint ventures, associates and other enterprises</td>
<td>21</td>
<td>196,335</td>
</tr>
<tr>
<td>Non-current receivables from other related parties</td>
<td>35</td>
<td>55,745</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>22</td>
<td>382,374</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>23</td>
<td>179,578</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>24</td>
<td>942,800</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>22</td>
<td>754,383</td>
</tr>
<tr>
<td>Related party receivables</td>
<td>35</td>
<td>66,384</td>
</tr>
<tr>
<td>Income tax receivables</td>
<td></td>
<td>4,973</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td>25</td>
<td>1,299</td>
</tr>
<tr>
<td>Cash and short-term deposits</td>
<td>26</td>
<td>1,446,179</td>
</tr>
<tr>
<td>Assets of a group classified as held for sale</td>
<td>27</td>
<td>56,242</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Valentin Nikolov
Executive Director

Marieta Velikova
Chief Accountant

Date of preparation: 15 June 2021

The Consolidated financial statement was authorized for issue by a Decision of the Board of Directors, dated 15 June 2021.
The accompanying notes from page 8 to page 118 are an integral part of these consolidated financial statements.

Audit firm
HLB Bulgaria OOD
**Bulgarian Energy Holding EAD**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Notes</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity and liabilities</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>28.1</td>
<td>3,462,942</td>
</tr>
<tr>
<td>Other reserves</td>
<td>28.2</td>
<td>2,626,924</td>
</tr>
<tr>
<td>Reserves from revaluation to fair value of financial instruments</td>
<td>28.3</td>
<td>1,667</td>
</tr>
<tr>
<td>Revaluation reserve of non-financial assets</td>
<td>28.4</td>
<td>6,972,027</td>
</tr>
<tr>
<td>Reserve from translation of foreign operations</td>
<td>28.5</td>
<td>98</td>
</tr>
<tr>
<td>Reserve from revaluation of defined benefit plans</td>
<td>28.6</td>
<td>(1,153,418)</td>
</tr>
<tr>
<td>Hedge reserve</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Accumulated loss)/Retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity, attributable to the sole-shareholder of the parent company</strong></td>
<td><strong>11,728,195</strong></td>
<td><strong>11,678,173</strong></td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>(98)</td>
<td>(45)</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td><strong>11,728,097</strong></td>
<td><strong>11,678,128</strong></td>
</tr>
</tbody>
</table>

| **Non-current liabilities**        |                  |                  |
| Loans and finance lease liabilities | 29               | 2,046,289        |
| Deferred tax liabilities           | 23               | 647,785          |
| Deferred financing                 | 30               | 490,976          |
| Liabilities for retirement employee benefits | 31               | 256,798          |
| Provisions                         | 32               | 262,420          |
| Deferred income                    | 33               | 206,152          |
| Trade and other payables           | 34               | 1,069,726        |
| Related party payables             | 35               | 999,926          |
| **Total non-current liabilities**  | **5,980,072**    | **5,012,656**    |

| **Current liabilities**            |                  |                  |
| Trade and other payables           | 34               | 826,113          |
| Related party payables             | 35               | 55,045           |
| Loans and finance lease liabilities | 29               | 1,273,598        |
| Liabilities for retirement employee benefits | 31               | 46,148           |
| Provisions                         | 32               | 445,216          |
| Deferred income                    | 33               | 3,490            |
| Deferred financing                 | 30               | 17,924           |
| Income tax payables                |                  | 1,089            |
| Liabilities of group classified as held for sale | 27               | 45,879           |
| **Total current liabilities**      | **2,714,502**    | **2,012,463**    |
| **Total liabilities**              | **8,694,574**    | **7,025,119**    |

| **Total equity and liabilities**   |                  |                  |
|                                   | **20,422,671**   | **18,703,247**   |

Valentin Nikolov                  Marioeta Velikova
Executive Director                Chief Accountant

Date of preparation: 15 June 2021

The Consolidated financial statement was authorized for issue by a Decision of the Board of Directors, dated 15 June 2021.

The accompanying notes from page 8 to page 118 are an integral part of these consolidated financial statements.

Audit firm
HLB Bulgaria OOD
Bulgarian Energy Holding EAD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Other reserves</th>
<th>Reserves from revaluation to fair value</th>
<th>Hedge reserve</th>
<th>Revaluation reserve of non-financial assets</th>
<th>Reserve from translation of foreign operations</th>
<th>Reserve from remeasurement of defined benefit liability</th>
<th>(Accumulated loss)/Retained earnings</th>
<th>Total equity of the shareholder of the parent company</th>
<th>Non-controlling interest</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Balance as of 1 January 2020</td>
<td>3,462,942</td>
<td>2,575,271</td>
<td>2,016</td>
<td>(3,270)</td>
<td>7,078,115</td>
<td>(5)</td>
<td>(168,849)</td>
<td>(1,268,047)</td>
<td>11,678,173</td>
<td>(45)</td>
</tr>
<tr>
<td>Profit/Loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>157,254</td>
<td>157,254</td>
<td>(53)</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>(349)</td>
<td>1,560</td>
<td>(97,009)</td>
<td>(4)</td>
<td>(11,379)</td>
<td>-</td>
<td>(107,181)</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>(349)</td>
<td>1,560</td>
<td>(97,009)</td>
<td>(4)</td>
<td>(11,379)</td>
<td>157,254</td>
<td>50,073</td>
<td>(53)</td>
</tr>
<tr>
<td>Written-off revaluation reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Transfer of profits to reserves</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Other changes in equity</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Balance as of 31 December 2020</td>
<td>3,462,942</td>
<td>2,626,924</td>
<td>1,667</td>
<td>(1,710)</td>
<td>6,972,027</td>
<td>(9)</td>
<td>(180,228)</td>
<td>(1,153,418)</td>
<td>11,728,195</td>
<td>(98)</td>
</tr>
</tbody>
</table>

Valentin Nikolov
Executive Director

Marieta Velikova
Chief Accountant

Date of preparation: 15 June 2021

The Consolidated financial statement was authorized for issue by a Decision of the Board of Directors, dated 15 June 2021.

The accompanying notes from page 8 to page 118 are an integral part of these consolidated financial statements.

Audit firm
HLB Bulgaria OOD
Bulgarian Energy Holding EAD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Share capital</th>
<th>Other reserves</th>
<th>Reserves from revaluation to fair value</th>
<th>Hedge reserve</th>
<th>Revaluation reserve of non-financial assets</th>
<th>Reserve from translation of foreign operations</th>
<th>Reserve from remeasurement of defined benefit liability</th>
<th>(Accumulated loss)/Retained earnings</th>
<th>Total equity of the shareholder of the parent company</th>
<th>Non-controlling interest</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Balance as of 1 January 2019</td>
<td>3,462,942</td>
<td>2,540,604</td>
<td>1,846</td>
<td>(5,188)</td>
<td>7,093,642</td>
<td>(7)</td>
<td>(132,425)</td>
<td>(1,646,612)</td>
<td>11,314,802</td>
<td>447</td>
</tr>
<tr>
<td>Dividend distribution</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(17)</td>
<td>(17)</td>
</tr>
<tr>
<td>Repurchased shares</td>
<td>-</td>
<td>(536)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(536)</td>
<td>(304)</td>
</tr>
<tr>
<td>Transactions with the sole shareholder</td>
<td>-</td>
<td>(536)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(536)</td>
<td>(321)</td>
</tr>
<tr>
<td>Profit/Loss for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>399,573</td>
<td>399,573</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>170</td>
<td>1,918</td>
<td>2</td>
<td>(36,424)</td>
<td>(34,334)</td>
<td>-</td>
<td>(34,334)</td>
</tr>
<tr>
<td>Total comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>170</td>
<td>1,918</td>
<td>2</td>
<td>(36,424)</td>
<td>399,573</td>
<td>365,239</td>
<td>(171)</td>
</tr>
<tr>
<td>Written-off revaluation reserve</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(15,527)</td>
<td>-</td>
<td>-</td>
<td>15,527</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfer of profits to reserves</td>
<td>-</td>
<td>36,416</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(36,416)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other changes in equity</td>
<td>-</td>
<td>(1,213)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(119)</td>
<td>(1,332)</td>
<td>-</td>
</tr>
<tr>
<td>Balance as of 31 December 2019</td>
<td>3,462,942</td>
<td>2,575,271</td>
<td>2,016</td>
<td>(3,270)</td>
<td>7,078,115</td>
<td>(5)</td>
<td>(168,849)</td>
<td>(1,268,047)</td>
<td>11,678,173</td>
<td>(45)</td>
</tr>
</tbody>
</table>

Valentin Nikolov
Executive Director

Marieta Velikova
Chief Accountant

Date of preparation: 15 June 2021

The Consolidated financial statement was authorized for issue by a Decision of the Board of Directors, dated 15 June 2021.

The accompanying notes from page 8 to page 118 are an integral part of these consolidated financial statements.

Audit firm
HLB Bulgaria OOD
Bulgarian Energy Holding EAD

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Notes</th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sales, including:</td>
<td>5,138,377</td>
<td>5,953,273</td>
</tr>
<tr>
<td>Proceeds from sale of electricity</td>
<td>3,014,232</td>
<td>3,024,154</td>
</tr>
<tr>
<td>Proceeds from sale of natural gas and auxiliary services</td>
<td>1,186,678</td>
<td>1,894,336</td>
</tr>
<tr>
<td>Proceeds from sale of lignite coal</td>
<td>268,037</td>
<td>290,607</td>
</tr>
<tr>
<td>Proceeds from other sales</td>
<td>669,430</td>
<td>744,176</td>
</tr>
<tr>
<td>Proceeds from the Security of the Electricity System Fund</td>
<td>1,010,153</td>
<td>1,341,272</td>
</tr>
<tr>
<td>Cash Proceeds from financing the activity (measure 60/40)</td>
<td>39,668</td>
<td></td>
</tr>
<tr>
<td>Payments to suppliers (3,717,088)</td>
<td>(4,453,235)</td>
<td></td>
</tr>
<tr>
<td>Payments to the personnel and social insurance institutions (942,544)</td>
<td>(934,888)</td>
<td></td>
</tr>
<tr>
<td>Payments to State funds (188,969)</td>
<td>(202,562)</td>
<td></td>
</tr>
<tr>
<td>Interest paid (98,795)</td>
<td>(98,479)</td>
<td></td>
</tr>
<tr>
<td>Payments of fees, commissions and others (13,458)</td>
<td>(19,158)</td>
<td></td>
</tr>
<tr>
<td>Other payments, net, including:</td>
<td>(309,926)</td>
<td>(544,169)</td>
</tr>
<tr>
<td>Income tax paid (72,094)</td>
<td>(84,382)</td>
<td></td>
</tr>
<tr>
<td>Payments to the State budget (138,183)</td>
<td>(352,326)</td>
<td></td>
</tr>
<tr>
<td>Other payments for operating activities (99,649)</td>
<td>(97,461)</td>
<td></td>
</tr>
<tr>
<td>Net cash flows from continuing operations</td>
<td>917,418</td>
<td>1,042,054</td>
</tr>
<tr>
<td>Net cash flows from operating activities</td>
<td>917,418</td>
<td>1,042,054</td>
</tr>
</tbody>
</table>

Cash flows from investing activities

Payments for property, plant, equipment and intangible assets (1,595,497) | (1,069,067) |
Acquisition of investments accounted by the equity method (48) | (41,464)    |
Disposal of subsidiaries, net of cash received - | 832          |
Proceeds from sale of property, plant and equipment 1,662 | 755          |
Loans provided (58,675) | -            |
Interest received 1,527 | 3,185        |
Dividends received and other proceeds from equity accounted investments 9,324 | 8,121        |
Financing of non-current assets 101,150 | 25,477       |
Cash provided as collateral (355,302) | (452,007)    |
Proceeds from cash provided as collateral 343,145 | 3,070        |
Interest income on deposits and cash provided as collateral 5,284 | 4,639        |

Net cash flows from investing activities (1,547,430) | (1,516,459) |

Cash flows from financing activities

Proceeds from loans 29.1 | 953,726 | 401,719 |
Repaid loans 29.1 | (301,476) | (77,400) |
Financial leasing payments 29.1 | (850) | (492) |
Dividends paid - | (11) |
Payments under issued bank guarantee (1,320) | (1,014) |
Net cash flows from financing activities 650,080 | 322,802 |

Net change in the cash and cash equivalents 20,068 | (151,603) |
Cash and cash equivalents as of 1 January 1,188,620 | 1,340,223 |
Gross amount of cash and cash equivalents at the end of the year 1,208,688 | 1,188,620 |
Effect of impairment on expected credit losses (3,506) | (3,612) |
Cash and cash equivalents as of 31 December 1,205,182 | 1,185,008 |

Valentin Nikolov
Executive Director

Manuela Velikova
Chief Accountant

Date of preparation: 15 June 2021

The Consolidated financial statement was authorized for issue by a Decision of the Board of Directors, dated 15 June 2021.
The accompanying notes from page 8 to page 118 are an integral part of these consolidated financial statements.

Audit firm
HLB Bulgaria OOD
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. Corporate information
The Consolidated Financial Statements of Bulgarian Energy Holding (BEH) EAD and its subsidiaries ("the Group") for the year ended 31 December 2020 were approved for issuance by a decision of the Board of Directors under Protocol No.31-2021/15.06.2021.

The Group’s main activity comprises:
- The production, extraction, transportation, storing, management, distribution, sale and/or purchase of natural gas, electricity, heating energy, coals, as well as any other types of energy and raw materials, used in production;
- The organization of power exchange market for trading in the fields of energy and electrical supply;
- Investment activities in the fields of energy.

The number of personnel in the system of Bulgarian Energy Holding EAD as of 31 December 2020 is 20,386 employees (31 December 2019: 21,085 employees).

The parent company Bulgarian Energy Holding EAD is a sole-owner joint stock company, registered in the Republic of Bulgaria. The entity is the successor of the state enterprise Oil and Gas (Neft i Gas), incorporated in 1973, and renamed in December 1975 to Gas Supply (Gazosnadbyavane). In accordance with the Decree on Business Activities, in the beginning of 1990, the entity was renamed to Bulgargaz. Pursuant to a decision of the Council of Ministers, dated 12 May 1993, Bulgargaz was transformed into a sole-owner joint stock company. Based on a transformation plan, dated 27 October 2006, and the appendices thereto, Bulgargaz EAD was transformed into Bulgargaz Holding EAD through the split of two sole-owner joint stock companies – Bulgartransgaz EAD and Bulgargaz EAD. The split was executed under the provisions of Art. 262 (d) of the Commercial Act. Bulgartransgaz EAD and Bulgargaz EAD are legal successors of the respective portion of the property (rights and obligations) of Bulgargaz Holding EAD. By virtue of Decision No.45 dated 15 January 2007 the transformation was registered in the Sofia City Court.

By virtue of Protocol No.RD-21-305 dated 18 September 2008 of the Minister of Economy and Energy, the company name of Bulgargaz Holding EAD was changed to Bulgarian Energy Holding EAD, with capital raise through an in-kind contribution of the par value of all shares of the capital of Natsionalna Elektricheska Kompania EAD, NPP Kozloduy EAD, TPP Maritsa East 2 EAD and Mini Maritsa Iztok EAD.

The registered address and headquarters of Bulgarian Energy Holding EAD are as follows: Sofia - 1000, Oborishte area, 16 Veslets Str.

The principal activities of Bulgarian Energy Holding EAD are as follows: acquisition, valuation and sale of shares in trading companies, that operate in the fields of generation, production, transmission, transit, storage, management, distribution, sale and/or purchase of natural gas, electricity, thermal power, coals, as well as any other type of energy and raw materials for production, participation in the management of such companies, their financing, acquisition, valuation, issue and sale of bonds, acquisition, valuation and sale of patents, concessions of licenses for use of patents of the abovementioned companies, as well as performance of own production or trade activity.

As of 31 December 2020 Bulgarian Energy Holding EADs managed by a Board of Directors consisting of the following members: Andon Petrov Andonov - Chairman of the Board of Directors, Jacklen Yosif Cohen - Member of the Board of Directors and Executive Director and Zhivko Dimitrov Dinchev - Member of the Board of Directors. The company is represented by the Executive Director Jacklen Cohen.

As of the date of preparation of the consolidated financial statements, Bulgarian Energy Holding EAD is managed by a Board of Directors consisting of the following members:
- representatives of the state in the Board of Directors: Stelian Penchev Koev, Ivan Todorov Andreev, Valentin Aleksov Nikolov;
- independent member of the Board of Directors: Diyan Stanimirov Dimitrov;
- Member of the Board of Directors for a period from the date of registration until a new selection procedure: Aleksandar Plamenov Tsarmoreckii.

The company is represented by the Executive Director Valentin Nikolov.

Sole and ultimate owner of Bulgarian Energy Holding EAD is the Bulgarian State through the Minister of Energy.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

As of 31 December 2020 the subsidiaries, joint ventures and associates included in the consolidated financial statements are as follows:

<table>
<thead>
<tr>
<th>Company</th>
<th>State of incorporation</th>
<th>Main activity</th>
<th>31 December 2020 %</th>
<th>31 December 2019 %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Subsidiaries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nacionalna Elektricheska</td>
<td>Bulgaria</td>
<td>Electricity generation and public supplier of electrical energy</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Kompania EAD</td>
<td>Bulgaria</td>
<td>Public supplier of natural gas</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Bulgargaz EAD</td>
<td>Bulgaria</td>
<td>Storage and transmission of natural gas</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Bulgartel AD</td>
<td>Bulgaria</td>
<td>Telecommunication operator</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>NPP Kozloduy EAD</td>
<td>Bulgaria</td>
<td>Generation of electricity and thermal power</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>TPP Maritsa East 2 EAD</td>
<td>Bulgaria</td>
<td>Generation of electricity and thermal power</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Mini Maritsa Iztok EAD</td>
<td>Bulgaria</td>
<td>Mining and selling of coal</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Elektroenergien Sistemen Operator EAD</td>
<td>Bulgaria</td>
<td>Transmission of electricity</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Bulgartel Skopje DOOEL</td>
<td>Northern Macedonia</td>
<td>Telecommunication operator</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>HPP Kozloduy EAD</td>
<td>Bulgaria</td>
<td>Hydroelectric power generation and electric power distribution</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Interpiborservice OOD</td>
<td>Bulgaria</td>
<td>Installation and maintenance of automated systems</td>
<td>63.96%</td>
<td>63.96%</td>
</tr>
<tr>
<td>PFC Beree Stara Zagora EAD</td>
<td>Bulgaria</td>
<td>Professional football club</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>NPP Kozloduy - New Builds EAD</td>
<td>Bulgaria</td>
<td>Operation of nuclear power plant facilities with the purpose of generating electricity</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Gas Hub Balkan EAD</td>
<td>Bulgaria</td>
<td>Construction and operation of an electronic platform for concluding bilateral transactions and stock market with physical and non-physical products - natural gas, energy products, energy carriers, energy, green and white certificates, carbon emissions and other energy-related products.</td>
<td>100%</td>
<td>-</td>
</tr>
<tr>
<td><strong>Joint ventures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICGB AD</td>
<td>Bulgaria</td>
<td>Construction and operation of a gas transmission system</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>South Stream Bulgaria AD</td>
<td>Bulgaria</td>
<td>Construction and operation of a gas transmission system</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Transbalkan Electric Power Trading S.A. – NECO S.A.</td>
<td>Greece</td>
<td>Sales of electricity</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td><strong>Associates</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contour Global Maritsa East 3 AD</td>
<td>Bulgaria</td>
<td>Generation of electricity</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>Contour Global Operations Bulgaria AD</td>
<td>Bulgaria</td>
<td>Operation and maintenance of a thermal power plant</td>
<td>27%</td>
<td>27%</td>
</tr>
<tr>
<td>ZAD Energy</td>
<td>Bulgaria</td>
<td>Insurance and reinsurance</td>
<td>48.08%</td>
<td>48.08%</td>
</tr>
<tr>
<td>POD Allianz Bulgaria AD</td>
<td>Bulgaria</td>
<td>Pension insurance</td>
<td>34%</td>
<td>34%</td>
</tr>
<tr>
<td>Hydro Power Company Gorna Arda AD</td>
<td>Bulgaria</td>
<td>Construction of hydroelectric power plants</td>
<td>24%</td>
<td>24%</td>
</tr>
</tbody>
</table>

9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

2. Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) as developed and issued by the International Accounting Standards Board (IASB) and approved by the European Union (EU). In the meaning of paragraph 1 (8) of the Additional Provisions of the Accountancy Act applicable in Bulgaria, the term “IFRSs approved by the EU” means the International Accounting Standards (IAS) adopted in accordance with European Parliament and Council Regulation (EC) 1606/2002, they include International Accounting Standards, International Financial Reporting Standards and related interpretations, subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the International Accounting Standards Board.

The consolidated financial statements are presented in Bulgarian Lev (BGN) which is the functional currency of the parent company. All amounts are reported in BGN '000 (including the comparative information for 2019), unless otherwise stated.

The parent company - Bulgarian Energy Holding EAD - prepared and issued Separate Financial Statements for the year ended as of 31 December 2020, where the investments in subsidiaries, associates and joint ventures are presented at the relevant acquisition cost. The Separate Financial Statements of BEH EAD were approved for issuance by a decision of the Board of Directors dated 13 May 2021.

The consolidated financial statements have been prepared in accordance with the going concern principle, taking into account the possible effects of the continuing impact of the COVID-19 coronavirus pandemic. The operations and future development of the Group are based on implementation of the State energy strategy whose aim is to increase and ensure the security of energy supplies, to implement priority energy projects and to support the financial participation of the state in these projects. The Management has analyzed the validity of the going concern basis, considering the plans, the estimates and the business programs of the Group companies. As a result, it has concluded that the use of the going concern principle is appropriate.

The initial impact of the state of emergency declared in March 2020 to curb the spread of coronavirus COVID-19, led to a number of measures concerning the organization of the work of the companies in the Group.

In connection with the need to determine the sequence of anti-epidemic actions to limit the spread of COVID-19, by orders of the Executive Directors of the companies anti-epidemic measures were introduced and persons responsible for the implementation of the introduced measures were appointed. The implemented organizational and technical measures to limit the spread of COVID-19 are in accordance with the instructions and the orders of the Minister of Health and other competent authorities.

The companies have organized access control which will guarantee control and non-admission in the office premises of employees with poor health, the access of outsiders to the working premises is limited, remote holding of the working meetings is organized, periodic disinfection and ventilation of the working premises is performed.

All employees use personal protective equipment provided by the companies. Remote organization of work has been introduced and work schedules have been prepared for employees.

The introduced anti-epidemic measures are updated in accordance with the epidemic situation and the orders of the Minister of Health and other competent authorities.

As of the date of the report, the normal operation of the companies in the Group has been restored, monitoring and complying with the provisions for anti-epidemic measures recently issued by the competent authorities.

3. Changes in accounting policy

3.1. General

For the current financial year, the Group has adopted all new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the EU and the International Interpretations Committee of IFRSs which become effective as of 1 January 2020, but they do not have a material effect on the Group’s financial statements. The Group has not adopted any standards, interpretations or amendments that have been published but have not yet become effective.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Below is a summary of new standards and amendments that become effective for the first time for periods beginning on or after 1 January 2020 (the year ending on 31 December 2020) and forthcoming requirements, as standards and amendments that will enter into force on or after 1 January 2021.

New standards, amendments and interpretations to IFRS, which came into force on 1 January 2020

3.2. New standards, amendments and interpretations to IFRS, which came into force on 1 January 2020

The Group applies the following new standards, amendments and interpretations to IFRS, developed and published by the International Accounting Standards Board, which have an effect on the financial statements of the Group and are mandatory for application from the annual period beginning on 1 January 2020.

The following standards and interpretations apply for the first time to financial reporting periods beginning on or after 1 January 2020:

Definition of Material - Amendments of IAS 1 and IAS 8 - effective from 1 January 2020;
IASB has amended IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting estimates and errors that use a consistent definition of substantiality in International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarifying when information is substantial and incorporating some of the guidance in IAS 1 on non-substantial information. In particular, the amendments clarify:
- that the reference to obscuring information relates to situations where the effect is similar to omission or misstatement of that information and that the entity assesses materiality in the context of the financial statements as a whole, and
- the significance of the “primary users of general purpose financial statements” to which these financial statements are directed, defining them as “existing and potential investors, lenders and other creditors” who must rely on general purpose financial statements for a large some of the financial information they need.

Definition of a Business - Amendments of IFRS 3 - effective from 1 January 2020;
The amended definition of a business requires acquisition to include invested resources and a substantive process, which together make a significant contribution to the ability to generate results. The definition of "output" is amended to focus on goods and services provided to customers, generating investment income and other income, and excludes returns in the form of lower costs and other economic benefits. The changes are likely to lead to more acquisitions, which are reported as asset acquisitions.

Interest Rate Benchmark Reform - Amendments to IFRS 7, IFRS 9 and IAS 39 - effective from 1 January 2020.
Amendments to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain relief in relation to the interest rate benchmark reform. Reliefs relate to hedge accounting and result in the modifications required as a direct result of the interest rate benchmark reform and made on an economically equivalent basis not leading to the cessation of hedge accounting. However, any hedging inefficiencies must continue to be reported in the income statement. Given the comprehensive nature of hedging, including IBOR-based contracts, the relief will affect businesses in all industries.

Amendments to the Conceptual Framework for Financial Reporting, effective from 1 January 2020
The IASB has published a revised conceptual framework that will be used for standard-setting solutions with immediate effect. Key changes include:
- increasing the importance of management for the purpose of financial reporting;
- restoration of caution as a component of neutrality;
- designation of a reporting enterprise, which may be a legal entity or part of an enterprise;
- revision of the definitions of asset and liability;
- removing the probability threshold for recognition and adding derecognition guidelines;
- adding guidelines for different measurement bases and
- an indication that the gain or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be revised when this increases the appropriateness or correct presentation of the financial statements.

No changes will be made to any of the applicable accounting standards. Enterprises that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with in
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

accordance with accounting standards will have to apply the revised framework from 1 January 2020. These entities will have to consider whether their accounting policies are still appropriate under the revised framework.

As a result of the COVID-19 pandemic, lessees were granted rent concessions. Such concessions can take a variety of forms, including suspension of payments for a specified period and deferral of rent payments. In May 2020, the IASB amended IFRS 16 Leases to allow lessees to treat certain rental concessions in the same way as they would have done had it not been for the lease modifications. In many cases, this will result in discounts being considered as variable lease payments in the period in which they are granted. Enterprises applying the measure in practice must disclose this fact, whether or not it has been applied to all identified concessions or, if not, information on the nature of the contracts to which it has been applied and the amount recognized in profit or loss arising from rental concessions.

3.3. The following and interpretations were issued but were not mandatory for the annual reporting periods ending on 31 December 2020.

IFRS 17 Insurance Contracts - effective date: initially on 1 January 2021, but extended until 1 January 2023 by the IASB in March 2020.
IFRS 17 was issued in May 2017 as a replacement for IFRS 4 Insurance Contracts. It requires an ongoing measurement model in which estimates are remeasured for each reporting period. Contracts are measured using the building blocks of:
- discounted cash flows with weighted probabilities
- explicit risk adjustment, and
- contracted services margin (CSM), representing the unearned profit of the contract, which is recognized as income during the coverage period.
The standard allows a choice between recognizing changes in discount rates or in the profit or loss statement, or directly in other comprehensive income. The choice is likely to reflect how insurers report their financial assets in accordance with IFRS 9.
An additional, simplified approach to the distribution of premiums is allowed for the obligation for the remaining coverage under short-term contracts, which are often written by life insurance insurers.
There is a modification of the general measurement model, called the 'variable fee approach', for certain contracts concluded by life insurers in which policyholders participate in the return on the underlying elements. When the variable fee approach is applied, the entity's share of changes in the fair value of the underlying items is included in the CSM. Therefore, the results of insurers using this model are likely to be less variable than for the general model. The new rules will affect the financial statements and key performance indicators of all entities that enter into insurance contracts or investment contracts with discretionary participation characteristics.

Classification of Liabilities as Current or Non-Current - Amendments to IAS 1 - effective date: 1 January 2022 [possibly postponed to 1 January 2023]
The amendments within the narrow scope of IAS 1 Presentation of Financial Statements clarify that liabilities are classified as current or non-current depending on the rights that exist at the end of the reporting period. The classification is not affected by the entity's expectations or events after the reporting date (e.g. revenue from hesitation or breach of agreement). The amendments also clarify what IAS 1 means when it refers to the settlement of a liability. The changes may affect the classification of liabilities, especially for entities that have previously taken management's intentions into account in determining the classification, as well as for certain liabilities that may be converted into equity.
They should be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
In May 2020, the IASB published a draft exposure proposing to postpone the effective date of the amendments to 1 January 2023.

Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16 - effective date: 1 January 2022
The amendment to IAS 16 Property, Plant and Equipment (PPE) prohibits an entity from deducting from the cost of an asset of PPE any proceeds from the sale of manufactured items while the entity is preparing the asset for its intended
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

use. It also clarifies that the entity “tests whether the asset is functioning properly” when assessing the technical and physical characteristics of the asset. The financial presentation of the asset is not relevant to this assessment. Entities must disclose separately the amounts of income and expenses related to manufactured items that are not the result of the enterprise’s normal activities.

Reference to the Conceptual Framework- Amendments to IFRS 3 - effective date: 1 January 2022
Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception to the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Taxes. The amendments also confirm that contingent assets should not be recognized at the acquisition date.

Onerous contracts - Cost of Fulfilling a Contract Amendments to IAS 37 - effective date: 1 January 2022
The amendment to IAS 37 clarifies that direct costs of fulfilling a contract include both additional costs of fulfilling a contract and the allocation of other costs directly attributable to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, an entity recognizes any impairment loss that has occurred on the assets used in fulfilling the contract.

Annual improvements to IFRS standards 2018-2020 - effective date: 1 January 2022
The following improvements were finalized in May 2020:
- IFRS 9 Financial Instruments - clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- IFRS 16 Leases - amendment to Illustrative Example 13 to remove the illustration of lessor payments related to improvements to lease rights, to remove any confusion regarding the treatment of lease incentives.
- IFRS 1 Adoption of International Financial Reporting Standards for the First Time - allows entities that have measured their assets and liabilities at carrying amounts recorded in the accounting records of their parent companies to also measure any recalculations differences using the amounts reported by the parent company. This amendment will also apply to associates and joint ventures that have undertaken the same exemption under IFRS 1.
- IAS 41 Agriculture - removing the requirement for entities to exclude tax cash flows when measuring fair value under IAS 41. This amendment seeks to bring it into line with the requirement for a post-tax discounted cash flow standard.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (- Amendments to IFRS 10 and IAS 28)
The IASB has amended the scope of IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify the accounting treatment of sales or asset contributions between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a ‘business’ (as defined in IFRS 3 Business Combinations). When non-monetary assets are a business, the investor will recognize the full gain or loss on the sale or deposit of assets. If the assets do not meet the definition of a business, the gain or loss is recognized by the investor only to the extent of the interests of the other investor in the associate or joint venture. The amendments are applied in perspective.
In December 2015, the IASB decided to postpone the date of application of this amendment until the IASB completes its equity research project.
As of the date of adoption and approval of these financial statements, the IASB has published several new but not yet effective standards and amendments to existing standards and interpretations. None of these standards or amendments to existing standards have been previously adopted by the Company.

The Management expects all relevant notices to be accepted for the first period beginning on or after the effective date of the notice. New standards, amendments and interpretations not adopted this year have not been disclosed as they are not expected to have a material impact on the Company’s financial statements.

The presentation of financial statements in accordance with International Financial Reporting Standards requires management to make the best estimates, accruals and reasonable assumptions that affect the reported amounts of assets and liabilities, income and expenses, and the disclosure of contingent receivables and payables towards the end of the reporting period. These estimates, accruals and assumptions are based on information available at the end of the reporting period, so future actual results may differ from them. Items that involve a higher degree of subjective
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

judgment or complexity of calculations, or where assumptions and estimates are material to the financial statements, are disclosed in Note 4.29.

4. Accounting policy
4.1 General

The most significant accounting policies applied in the preparation of these consolidated financial statements are presented below.

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

It should be noted that accounting estimates and assumptions were used to prepare the presented consolidated financial statements. Although they are based on information provided to the management at the date of preparation of the consolidated financial statements, the actual results may differ from the estimates and assumptions made.

4.2 Presentation of the consolidated financial statements

The consolidated financial statements are presented in accordance with IAS 1 “Presentation of Financial Statements”.

Two comparative periods are presented in the consolidated statement of financial position when the Group applies accounting policies retrospectively, recalculates retrospectively positions in the consolidated financial statements or reclassifies positions in the consolidated financial statements.

4.3 Basis of consolidation

The Financial Statements of the Group consolidate the financial statements of the parent company and of all subsidiaries as of 31 December 2020. Subsidiaries are all entities under the control of the parent company. It is considered that there is control when the parent company is exposed to, or has rights to, the variable return on its interest in the investee and has the potential to influence that return by its powers over the investee. All subsidiaries prepare their financial statements for the reporting period ending on 31 December.

All intragroup transactions and balances are eliminated, including the unrealized gains and losses from transactions between the companies belonging to the Group. Where the unrealized losses on intragroup sales of assets are eliminated on consolidation, the respective assets are reviewed for impairment from the Group's point of view. The amounts reported in the financial statements of the subsidiaries have been adjusted, where necessary, to ensure their compliance with the accounting policies applied by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or sold during the reporting year are recognized as from the acquisition date or the effective date of disposal, as applicable.

The non-controlling interest, presented as part of the equity, represents the proportion of the profit or loss and the net assets of the subsidiary that are not held by the Group. The total comprehensive income or loss on a subsidiary is attributed to the owners of the parent company and to the non-controlling interest based on their relative share in the equity of the subsidiary.

If the Group loses control of a subsidiary, the Group recognizes any investment retained in the former subsidiary at its fair value as of the date when control is lost and the change in carrying amount is recognized in profit or loss. The fair value of each investment, retained in the entity as of the date when control is lost, is regarded as the financial asset's fair value on initial recognition, in accordance with IFRS 9 Financial Instruments or, where appropriate, at cost on initial recognition of an investment in an associate or a jointly controlled entity. Furthermore, all amounts recognized in other comprehensive income with respect to that subsidiary are accounted for at the same basis as they would be if the Group had directly disposed of the respective assets or liabilities (e.g. – reclassified in profit or loss, or carried directly to the retained earnings, in accordance with the requirements of the respective IFRS).

The profit or loss from derecognition of an investment in a subsidiary represents the difference between the fair value of the consideration received and the fair value or all investments retained in the former subsidiary and the carrying amount of the assets (including goodwill) and the liabilities of the subsidiary and any non-controlling interest.
4.4 Business combinations

All business combinations are accounted for by the acquisition method. The consideration transferred in a business combination is measured at fair value calculated as the sum of the acquisition-date fair values of the assets, transferred by the acquirer, the liabilities to former owners of the acquiree assumed by the acquirer and the equity interests issued by the Group. The transferred consideration includes the fair value of assets and liabilities, arising as a result of the contingent considerations. The acquisition-related costs are accounted for in profit or loss, in the period in which the costs are incurred.

The purchase method includes recognizing the identifiable assets and liabilities of the acquiree including contingent liabilities, regardless of whether they were recognized in the acquiree’s financial statements prior to the business combination. Upon the initial recognition, the acquirer’s assets and liabilities are included in the consolidated statement of financial position at their fair value used in accordance with the Group’s accounting policy as a basis for subsequent measurement.

For each business combination, the Group measures all non-controlling interests in the acquiree that represent a share of its equity and entitle the holders to a share in the event of liquidation either at fair value or at the proportionate share of the non-controlling interest in the acquiree’s identifiable net assets. All other components of non-controlling interest are measured at fair value or, if applicable, at a basis defined by another IFRS.

Goodwill is recognized after determining all identifiable intangible assets. Goodwill represents the excess of the acquisition-date fair value of the transferred consideration and the amount of any non-controlling interest in the acquiree, and in a business combination, achieved in stages, the acquisition-date fair value of the Group’s previously held equity interest in the acquiree, over the acquisition-date fair value of the identifiable net assets of the acquiree. Any excess of the identifiable assets’ fair value over the above-calculated amount is recognized in profit or loss immediately after the acquisition.

In a business combination achieved in stages, the Group revalues its previously held equity interest in the acquiree at its acquisition-date fair value (i.e. as of the date of obtaining control) and recognizes the resulting profit or loss, if any, in profit or loss. The amounts recognized in other comprehensive income from equity interest in the acquiree prior to the date of obtaining control, are recognized on the same basis as would be required if the Group had directly disposed the previously held equity interest.

If the initial accounting treatment of a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting treatment has not been completed. During the measurement period, which may not be more than one year as of the acquisition date, the Group adjusts retrospectively the provisional amounts or recognizes additional assets or liabilities to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts, recognized as of that date.

All the contingent considerations owed by the acquirer are recognized at fair value as of the acquisition date and are included as part of the consideration, transferred in exchange of the acquired entity. Subsequent changes in the fair value of the contingent considerations which are classified as assets or liabilities are recognized in compliance with the requirements of IAS 39 Financial Instruments: Recognition and Measurement, either in profit or loss, or as a change in other comprehensive income. If the contingent consideration is classified as equity, it is not revalued until its final settlement within the equity. Changes in the fair value of contingent considerations, representing provisional amounts during the measurement period, are presented retrospectively with corresponding adjustments against goodwill.

In the case of a commitment to a sales plan involving loss of control over a subsidiary, the Group classifies all of the consolidated assets and liabilities of that subsidiary as held for sale regardless of whether or not it will retain a non-controlling interest in its former subsidiary after the sale. Any assets (and decommissioning groups) classified as held for sale are separately presented in the consolidated statement of financial position and are measured at their carrying amount (initially at their acquisition cost) or their fair value less the estimated direct sales costs (net sales price), whichever is less. Any impairment loss is allocated among those assets of the particular decommissioning group.
4.5 Transactions with non-controlling interests

Changes in the Group's share in the capital of a subsidiary that do not result in a loss of control are treated as transactions with the Group's owners. The carrying amounts of the Group's share and of the non-controlling interests are adjusted to reflect the changes in their relative share in the equity of the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and is attributed to the owners of the parent company.

4.6 Segment Reporting

The Management determines the operating segments based on the main products and services offered by the Group:
- Electricity Segment
- Natural Gas Segment
- Coal Segment
- Administration Segment

Administration Segment comprises the segments (Administrative and Telecommunications) which meet the aggregation criteria of IFRS 8 Operating Segments and do not exceed the quantitative thresholds for separate reporting.

Due to the fact that different technologies, resources and distribution approaches are used for each separate product or service, each of these operating segments is managed separately. All transactions between segments are conducted at prices, corresponding to the transactions between independent parties, where appropriate, while the transactions in Electricity Segment and Natural Gas Segment are mainly transactions at prices set by the regulatory authority – Energy and Water Regulatory Commission (EWRC). In segment reporting, the Group applies measurement policies corresponding to the policies used in the consolidated financial statements.

Financial revenue and finance expenses are not included in the operating segment's results which are regularly reviewed by the persons responsible for operational decision-making.

4.7 Investments in joint ventures and associates

A joint venture is a contractual agreement under which the Group and other independent parties engage in a business that is subject to joint control and the parties, having joint control on the entity, are entitled to the entity's net assets. The investments in joint ventures are carried using the equity method.

Associates are those entities over which the Group is able to exercise significant influence but which are neither subsidiaries, nor joint ventures. Investments in associates are initially recognized at cost and subsequently carried using the equity method. The cost of the investment includes the cost incurred at its acquisition.

Goodwill or fair value adjustments of the Group's share in the associate are included in the cost of the investment.

Any subsequent changes in the amount of the Group's interest in the equity of the associate are recognized in the carrying amount of the investment. Any changes, arising from profit or loss realized by the associate, are reported in the Consolidated Statement of Profit or Loss, under “Share of the profit in associated and joint-venture companies". These changes include subsequent depreciation or impairment of the fair value of the associate's assets and liabilities determined at acquisition.

Changes in an associate's other comprehensive income, as well as in items recognized directly in the associate's equity are recognized respectively in the Group's other comprehensive income or equity. In cases where the Group's share in the losses realized by the associate exceeds the amount of its interest in the associate, including the unsecured receivables, the Group does not recognize its share in the associate's future losses, unless the Group has assumed contractual or actual obligations, or it has conducted payments on behalf of the associate. If, subsequently, the associate realizes profits, the Group recognizes its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Unrealized profits and losses on transactions between the Group and its associates and joint ventures are reversed to the extent of the Group's interest in those entities. Where unrealized losses from sales of assets are reversed on consolidation, the related assets are tested for impairment from a Group perspective.

The amounts recognized in the financial statements of the associates and joint ventures are recalculated, where necessary, to ensure their compliance with the Group's accounting policy.

In case of a loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. In case of a loss of significant influence over the associate, the difference between the carrying value
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

of the investment and the sum of the fair value of the retained interest and the proceeds from the derecognition is recognized in profit or loss.

If the Group's share interest in an associate is reduced, but the Group has still significant influence over the associate, the Group reclassifies, in profit or loss, only the proportionate part of the amounts, recognized in other comprehensive income.

4.8 Foreign currency transactions

Foreign currency transactions are reported in the functional currency of the respective Group's company at the official exchange rate as of the date of the transaction (at the announced exchange rate of the Bulgarian National Bank). The foreign exchange gains and losses arising from the settlement of these transactions and the revaluation of foreign currency monetary items at the end of the reporting period are recognized in profit or loss.
The non-monetary items measured at historical cost in a foreign currency are translated by using the exchange rate as of the date of the transaction. The non-monetary items measured at fair value in a foreign currency are translated by using the exchange rate as of the date on which the fair value has been determined.
The functional currency of the separate entities within the Group was not altered within the reporting period.
When consolidated, all assets and liabilities are translated in BGN at the closing exchange rate as of the date of the Consolidated Financial Statements. Income and expense are translated in the Group's presentation currency, at the average exchange rate for the reporting period. Foreign exchange gains and losses result in an increase or decrease in other comprehensive income and are recognized in translation reserves in the equity. On disposal of a net investment denominated in a foreign currency, the accumulated foreign exchange profits and losses from revaluations, recognized in equity, are reclassified in profit or loss, and are recognized as part of the profit or loss from the sale. Goodwill and adjustments related with determining the acquisition-date fair value are treated as assets and liabilities of the foreign entity and are translated in BGN at the closing exchange rate.

4.9 Revenue recognition

4.9.1. Revenue from contracts with customers

Recognition of revenue under contracts with customers

Revenue from contracts with customers is recognized when the control of the goods and/or services promised in the contract is transferred to the customer in an amount that reflects the remuneration the Group expects to be entitled to in exchange for those goods or services.

Control is transferred to the customer when (or as) he/she meets the obligation to perform, under the terms of the contract, by transferring the promised product or service to the customer. An asset (product or service) is transferred when (or as) a customer has control over that asset.

Evaluation of a contract with a customer

A contract with a customer is only available when upon its entry into force it: (a) has a commercial character and a motive; (b) the parties have approved it (verbally, in writing or on the basis of "established and generally recognized business practice") and are committed to perform it, (c) the rights of each party can be identified, and (d) the payment terms can be identified, and (e) there is a probability that the remuneration to which the Group is entitled in the performance of its performance obligations will be received.

In the initial evaluation of its customer contracts, the Group assesses whether two or more contracts are to be treated in their combination and accounted for as one and whether the promised goods and/or services in each separate and/or combined contract are to be accounted for as one and/or more performance obligations.

Any promise to transfer goods and/or services that are identifiable (on their own and in the context of the contract) is reported as a performance obligation.

The Group recognizes revenue for each separate performance obligation at the level of individual contract with a customer by analyzing the type, term and conditions of each particular contract. For contracts with similar characteristics, revenues are recognized on a portfolio basis only if their grouping in a portfolio would not have a substantially different effect on the financial statements.

Customers' contracts typically include a single performance obligation.

When another (third) party is taking part in the performance obligations, the Group determines whether it acts as a principal or agent by assessing the nature of its promise to the customer: to provide the designated goods or services
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

independently (principal) or to arrange for another party to deliver them (agent). The Group is the principal and recognizes as the proceeds the gross amount of the consideration if it controls the promised goods and/or services before transferring them to the customer. If the Group does not receive control of the promised goods and/or services and its obligation is solely to arrange for a third party to provide these goods and/or services, the Group is an agent and recognizes the proceeds of the transaction at the net amount it retains for the provided services as agent.

The group has come to the conclusion that it is the principal of its main contracts with customers.

**Evaluation of revenue under customer contracts**

Revenue is measured on the basis of the transaction price specified for each contract.

When determining the transaction price, the Group takes into account the terms of the contract and its usual business practices.

The transaction price is the amount of the consideration the Group expects to be entitled to in exchange for the customer's transfer of the promised goods or services, except for amounts collected on behalf of third parties (e.g. value added tax). The remuneration promised in the contract with the customer may include fixed amounts, variable amounts, or both.

When (or as) a performance obligation is met, the Group recognizes as income the cost of the transaction (which excludes estimates of variable remuneration containing limitations) that is attributable to that performance obligation.

The Group considers whether there are other promises in the contract that are separate performance obligations for which a portion of the transaction price should be allocated.

When determining the transaction price, account is taken of the impact of variable remuneration, the existence of significant components of funding, non-monetary remuneration and the remuneration due to the customer.

**Performance obligations and recognition approach to main types of revenue under customer contracts**

**Sale of electricity**

Revenue from the sale of electricity includes the following:

- public supply, including a coordinator of a special balancing group;
- trade in electricity;
- supply of electricity as a supplier of last resort, including a special balancing group coordinator

Revenues from the sale of electricity are recognized over time, as deliveries are a series of separate goods, which is a promise to supply electricity that is essentially the same and has a uniform pattern of transfer to the customer.

Revenue is recognized in the statement of profit or loss and other comprehensive income when electricity is supplied through the electricity and distribution networks to final suppliers, electricity distribution companies, the transmission system operator (ESO EAD), the supplier of last resort, the customer's customers of last resort and on the free market. Sales revenue is recognized on the basis of the data from the electricity meters for used electricity or registered schedules.

The sale prices of the electricity produced by the Group may be: sale at a regulated price, sale at a fixed price under a contract, sale on an exchange market (fixed price per transaction). The transaction price can be defined as a fixed remuneration for the delivery of the individual quantities of the series of goods (electricity).

Allocation of the transaction price as per the performance obligations is made on the basis of unit sales prices (statutory, contractual or market).

At the end of each billing period, the Group measures its progress towards a full settlement of the performance obligation that is met over time. Measurement is done by confirming trading schedules, i.e. an assessment is made of the delivered energy quantities for which the Group recognizes revenues from the supply of electricity, except for the situations in which the Group operates as an agent, is carried out.

Sales prices are fixed (regulated price, fixed contract price, fixed price for a specific deal). The usual credit period is 10 to 30 days. In certain cases, the Group collects short-term advance payments from customers that do not have a significant component of funding. The collected prepaid payments from the customer are presented in the statement of financial position as liabilities under contracts with customers.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Revenues from access to the electricity transmission grid

The performance obligation is to provide access to the transmission grid. Revenue is recognized in the statement of profit or loss and other comprehensive income when electricity is accessed through the transmission grid to the customers' sites.

The performance obligation is met over time as the Group measures the progress of performance of what has been promised using the practical facility under paragraph B16 of IFRS 15. This practical facility enables the Group to recognize revenue equal to the amount it is entitled to invoice. Since the transaction price is determined by the access prices multiplied by the amount of energy received measured by the commercial metering instruments entered in the state register of the approved types of commercial metering instruments, the Group can prove that the amount invoiced directly corresponds to the value the customer receives. This is a prerequisite for the use of the "billing rights" practical facility.

Revenue from transmission of electricity through the transmission grid

The performance obligation is to ensure the transmission of electricity. Revenue from the electricity transmission service is recognized in the profit or loss report for the transmission of electricity through the transmission grid to the customers' sites.

The performance obligation is met over time as the Group measures the progress of performance of what has been promised using the practical facility under paragraph B16 of IFRS 15. This practical facility enables the Group to recognize revenue equal to the amount it is entitled to invoice. Since the transaction price is determined by the access prices multiplied by the amount of energy received measured by the commercial metering instruments entered in the state register of the approved types of commercial metering instruments, the Group can prove that the amount invoiced directly corresponds to the value the customer receives. This is a prerequisite for the use of the "billing rights" practical facility.

Revenue from sales of electricity on the balancing market

The performance obligation is to provide a balancing service. The performance obligation is met with the time and the earnings are recognized each month at the moment the Group receives confirmation from market participants of the settlement summaries for the relevant reporting period. The Group measures the progress of performance of what has been promised using the practical facility under paragraph B16 of IFRS 15.

Revenue from connecting sites to the electricity transmission grid

Revenue from the "connection to the electricity transmission grid" service provided to customers in exchange for the transfer of the sites created by them and recognized as transmission network assets is recognized in the current financial result for the year in which the connection fee is invoiced.

Sales of natural gas

Natural gas sales are carried out year-round in a continuous mode of operation.

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 payables that could affect the purchaser's acceptance of natural gas. Delivery occurs for each asset dispatch to the specific place (pick-up point), the risks of potential losses are transferred to the buyer and they have accepted the assets in accordance with the sales contract.

The quantity of natural gas delivered to the customer on each of the days of the respective month is reflected in the Monthly Act, containing information about the obligations of Bulgargaz EAD for delivery and the customer's obligations for acceptance.

The customer's remuneration for the sale of natural gas includes fixed and variable amounts.

The fixed amount is the selling price of natural gas for every month of the year and is formed according to the Ordinance regulating the prices of natural gas. It is cost-oriented and consists of the following components: delivery price, public supply margin (Art. 17, para. 6 of the ORNGP) and "obligation to society" (Art. 11a, para. 2 of the ORNGP).

The fee for capacity and transmission of natural gas shall be determined in accordance with the Method for Determining the Access and Transmission Price published by the Energy and Water Regulatory Commission in accordance with the tariffs of the Combined Operator, for the benefit of which it shall be collected on behalf of the Customer.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The variable remuneration is related to: a) deviations between the declared and actually delivered minimum annual gas quantity; b) variations in the daily gas quantity agreed; c) delivered natural gas with degraded quality.

Sales payments are due within 12 days of the final invoice for the delivery of natural gas.

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

Revenue from sale of natural gas for balancing

Balancing is of continuous nature and the customer receives and consumes benefits at the same time. Revenue is recognized over time as in the sale of natural gas described above.

Customer compensation for the sale of natural gas for balancing includes fixed amounts and is based on the natural gas sales price for the current month plus a cost balancing component defined and set by the EWRC for the gas year.

There is no funding component in the sales of natural gas for balancing because the payment on sales is due within a period of up to 20 - 25 days from the issue of the invoice, which is in line with market practice.

Access and transmission of natural gas, balancing the natural gas market, storage of natural gas, providing access to and use of an electronic platform for natural gas trading

Transmission of natural gas to third countries, access and transmission of natural gas

Revenues from the transmission of natural gas to third countries include the transmission of natural gas from the border with Turkey to the borders with Greece, Northern Macedonia and Serbia.

Revenues from access and transmission of natural gas include access and transmission of natural gas of entry and exit points/zones on national gas transmission network in the country, as well as entry and exit points/zones on the transit gas transmission network.

Balancing the natural gas market

With respect to the Natural Gas Balancing Rules in force since 01.10.2017, the Group, in its capacity as a balancer, is engaged in trade balancing on the natural gas market, which is a compensation for the differences between the quantity of natural gas supplied by a user of the gas transmission network at the points of entry and the amount of natural gas withdrawn by that user through the network exit points. The obligation of the balancer is to cover the individual imbalances of the users of the gas transmission networks. The price for the balancing service is determined according to the terms and conditions of the Methodology for determining the daily imbalance fee and the balancing neutrality fee, approved by the EWRC. The pricing elements - the price of natural gas set by the public supplier, the price for sale of natural gas to final suppliers of natural gas and to customers connected to the gas transmission network, "small adjustment", which is a correction in the price of natural gas for balancing, expressed as a percentage, applied with a positive or negative sign, depending on the imbalance sign, in order to determine the daily imbalance charges and the imbalance charge, calculated on a daily basis, which the network user pays or receives depending on the amount of his daily imbalance. In order to achieve neutrality from the balancing activity, the Group also charges a balancing neutrality fee, which can be a positive or negative value, depending on the distributed quantities of natural gas at each entry / exit point / zone of the gas transmission system owned by the Group.

Natural gas storage

The activity “Storage of natural gas” is carried out in the only one on the territory of the country underground gas storage “Chiren” (UGS “Chiren”), owned by Bulgartransgaz EAD. UGS “Chiren” is a complex of underground and above ground facilities - operating wells, collecting gas pipelines, compressor station with a total installed capacity of 10 MW, gas preparation, treatment, control and measurement facilities, as well as other adjacent facilities. The technological process associated with the service of “natural gas storage” is seasonal (cyclic) and consists in the extraction and pumping of gas from/into the underground gas storage.

All revenues from the transmission of natural gas to third countries, access and transmission, balancing and storage of natural gas are recognized over time as deliveries are a sequence of separate service, which is a promise to supply natural gas, which is essentially uniform and has a homogeneous pattern of transfer to the customer.

Revenue is recognized in the profit or loss statement when the natural gas is transported through the transmission network to the respective point of the customer. Sales revenue is recognized on the basis of the quantities reported by measuring instruments or registered schedules.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The sales prices of the access and transmission service provided by the Group can be based on a regulated price and on a fixed contract price basis. The transaction price can be defined as a fixed remuneration for the transfer of individual quantities of the series of goods (quantities of natural gas transmitted).

The sales prices of the storage service are based on a regulated price. The transaction price can be defined as a fixed remuneration for storing the individual quantities of the series of goods (quantities of stored natural gas).

Allocation of the transaction price as per the performance obligations is made on the basis of unit sales prices (statutory, contractual or market).

At the end of each billing period, the Group measures its progress towards a full settlement of the performance obligation that is met over time. Measurement is carried out by verifying the quantities transmitted and/or the quantities requested as per schedule, i.e. an assessment of the quantities of natural gas transmitted for which the Group recognizes revenues from access and transmission of natural gas is carried out.

Sales prices are fixed (regulated price, fixed price under contract). The usual credit period is 10 to 30 days. In certain cases, the Group collects short-term advance payments from customers that do not have a significant component of funding. The collected prepaid payments from the customer are presented in the statement of financial position as liabilities under contracts with customers.

Revenue from the services of providing access to and use of an electronic platform for natural gas trading

Balkan Gas Hub EAD was established is the operator of a natural gas trading platform under the Bulgarian Energy Act. In 2020, Balkan Gas Hub EAD offers the following services for access to its e-commerce platform:

- **Segment for offering quantities under the gas release program** provides the public supplier with a software and commercial environment for the release of quantities, in accordance with the amended and supplemented Energy Law of the Republic of Bulgaria.

- **Short-term (spot)** a segment of the platform where short-term standardized products are offered "intra-day", "day head", as well as time and local products for the needs of balancing the network of the transmission system operator. Trade is carried out on an anonymous basis, in accordance with the provisions of Regulation (EU) No. 312/2014.

- **Long-term segment** on the trading platform, which offers products traded on a medium and long-term basis - weekly, monthly, quarterly and annually.

Revenue from the provision of the service access to and use of an electronic platform for natural gas trading is recognized in the period in which the services are provided. The Group transfers control over the service over time and therefore satisfies the performance obligation and recognizes revenue over time. In recognizing revenue from the service provided, the Group applies a method of measuring progress that takes into account the resources invested.

In 2020, Balkan Gas Hub (BGH) started active operations. In order to be able to participate in the platform, BGH customers initially pay a registration fee of BGN 5,000. BGH enters into open-ended contracts with its customers to provide services for access to and use of the electronic natural gas trading platform. Contracts have standard terms that are the same for all customers. The contract requires the client to pay an advance fee for the initial registration of the client in the platform. The fee is non-refundable. The initial administrative activities of the Registration Group do not transfer a good or service to the customer and therefore do not give rise to an obligation to perform.

The advance fee is an advance payment for services for access to and use of the electronic natural gas trading platform. Therefore, the Group determines the transaction price, which includes the non-refundable advance fee, and recognizes revenue for the services for access to and use of the electronic natural gas trading platform in the course of their provision.

The management of the Group has assessed that the revenues from the registration fee should be deferred for a period until 30.06.2021, taking into account all the facts and circumstances such as: development of the gas market, presence of competitors after issuing licenses for an organized stock market, changes in the provision of services and the implementation of a clearing mechanism.

**Revenue from the use of additional screens**

In addition to the main contracts, the Group provides its customers with the option to use more than one screen to access and operate the natural gas trading platform.

The Group determines that the option to use additional screens does not provide a material right that the customer would not have received without concluding these basic contracts. The prices for the use of the additional screens reflect the unit selling prices for these services. To the extent that the option to use the additional screens does not
provide the client with a material right, the Group concludes that this is not an obligation to perform in the contract. As a result, the Group does not allocate any part of the transaction price to the option to use additional screens. The Group recognizes revenue for the use of additional screens if and when it provides these services.

Revenue from using an additional screen are recognized in the period in which the services are provided. The Group transfers control over the service over time and therefore satisfies the performance obligation and recognizes revenue over time. In recognizing revenue from the service provided, the Group applies a method of measuring progress that takes into account the resources invested.

Revenues from the provision of data reporting services

The Group offers a service for data reporting on transactions concluded or registered through the Balkan Gas Hub platform in connection with the requirements of Regulation (EU) 1227/2011 on the integrity and transparency of the wholesale energy market.

Revenue from the reporting services is recognized in the period in which the services are provided. The Group transfers control over the service over time and therefore satisfies the performance obligation and recognizes revenue over time. In recognizing revenue from the service provided, the Group applies a method of measuring progress that takes into account the resources invested.

The revenue of the Group from services provided for a fixed amount is recognized when the Group transfers control of the client's assets. Invoices for transferred services are issued monthly, which reflects the linear method for their recognition, i.e., upon receipt of the assets from the client.

Invoices are due for payment by the tenth day of the month following the month of the transaction.

Sales of coal

Lignite supplies are made year-round under continuous operation. The customer receives and consumes the benefits at the same time, the Group transfers control over the coal over time and therefore satisfies the performance obligation and recognizes revenue over time.

The control over the assets sold is transferred when they are delivered to customers and there are no outstanding payables that could affect the acceptance of coal on behalf of the buyer. Delivery occurs for each shipment of coal at a specific point specified by the customer (plant) when the potential loss risks are transferred to the customer and they have accepted the assets in accordance with the sales contract.

For each performance obligation (delivery accepted by the customer), the Group recognizes revenue by measuring the progress achieved towards full satisfaction of the performance obligation.

The quantity of coal delivered for a certain period of time (under the contractual terms) for which control has been transferred to the customer has been accepted by the management as an appropriate measure of the performance of the obligation and reporting on progress. Revenue is recognized for the corresponding quantity delivered for the period and accepted by the customer.

Sales prices are fixed (fixed contract price). The usual credit period is 10 to 30 days. In certain cases, the Group collects short-term advance payments from customers that do not have a significant component of funding. The collected prepaid payments from the customer are presented in the statement of financial position as liabilities under contracts with customers.

Revenue from other services

Revenue from provision of services is recognized in the period in which the services are provided. The Group transfers control over the service over time and therefore satisfies the performance obligation and recognizes revenue over time. If, at the end of the reporting period, the service under the contract is not fully performed, revenue is recognized on the basis of the actual service provided by the end of the reporting period as a proportion of the total services to be provided as the customer receives and consumes the benefits simultaneously. This is determined on the basis of actual time spent on work, in relation to the total expected time of service.

The customer pays the services provided on the basis of the clauses stipulated in the specific contract. The usual credit period is 10 to 30 days after the service is delivered. If the services provided by the Group exceed the payment, an asset under the contract is recognized. If payments exceed the services provided, a liability under a contract is recognized.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Revenue from sale of goods

Revenues from sales of goods and materials are recognized when the control over the assets sold is transferred. Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are passed on to the buyer and/or they have accepted the assets in accordance with the sales contract. The usual payment term is up to 30 days after delivery.

Costs under Contracts with customers

As costs under contract with customers, the Group recognizes the additional and directly related costs incurred in entering into a contract with a customer and those that would not arise if the contract had not been concluded and expects such costs to be recovered for a period longer than twelve months;

In its usual practice, the Group does not incur direct and specific costs in obtaining contracts with customers and costs for the execution of such contracts which would not have arisen if the relevant contracts had not been concluded.

Balances on contracts with customers

Trade receivables and assets under contracts

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

The contract asset is the Group's right to receive remuneration in exchange for the goods or services it has transferred to the customer but which is not unconditional (accrual for the receivable). If, through the transfer of the goods and/or the provision of the services, the Group fulfills its obligation before the customer pays the relevant remuneration 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 Group presents the payments received from the customer and/or an unconditional right to receive payment before fulfilling its obligations to perform the contract. Contract liabilities are recognized as income when (or as) they meet the performance obligation.

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 performance obligations of the contract.

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

4.9.2. Other revenue/income

Other income includes operations that are incidental to the Group's main activities and are income that is recognized under other standards and is outside the scope of IFRS 15.

Recognition approach

<table>
<thead>
<tr>
<th>Description</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from the Security of the Electricity System Fund</td>
<td>The amount of payments to the public supplier is determined in accordance with the EWRC's decisions on the costs of the public supplier to be compensated by the Fund, within the approved costs by the EWRC and the budget adopted by the Management Board. The funds provided by the Security of the Electricity System Fund are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as an expense the related expenses that the funds are intended to compensate until the budget approved by the EWRC for the relevant price period has been exhausted.</td>
</tr>
<tr>
<td>Net profit from the sale of property, plant and equipment</td>
<td>Profit or loss arising on the derecognition of a property, plant, equipment or intangible asset as a result of a sale are included in profit or loss when the asset is derecognised. The asset is derecognised when the control of the asset is transferred.</td>
</tr>
<tr>
<td>Rental income</td>
<td>Lease income from operating leases is recognized as income on a straight-line basis over the lease contract term unless the Group's management considers that another systematic basis more accurately reflects the timing model in which the benefit from the leased asset is reduced.</td>
</tr>
</tbody>
</table>
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Revenue from financing
Where the donation (financing) is related to a cost item, it is recognized as income for the periods necessary to compare it on a systematic basis with the costs it is intended to compensate. When the donation (financing) is related to an asset, it is presented as a liability and is included in the income over the useful life of the related asset.

Revenue from insurance events
Revenue is recognized when the Group's right to receive the payment is established.

Income from penalties
Revenue is recognized when the Group's right to receive the payment is established.

Revenue from derecognition of liabilities
Revenue from derecognition of liabilities is recognized when the liability expires or the creditor waives its rights.

4.9. 3. Finance income
The Group's financial income includes interest income on debt instruments, dividend income, changes in the fair value of financial assets measured at fair value through profit or loss, foreign exchange operations profit, net profit on operations with financial instruments.

Recognition of 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 amortized value (gross carrying amount adjusted with the provision for expected credit losses).

Dividend income
Dividend income from equity instruments (minority interests) is recognized in profit or loss in the period in which the right to receive is recognized.

4.10 Operating expenses
The expenses are recognized at the time they arise and based on the accrual and comparability principles and to the extent that it would not result in the recognition of assets/liabilities that do not qualify as such under the IFRSs. The prepaid deferred expenses are deferred for recognition as current expenses for the period to which they relate.

4.11 Expenses on interests and loans
Interest expense is recognized on an accrual basis for the periods to which they relate using the effective interest rate method.

Expenses on loans mainly comprise interest on bank loans and bonds obtained by the Group. All loan expenses directly attributable to the purchase, construction or production of a qualifying asset are capitalized in the period in which the asset is expected to be completed and get ready for use, or sold, by applying a capitalization ratio to the expenses on that asset. The capitalization ratio is the weighted average of the loan expenses attributable to the loans of the Group that are outstanding during the period, except for the loans specifically made for the acquisition of a qualifying asset. Other loan expenses are recognized as expenses in the period in which they are incurred in the Consolidated Statement of Profit or Loss under section Financial Expenses.

4.12 Profit or loss from discontinued operations
Discontinued operations are components of the Group that either have been disposed of or were classified as "held-for-sale", or as held for distribution to the sole-shareholder, and:

- Represent a separate major line of business or cover operations in a particular geographical area;
- Are part of a separate coordinated plan to sell a particular major line of business or operations in a particular geographical area; or
- Are a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations and the components of profit or loss from previous periods are presented as a single amount in the consolidated statement of profit or loss.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The disclosure of discontinued operations from the previous year is related to all operations that were discontinued as of the reporting date for the latest period presented in the Consolidated financial statements. If operations that were presented as discontinued in the previous period are renewed during the current year, the relevant disclosures for the previous period should be changed.

4.13 Property, Plant and Equipment

Property, plant and equipment are initially measured at cost price, including their cost of acquisition and all direct costs of bringing the asset into working condition. Their subsequent measurement after the initial recognition applies to a full class of identical assets as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Property, plant and equipment</th>
<th>Model of subsequent evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Land</td>
<td>Revaluation model</td>
</tr>
<tr>
<td>2</td>
<td>Improvements on land and plots</td>
<td>Revaluation model</td>
</tr>
<tr>
<td>3</td>
<td>Buildings and constructions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• massive</td>
<td>Revaluation model</td>
</tr>
<tr>
<td></td>
<td>• non-massive</td>
<td>Cost model</td>
</tr>
<tr>
<td>4</td>
<td>Property, plants and equipment</td>
<td>Revaluation model</td>
</tr>
<tr>
<td>5</td>
<td>Computer systems</td>
<td>Cost model</td>
</tr>
<tr>
<td>6</td>
<td>Transport means</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Freight vehicles</td>
<td>Revaluation model</td>
</tr>
<tr>
<td></td>
<td>• Automobiles</td>
<td>Cost model</td>
</tr>
<tr>
<td></td>
<td>• Specialized motor vehicles</td>
<td>Revaluation model</td>
</tr>
<tr>
<td>7</td>
<td>Furniture, Fixtures and fittings</td>
<td>Cost model</td>
</tr>
<tr>
<td>8</td>
<td>Spare parts accounted as property, plant and equipment</td>
<td>Revaluation model</td>
</tr>
<tr>
<td>9</td>
<td>Other property, plant and equipment</td>
<td>Cost model</td>
</tr>
</tbody>
</table>

Property, plant and equipment accounted for using the revaluation model are subsequently measured at revalued amount that is equal to the fair value at the measurement date less any subsequent accumulated depreciation and impairment losses. The revaluations are presented in the consolidated statement of comprehensive income and are accounted for in the equity (revaluation reserve) if they are not preceded by previously accrued expenses. Upon sale or disposal of the revalued asset, the remaining revaluation reserve is transferred to retained earnings.

Revaluations are carried out subject to the following frequency of revaluation:

• when the fair value of the assets undergoes minor changes only, the revaluation is carried out every three years;
• when the fair value of property, plant and equipment changes substantially in shorter time intervals, the revaluation is carried out at shorter intervals so that the carrying amount of the asset does not differ materially from its fair value.

When applying the revaluation model, the frequency of subsequent revaluations of property, plant and equipment depends on whether the carrying amount materially differs from the fair value of the revalued asset as of end of the reporting period.

In this regard, during the annual stock take at the end of the reporting period (end of the fiscal year), the Group analyses the items of property, plant and equipment for indications whether their carrying value materially differs from their fair value.

A “substantial deviation” is a deviation of the carrying amount from the fair value of the asset as of the date of the financial statement by more than 5%. The deviation is also considered material if it is below 5%, but the difference between the carrying amount and the fair value as a cumulative amount of property, plant and equipment is material for the purpose of the preparation of the Consolidated financial statements.

Property, plant and equipment that are accounted for using the cost model are subsequently measured at their acquisition price less the accumulated depreciation and impairment losses. The impairments are recorded as an expense and are recognized in the consolidated statement of profit or loss for the respective period.

The subsequent expenses related to a certain asset, consisting of property, plant and equipment, are added to the carrying amount of the asset if the Group is likely to have economic benefits which exceed the originally estimated
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

efficiency of the existing asset. All other subsequent expenses are recognized as cost for the period in which they are incurred.

The remaining value and the useful life of property, plant and equipment are reviewed by the management at each reporting date.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the individual asset groups as follows:

- Buildings: 5 to 80 years
- Property, plants and equipment: 2 to 50 years
- Transport means: 2 to 30 years
- Furniture: 2 to 30 years
- Other property, plant and equipment: 3 to 30 years
- Depreciable buffer gas: 60 years

The annual depreciation rate for the depreciable lands for coal mining is calculated as a coefficient and can be presented as follows:

\[
K = \frac{CP}{SCR + BR + CRIP}
\]

where:
- CP: Coal Production, in tones
- SCR: Stripped Coal Reserves
- BR: Blocked Reserves
- CRIP: Coal Reserves in Progress

The amortisation expenses are included in the consolidated statement of profit or loss, under “Depreciation and amortization expenses” and as part of “Profit/(Loss) for the year from discontinued operations”.

Buffer gas

The buffer gas of the Group is a specific non-current asset, a significant part of which is gas in the underground gas storage Chiren (Chiren UGS), and the rest is in the gas transmission system.

The natural gas stored in Chiren Underground Gas Storage (Chiren UGS) includes working gas and buffer gas. The natural gas stored in Chiren UGS is measured through reservoir simulation using special software - ECLIPSE. Changes in pressure during different drillings during reservoir simulation of operation of the underground section are analyzed and compared with the actually measured pressure levels.

Buffer gas maintains the stratum pressure required for the successful extraction of working gas. The buffer gas stored in the underground gas storage is accounted for as a non-current asset.

The amount of buffer gas has been estimated by technical experts of the Group based on the stratum pressure during drilling and the pressure at the exit of Chiren UGS, i.e. the point where the natural gas is fed into the gas pipeline.

Buffer gas includes physically extractable and non-extractable natural gas. The quantity of physically extractable natural gas has been estimated. The extractable buffer gas is the possible amount of natural gas that could be extracted on the surface at a gas pipeline pressure of 35 bar at the existing facilities. The extractable buffer gas is non-depreciable. The non-extractable buffer gas is depreciable.

The buffer gas in the transit and main gas pipelines (quantities of natural gas required for the operation of the main and transit gas pipeline) is also divided into depreciable and non-depreciable, as depreciable is the amount of natural gas that cannot be extracted in case of liquidation of the gas pipelines.

The Group's technical experts have estimated the unrecoverable quantity of natural gas which would be irretrievably lost in case of dismantling the transmission and transit gas pipelines. This quantity is considered as depreciable gas.

The rest of the estimated minimum quantity of natural gas required for the normal functioning of the gas transmission network is non-depreciable. This natural gas could be extracted in case of dismantling.

26
The profit or loss from sale of property, plant and equipment is determined as the difference between the sale proceeds and the carrying value of the asset.

4.14 Intangible assets

The intangible assets acquired separately are measured initially at their cost, including import duties, non-refundable taxes and any directly attributable costs of preparing the asset for its intended use, where the capitalized expenses are then amortized using the straight-line method over the estimated period of the asset's useful life as it is considered to be limited.

The subsequent measurement is based on the cost of acquisition less the accumulated depreciation and impairment losses. The impairments are reported as an expense and are recognized in the consolidated statement of profit or loss for the respective period.

Intangible assets with a limited useful life are depreciated over their useful lives and tested for impairment when there are indications that their value is impaired. The depreciation period and the depreciation method for intangible assets with a limited useful life are reviewed at least at the end of each financial year. The changes in the expected useful life or pattern of consumption of the future economic benefits of the intangible asset are accounted for by a change in the depreciation period or method and treated as a change in the accounting estimates.

The subsequent expenses arising in respect of intangible assets after their initial recognition are recognized in the Consolidated Statement of Profit or Loss for the period when such are incurred, excluding the cases where because of these subsequently incurred expenses, the intangible asset can generate more than the initially estimated future economic benefits and where such expenses can be reliably measured and attributed to the asset. If these conditions are satisfied, the incurred expenses are added to the cost of the asset.

The remaining value and the useful life of the intangible assets are reviewed by the management at each reporting date.

Intangible assets are amortized on the straight-line basis over the assets' useful life. The useful life of the intangible assets is defined as limited as follows:

<table>
<thead>
<tr>
<th>Intangible Asset</th>
<th>Useful Life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Software</td>
<td>2 to 10 years</td>
</tr>
<tr>
<td>Licenses</td>
<td>Term of license</td>
</tr>
<tr>
<td>Products from development</td>
<td>5 to 20 years</td>
</tr>
<tr>
<td>Other intangible assets</td>
<td>3 to 10 years</td>
</tr>
</tbody>
</table>

The amortisation expenses are included in the Consolidated Statement of Profit or Loss, under "Depreciation and amortisation expenses" and as part of "Profit/(Loss) for the year from discontinued operations".

The profits or losses arising from the disposal of the intangible asset, representing the difference between the net proceeds from the sale and the carrying value of the asset, are included in the consolidated statement of profit or loss when the asset is disposed.

The intangible assets created under the development activities of the Group in order to serve the purpose of intergroup activities are recognized as assets by a committee of experts appointed by the Group's Management depending on the intangible assets' completion stage, provided that the conditions below are met:
- it is probable that the enterprise will receive the expected future economic benefits associated with the asset;
- The Group has the technical ability to complete the asset;
- The Group intends to complete the asset;
- The asset can be used or sold and there is a market for the asset or the asset is useful for intergroup use;
- the availability of adequate technical, financial and other resources for the completion of the development activity and for the use or sale of the intangible asset;
- the value of the asset can be reliably measured.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Research activities

Research activity expenses incurred for gaining new scientific or technical knowledge are recognized in profit or loss when incurred.

Research and development expenses incurred in respect of external orders under signed contracts with customers are recognized as assets for sale.

Indirect technological and generation expenses are allocated based on labor and together with the direct expenses form the cost of the created asset.

Development activities

Development activities include a production plan or project for the development of new or significantly improved products and processes. Development expenses are capitalized only if these expenses can be reliably measured, the product or the process is technically and commercially possible, future economic benefits are probable and the Group intends to and has sufficient resources to complete the development and to use or sell the asset. The capitalized expenses include materials, labor, generation overheads directly attributable to the asset's preparation for its intended future use and capitalized interest expense. Other development expenses are recognized in profit or loss when incurred. The capitalized development expenses are measured at cost of acquisition less any accumulated amortization and accumulated impairment losses.

The expenses incurred in the development of intangible assets that do not satisfy the criteria for capitalization are recognized when occurred.

4.15 Reporting of Lease Contracts

The group as a lessee

For all new contracts concluded on or after 1 January 2019, the Group assesses whether the contract is or contains a lease. A lease is defined as "a contract or part of a contract that gives the right to use an asset (the underlying asset) for a period of time in return for payment". To implement this definition, the Group assesses whether the contract meets three key assessments that have given:

- the contract contains a specific asset that is either explicitly identified in the contract or implicitly identified by being identified at the time the asset is made available to the Group;
- The Group 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 Group has the right to direct the use of the specified asset throughout the period of use. The Company assesses whether it has the right to direct "how and for what purpose" the asset to be used throughout the period of use.

Valuation and recognition of a lease as a lessee

At the commencement date of the lease, the Group recognizes a right-of-use asset and a lease liability in the balance sheet. The right-to-use asset is measured at cost, which consists of the initial assessment of the lease liability, all initial direct costs incurred by the Group, 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 incentives received).

The Group depreciates the right-of-use assets on a linear basis from the date of the beginning of the lease until the earlier from the end of the useful life of the right-of-use asset or the end of the lease term. The Group also reviews for impairment of the asset right-of-use when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the unpaid lease payments discounted at that date, using the interest rate included in the lease. If this percentage cannot be determined directly, the Group 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

After the effective date, the Group measures the lease liability by increasing the carrying amount to reflect the interest on the lease liability and decreasing the carrying amount to reflect the lease payments made, and revalues the carrying amount of the liability to reflect revaluations or changes in the lease. to reflect adjusted substantially fixed lease payments.

The Group 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 become effective. When adjustments to lease payments, based on an index or interest rate, become effective, the lease liability is revalued and adjusted for the asset to be used.

When the leased liability is revalued, the corresponding adjustment is reflected in the asset with the right of use or in the profit and loss, if the asset with the right of use is already reduced to zero.

The Group has chosen to account for short-term leases and leases for which the underlying asset is of low value, using exemptions from the recognition requirements. Instead of recognizing an asset with a right of use and a lease liability, payments in respect of them are recognized as an expense in the profit or loss on a line during the lease term.

In the statement of financial position, usable assets are included in property, plant and equipment, and lease liabilities are included in trade and other payables.

The group as a lessor
As a lessor, the Group 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 incidental to ownership of the underlying asset and is classified as an operating lease if it does not.

4.16 Impairment tests of non-financial assets
When calculating the amount of impairment, the Group defines the smallest identifiable group of assets for which independent cash flows can be determined (cash-generating unit). As a result, some of the assets are subject to testing for impairment on an individual basis, while others as the cash-generating units.

The Group assesses at each reporting date whether there is an indication that an asset or cash-generating unit may be impaired. In the case of such indications or where an annual impairment test of an asset is required, the Group determines the recoverable amount of that asset. The recoverable amount of the asset is the higher of the fair value less the costs to sell the asset or the cash-generating unit and its value in use. The recoverable amount is determined for an individual asset, unless in its use the asset does not generate cash flows that are largely independent of those generated from other assets or groups of assets. Where the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount, the asset or the cash-generating unit is considered impaired and its carrying amount is reduced to its recoverable amount.

In determining the value in use of an asset, the estimated future cash flows are discounted to their present value using a pre-tax discounted rate that reflects the current market assessments of the time value of money and the risks specific to the asset. The fair value less the costs to sell is determined using the appropriate measurement model. The calculations made are confirmed using other measurement models or other available sources of information about the fair value of the asset or the cash-generating unit.

Impairment losses are recognized as an expense in the consolidated statement of profit or loss, except for non-current assets that were revalued in prior periods and the revaluation surplus is recognized in the other comprehensive income. In this case, the impairment loss is also recognized in the other comprehensive income to the amount of the previously recognized revaluation of the relevant asset.

As of each reporting date, the Group assesses whether there are indications that the impairment loss on an asset recognized in prior periods may no longer exist or may have decreased. If such indications exist, the Group determines the recoverable amount of the asset or the cash-generating unit. The impairment loss is reversed only when there has been a change in the estimates used to determine the recoverable amount of the asset after the recognition of the last impairment loss. The reversal of an impairment loss is limited so that the carrying amount of the asset may not exceed its recoverable amount, nor exceed the carrying amount (after the deduction of the depreciation) that would have been determined if no impairment loss had been recognized for the asset in the previous years. The reversal of an impairment loss is recognized in the consolidated statement of profit or loss unless the asset is recognized at revalued amount, in which case the reversal is treated as a revaluation surplus.
4.17 Financial instruments

A financial instrument is any contract that generates a financial asset of an entity and a financial liability or an equity instrument of another entity.

A financial asset is any asset that is: cash, an equity instrument of another entity, a contractual right to acquire or exchange under potentially favorable terms cash or financial instruments with another entity, and a contract that will be settled by the equity of the Group and 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 exchanging a fixed amount of cash or another financial assets against a fixed number of own equity instruments.

A financial liability is any liability that represents: a contractual right to provide or exchange under potentially unfavorable terms cash or financial instruments with another entity, as well as a contract to be settled by equity instruments of the issuer and is a non-derivative one in which the Group may or will receive a variable number of an entity's equity instruments or a derivative that may or may be settled in a manner different from the exchange of a fixed amount of cash or other financial assets against a fixed number of equity instruments of the entity.

4.17.1. Financial assets

Initial recognition and classification

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

The business model of the Financial Assets Management Group refers to how 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.

Initial measurement

Initially, all financial assets, with the exception of trade receivables, are measured at their fair value plus the direct transaction costs if they are not carried at fair value through profit or loss when initially recognized, net of transaction costs. Trade receivables that do not have a significant component of financing and for which the Group 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 measurement and presentation, financial assets are 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 accrued earnings and losses” (debt instruments), “financial assets designated at fair value through other comprehensive income, without reclassifying accumulated profits and derecognition losses” (equity instruments) or “financial assets measured at fair value through profit or loss” (debt and equity instruments).

Classification groups

Financial assets at amortized cost (debt instruments)

The management of the Group has evaluated that financial assets that are cash in banks, trade receivables, other receivables, court and related party receivables are held by the Group in order to receive the agreed cash flows and are expected to result in cash flows, which are only payments of principal and interest (business model applied). These financial assets are classified and subsequently measured at amortized cost.

This category includes cash in banks, trade receivables, other receivables, court and related party receivables and loans granted. This category of financial assets is the most significant for the Group.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The Group evaluates and measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model in order to hold financial assets for the purpose of collecting contractual cash flows;
- The agreed terms of the financial asset result in certain dates of cash flows that are only payments of principal and interest on the outstanding principal.

Subsequent evaluation is carried out using the "effective interest rate" method through which interest income is calculated using the effective interest rate applied to the gross carrying amount of the instruments. For purchased or created assets with initial credit impairment and those with a subsequently recognized credit impairment, the effective interest rate adjusted for credit losses is applied respectively, and the effective interest rate but to the amortized cost of the asset.

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

Profits and losses are recognized in profit or loss when the asset is derecognised, altered or impaired.

Financial assets at fair value in other comprehensive income (equity instruments)

Upon initial recognition, the Group may make an irrevocable choice to classify certain equity instruments as designated at fair value in other comprehensive income but only when they meet the definition of equity in accordance with IAS 32 Financial Instruments: Presentation and are not held for trading purposes. Classification is determined on an individual level, instrument by instrument.

Subsequent evaluation of this instrument category is carried at fair value and changes are recognized in other comprehensive income. Fair values are determined on the basis of quoted prices in an active market, and when there is no such market-based on valuation techniques, usually a discounted cash flow analysis.

Profits and losses on these financial assets are never reclassified to profit or loss. Dividends are recognized in the item "financial income" in the statement of profit or loss and other comprehensive income when the payment entitlement is established.

The Group has made an irrevocable choice to classify in this category its minority equity investments that it holds in the long term and in relation to its business interests in these companies. They are traded on capital markets.

Financial assets at fair value through profit or loss

The Group evaluates all other financial assets other than those that are measured at amortized cost or at fair value through other comprehensive income at fair value through profit or loss.

If this eliminates or significantly reduces the inconsistency in the evaluation or recognition of a financial asset that would result from the recognition of results and changes based on different bases, the Group may apply the exemptions in accordance with IFRS 9 and, upon initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss, incl. contracts for delivery of a non-financial position. Such financial assets are presented in the notes to the financial statements separately from the other instruments for which this evaluation approach is mandatory.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognized when the contractual rights over the cash flows from that financial asset have expired or the Group has transferred its contractual rights to receive cash flows from that financial asset or the Group has assumed a contractual obligation to fully pay the received cash flows, without material delays, to a third party, under a transfer agreement.

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

When the Group 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 retained. When it neither transfers nor retains substantially all the risks and rewards of the asset, nor does it transfer control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Group also recognizes the related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations retained by the Group.
Impairment of financial assets

The Group recognizes provisions for expected credit losses for all debt instruments that are not carried at fair value through profit or loss using the approach presented in the table below:

<table>
<thead>
<tr>
<th>Type of financial asset</th>
<th>IFRS 9 category</th>
<th>Impairment approach</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Short-term trade receivables</td>
<td>Debt instruments measured at amortized cost</td>
<td>Simplified approach</td>
</tr>
<tr>
<td>2 Trade receivables with component of financing</td>
<td>Debt instruments measured at amortized cost</td>
<td>Standardized Approach</td>
</tr>
<tr>
<td>3 Short-term receivables from related parties</td>
<td>Debt instruments measured at amortized cost</td>
<td>Simplified approach</td>
</tr>
<tr>
<td>4 Receivables from related parties with a financing component</td>
<td>Debt instruments measured at amortized cost</td>
<td>Standardized Approach</td>
</tr>
<tr>
<td>5 Loan receivables</td>
<td>Debt instruments measured at amortized cost</td>
<td>Standardized Approach</td>
</tr>
<tr>
<td>6 Cash and cash equivalents</td>
<td>Debt instruments measured at amortized cost</td>
<td>Standardized Approach</td>
</tr>
<tr>
<td>7 Other financial, judicial and adjudicated claims</td>
<td>Debt instruments measured at amortized cost</td>
<td>Simplified approach</td>
</tr>
</tbody>
</table>

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of each shortage of money) over the expected term of the financial instrument. Cash deficit is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. As expected credit losses take into account the amount and timing of payments, an expected credit loss is recognized even if the Group 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 a default, and the third as credit impairment (loss), based on evidence of potential or actual failure to perform on the instruments.

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

Receivables with a financing component - For the calculation of the expected credit losses of long-term receivables with a financing component, the Group applies a standardized approach for impairment. Under this approach, the Group applies a “three-step” impairment model based on changes in the initial recognition of the credit quality of the financial instrument (asset).

Expected credit losses are recognized in three stages:

a. A financial asset that is not impaired at its initial origination/acquisition is classified in Phase 1. Since its initial recognition, its credit risk and qualities have been subject to continuous monitoring and analysis. Expected credit losses on financial assets classified in Phase 1 are determined on the basis of credit losses that are the result of possible events of default that could occur within the next 12 months of the life of the asset (12-month expected credit loss for the instrument).

b. In cases where, after the initial recognition of a financial asset, its credit risk increases significantly and as a result its performance deteriorates, it is classified in Phase 2. The expected credit losses of the financial assets classified in Phase 2 are determined over the remaining lifetime (duration) of the asset, regardless of the time of the default (expected credit losses over the lifetime (duration) of the instrument).

c. In cases where the credit risk of a financial asset increases to a level that indicates that an event related to default has occurred, the financial asset is considered impaired and classified in Phase 3. At this stage the losses are established and calculated under the relevant asset for all its remaining lifetime (duration).

The management of the Group has developed a policy and set of criteria for analyzing, identifying and evaluating the occurrence of a “significant increase in credit risk”.

32
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

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

For baseline data on trade receivables, the Group 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 relevant customer segment models, and adjusted by forecast factors specific to debtors and the industry concerned.

For cash in banks, the Group recognizes impairment for expected credit losses using the Standardized Approach, using the credit rating of the financial institutions in which the Group has deposited its cash in order to determine the loss given default in the model parameters.

At each reporting date, the Group determines the amount of impairment for each instrument at the amount of the expected losses over the entire life if the credit risk for that financial 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.

Additional disclosures relating to the impairment of financial assets are also contained in the following notes:

- Disclosure of significant judgments and assumptions, Note 4.29
- Trade and other receivables, note 22
- Cash, note 26
- Credit risk, note 37

4.17.2. Financial liabilities

Initial recognition, classification and measurement

The Group recognizes in the statement of financial position a financial liability 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 amortized cost” (loans, trade and other payables) or as “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, costs directly attributable to the acquisition or issue of the financial liability. Loan management fees are deferred over the period of loan using the effective interest rate method and are included in the amortized cost of the loans.

The financial liabilities of the Group include bank loans, trade and other payables and finance lease liabilities.

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

Subsequent measurement

The 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 incurred for redemption purposes in the near future. Profit or loss on liabilities held for trading are recognized in the statement of 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 Group has not designated financial liabilities as carried at fair value through profit or loss.

33
Financial liabilities measured at amortized cost

The category of “financial liabilities at amortized cost” includes loans received, trade payables and other payables where the Group has become a party to a contract or arrangement and which has to be settled in net cash. This category has the most significant share of the Group's financial instruments.

Loans received are provisionally borrowed funds against consideration from Bulgarian or foreign banks and other financial institutions, commercial loans, etc.

Bank loans have been taken to provide long-term support to the Group's operations. They are reflected in the Group's statement of financial position net of loan expenses. Direct transaction costs are reported in the statement of profit or loss and other comprehensive income on the accrual basis using the effective interest rate method and added to the carrying amount of the financial liability to the extent that it is not settled at the end of the period in which they occurred.

Financial liabilities are subsequently measured at amortized cost using the effective interest rate method. The amortized 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. Expenses (calculated using the effective interest rate method) are included as financial expense in the statement of profit or loss and other comprehensive income in the line “Financial expenses”.

For financial liabilities that are measured at amortized 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 amortization process.

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

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

Derecognition

The Group derecognises a financial liability only when it settles the payable, the liability expires or the creditor waives its rights.

When an existing financial liability is replaced by another by the same creditor under substantially different conditions or the terms of the existing liability are substantially modified, such replacement or modification is treated as a derecognition of the original liability and recognition of a new liability. The difference in the relevant carrying amounts is recognized in the consolidated statement of profit or loss.

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

4.18 Compensation of financial instruments

Financial assets and financial liabilities are compensated and the net amount is presented in the Consolidated statement of financial position when there is a legally enforceable right to compensate the amounts recognized and the Group intends to settle a net basis or to simultaneously realize the assets and settle the liabilities.

4.19 Fair value of financial instruments

At each reporting date, the fair value of financial instruments that are actively traded on the markets is determined on the basis of quoted market prices or dealer quotations (“buy” for long positions and “sell” prices for short positions) without deducting transaction costs.

The fair value of financial instruments for which there is no active market is determined using measurement techniques. These techniques include the use of recent direct market transactions; references to the current fair value of another instrument that is substantially the same; discounted cash flow analysis and other measurement models.

4.20 Inventories

Inventories comprise raw materials, finished products, work in progress and goods. Cost of inventories includes all expenses directly attributable to the purchase or manufacturing process, recycling and other direct expenses connected to their delivery, as well as suitable portions of the related common production overheads, based on normal operating capacity. The financing expenses are not included in the cost of the inventories. At the end of every accounting period,
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The inventories are measured at the lower of their cost and their net realizable value. The amount of any impairment of inventories to their net realizable value is recognized as an expense in the period of the impairment.

The net realizable value is the estimated selling price of the inventories less the estimated expenses on the completion of the production cycle and the selling costs. In case the inventories have already been impaired to their net realizable value and it is found in the subsequent accounting period that the impairment conditions are no longer present, then their new net realizable value is assigned. Their amount may only be restored to the amount of the carrying value of the inventories before the impairment. The reversal in the value of the inventories is recorded as a reduction of expenses on materials for the period in which it has occurred.

The Group determines the expenses on inventories using the weighted average method.

Upon the sale of inventories, their carrying value is recognized as an expense in the period in which the related revenue is recognized.

Nuclear fuel

The fuel loaded in the reactors is the outstanding value (remaining resource) of nuclear fuel contained in the reactors as of the reporting date. The calculations are based on the established “Methodology for Reporting Supply, Feed and Depletion of Fresh Nuclear Fuel at NPP Kozloduy EAD”, taking into account the value of fresh nuclear fuel fed in the respective fuel cycle and the estimated fuel component that is determined by dividing the value of nuclear fuel fed into the reactor by the estimates of electricity production for the period in kWh. The product of the gross energy produced by the respective unit for the fuel cycle and the fuel component represents the cost of nuclear fuel during that period.

Working gas

Working natural gas volumes are reported as inventories. Natural gas is initially measured at cost of acquisition (its purchase price) plus the relevant transportation costs. When consumed, the working natural gas is accounted for at its average weighted price. The working gas is measured at the lower of its acquisition price and its net realizable value. The net realizable value is the price determined by the Energy and Water Regulatory Commission applicable for each period after the balance sheet date.

Stripping expenses

These expenses represent stripping costs of coal deposits. Such costs include expenses on geodesic research, surveys, development of the mines and other direct costs associated with the preparation for coal mining. The costs are deferred based on the coal quantities, prepared for extraction at year-end and are presented as part of the work-in-progress of inventory.

4.21 Income taxes

Current income tax

Current tax assets and liabilities of the current and past periods shall be recognized on the amount expected to be refunded by or paid to the tax authorities. While calculating the current taxes tax rates and tax laws shall apply, which are in force or are to a large extent adopted as of the reporting date. The Management analyses the separate items in the tax return when the applicable tax provisions are subject to interpretation and recognizes provisions where appropriate.

Current taxes are recognized directly in equity (not in the statement of profit or loss) provided that the tax relates to items which have been recognized directly in equity.

Deferred income tax

The deferred taxes are recognized using the balance sheet method for all temporary differences as of the reporting date, which arise between the tax base of the assets and liabilities and their carrying amounts.

Deferred tax liabilities are recognized for all taxable temporary differences.
- except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit, nor the tax profit or loss at the time of the transaction; and
- for taxable temporary differences relating to investments in subsidiaries, associates and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.
Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax loss carry forwards, to the extent that a taxable profit is likely to become available against which the deductible temporary differences, unused tax credits and unused tax loss carry forwards may be used:

- unless the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and affects neither the accounting profit, nor the tax profit or loss at the time of the transaction; and

- for deductible temporary differences relating to investments in subsidiaries, associates and interests in joint ventures, the deferred tax asset is only recognized to the extent that the temporary difference is likely to reverse in the foreseeable future and taxable profit may be realized against which the temporary difference may be used.

The Group reviews the carrying amount of the deferred tax assets as of each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. The unrecognized deferred tax assets are reviewed as of each reporting date and recognized to the extent that future taxable profit is likely to be realized to enable the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates, which are expected to be in force for the period in which the asset is realized or the liability is settled, on the basis of tax rates (and tax laws) effective or entered into force, to a considerable extent, as of the reporting date.

The deferred taxes related to items recognized outside the profit or loss are recognized outside the profit or loss. The deferred taxes are recognized depending on the related transaction either in the other comprehensive income, or directly in equity.

The Group compensates for deferred tax assets and liabilities only if there is a legal ground to deduct current tax assets against current tax liabilities, and deferred tax assets and liabilities relate to income taxes imposed by the same tax authority for the same taxable entity.

4.22 Trade receivables

Trade receivables represent the Group's unconditional right to receive remuneration under contracts with customers and other counterparties (i.e. it is only related to time before the payment of the remuneration).

Initial measurement

Trade receivables are initially recognized and reported at fair value based on the transaction price, which is normally equal to their invoiced amount, unless they contain a significant financing component that is additionally charged. In this case, they are recognized at their current value, determined at a discount rate at the rate of interest determined as inherent to the debtor customer.

Subsequent measurement

The Group holds trade receivables solely for the purpose of collecting contractual cash flows and then evaluates them at amortized cost less the amount of accumulated impairment for credit losses.

Impairment

The Group applies the model of expected credit losses over the entire duration of all trade receivables using the simplified approach allowed by IFRS 9 and based on a matrix model for the loss rate.

4.23 Cash and cash equivalents

Cash and short-term deposits recognized in the consolidated statement of financial position include cash in bank accounts, cash in hand and short-term deposits with an initial maturity of three months or less.

Subsequent measurement

Cash and cash equivalents in banks are subsequently presented at amortized cost less accumulated impairment for expected credit losses.

4.24 Non-current assets and liabilities classified as held for distribution to the sole equity holder

When the Group is committed to distribute assets (or decommissioning group) to the owner, the assets or decommissioning group are classified as held for distribution to the sole equity holder and are presented separately in the consolidated statement of financial position. For this purpose, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For distribution to be highly
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

probable, actions should have been initiated to complete the distribution and should be expected to be completed within one year from the date of classification. The actions required to complete the distribution should indicate that it is unlikely that significant changes may occur in the distribution or it may be withdrawn.

The liabilities are classified as held for distribution to the sole equity holder and are presented as such in the consolidated statement of financial position, only if they are directly related to the decommissioning group.

The assets classified as held for distribution to the sole equity holder are measured at the lower of their carrying value immediately after their designation as held for distribution to the sole equity holder and their fair value less the costs of their distribution. The assets classified as held for distribution to the sole equity holder are not subject to depreciation after their classification as held for distribution to the sole equity holder.

4.25 Equity, reserves and dividend payments

The share capital of the parent company reflects the nominal value of the issued shares. Other reserves include general reserves and additional reserves.

The reserve from revaluation to fair value includes the effects of the revaluation of the financial assets available for sale, as well as the Group's share of the performance and the revaluation of financial assets/liabilities of associates or joint ventures, which are recognized directly in equity.

The revaluation reserve of non-financial assets is formed by the difference between the carrying amount and the fair value of items of property, plant and equipment as of the date of revaluation, less its corresponding deferred tax liability.

The reserve from translation of foreign operations includes foreign exchange differences on translating the financial statements of subsidiaries when their functioning currency is different from the functional currency of the Group.

The reserve from revaluation of defined benefit plans involves the revaluation of defined employee benefits plans, defined by reports of independent actuarial appraisers. The retained earnings/(accumulated loss) include the current financial result and the accumulated earnings and uncovered losses from past years.

The dividend payables to the sole shareholder are included in line “Related Party Payables” in the Consolidated Statement of Financial Position when the dividends are approved for distribution by the sole equity holder before the end of the reporting period. All transactions with the sole equity holder have been presented separately in the Consolidated Statement of Changes in Equity.

4.26 Retirement and short-term employee benefits

Short-term earnings

The short-term employee earnings in the form of salaries, bonuses and social payments and benefits (payable within 12 months after the period in which the respective employee has rendered the service or has met the necessary conditions) are recognized as an expense in the consolidated statement of profit or loss, unless a specific IFRS requires this amount to be capitalized in the cost of a particular asset for the period in which the respective employee has rendered the services and/or has met the respective requirements as a current liability (after deducting any amounts already paid and deductions due).

The Group recognizes the short-term payables on compensable paid leaves of staff that have arisen on the basis of unused paid annual leave in cases where leaves are expected to occur within 12 months following the date of the reporting period in which the staff performed its work duties related to these leaves. As of the date of each financial statement, the Group measures the amount of the estimated costs of the accumulating compensated leave which is expected to be paid as a result of the unused entitlement of such compensated leave. The measurement includes the estimated cost of the employee's remuneration and the expenses on the compulsory social security and health insurance contributions payable by the employer on these amounts.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Long-term retirement benefits

The Group is required to pay employees' retirement benefits under defined benefit plans and defined contribution plans.

Defined contribution plans

Defined contribution plans are pension plans under which the Group makes fixed contributions to state funds. The employer is mainly responsible to pay the compulsory contributions of the employed staff payable to Pensions Fund, Supplementary Compulsory Pension Insurance (SCPI), General Sickness and Maternity Fund (GSMF), Unemployment Fund, Occupational Accident and Occupational Disease Fund (OAODF), and health insurance (HI). The amounts of the contributions are specifically determined by the State Social Security Budget Act and the National Health Insurance Fund Budget Act for the relevant year. The payment of the contributions is borne by the employer and the employee in accordance with the rules of the Social Security Code (SSC).

These social security and pension plans, administered by the Group in its capacity of employer, are defined contributions plans. Under these plans, the employer pays monthly fixed contributions to the state funds, as well as to universal and professional pension funds – based on rates fixed by law and has no legal or constructive obligation to pay future contributions into the funds when there are no sufficient funds to pay to the relevant employees the amounts earned during the period of their service. Similar are the obligations of the employer in terms of health insurance. The contributions payable by the Group under the defined contribution plans for social security and health insurance are recognized as current expense in the statement of profit or loss unless a specific IFRS requires this amount to be capitalized in the cost of a particular asset and as a current liability.

Defined benefit plans

According to the Bulgarian labor legislation, the Group – in its capacity of employer – is required to pay two or six gross monthly salaries to its employees upon retirement depending on their length of service. If an employee has worked for the same employer for the last 10 years of his/her service, the retirement benefit should amount to six gross monthly salaries upon retirement, otherwise – two gross monthly salaries. According to the collective employment agreements, some of the Group companies pay larger amounts of retirement benefits compared to those provided for by the law. The retirement benefit plan is not funded.

The liabilities for retirement employee benefits are determined by the Group using the actuarial valuation method. The Group's Management assesses the obligation under the defined benefit plans annually by an independent actuary. The estimate of the obligations is based on the standard rates of inflation, the medical cost trends and mortality. Future salary increases are also taken into account. Discount factors are determined close to each year-end by reference to the yield of high-quality corporate bonds that are denominated in the currency in which the earnings are to be paid and that have terms to maturity approximating to the terms of the related pension liabilities.

The expenses on the employees' retirement benefits associated with their length of services are included in "Expenses on Personnel" and the amount of the discounted liabilities is included as interest expense in "Financial Expenses". The actuarial profits/losses are recognized in the other comprehensive income and are transferred to Group's reserves.

The retirement benefit obligations presented in the consolidated statement of financial position consist of the present value of the liabilities with respect to the payment of these benefits.

4.27 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made. When the Group estimates that some or all of the expenses required to settle the provision will be recovered, for example under an insurance contract, the reimbursement is recognized as a separate asset, but only when it is practically certain that such expenses will be recovered. The expenses on provisions are presented in the consolidated statement of profit or loss, net of the amount of the reimbursement. Where the effect of the time value of money is material, the provisions are discounted using the current before-tax discount rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance costs.
Provision for environmental protection expenses

A provision for environmental protection costs is recognized when it is probable that expenses would be incurred or restoration works would be carried out and the Group has a legal or contractual obligation to undertake such actions. When it is expected that the expenses would be incurred over a long period of time, the present value of the expected future expenses is recognized as a provision and the effects of discounting are recognized as financial revenues and expenses. As of the reporting date of these consolidated financial statements, a provision for environmental protection expenses is recognized related to the safeguarding of the luminescent and other types of lamps containing mercury, safeguarding and recycling of storage batteries, deactivation, recycling and replacement of capacitor batteries containing PHB with new ones and utilization of bleaching soil used in the base for oil regeneration.

Provisions for recultivation

Provisions related to the estimated expenses on of recultivation of the land plots damaged from the coal mining by Mini Maritsa Iztok EAD are calculated by taking into account the requirements of the current environmental law, the forthcoming seizures of lands, the seized uncultivated land, the value of recultivation of 1 daa (decare) of land, as well as the estimated quantities of coal stocks until the year 2043. Due to the fact that there is significant uncertainty on the volume of the recultivation activities, which are to be performed over time, the provisions are not discounted and are not presented in the current Consolidated Financial Statements at their present value.

Provision for recultivation of plots damaged for landfilling of gypsum from desulphurization facilities

In accordance with Ordinance 26 on recultivation of damaged plots and improvement of low-fertility lands, removal and utilization of the humus layer, the Group is required to engage in technological and biological recultivation of a landfill, following its filling with gypsum from desulphurization facilities. Depending on the capacity of the landfill and the amount of landfill gypsum, the landfill is expected to be filled for 5 years. The value of the technological and biological reclamation under the project amounts to BGN 5,488 thousand. In accordance with para. 17(c) of IAS 16 Property, Plant and Equipment, the asset's value includes the initial estimate of the expected cost to recover the site (land recultivation) where the asset was located after its decommissioning.

Provision for decommissioning of nuclear facilities

According to the legal requirements, when the realization of the decommissioning project proves to be more expensive than the estimates, approved by the Management Board of the DNF Fund, the necessary additional costs are at the expense of the person who last operated the nuclear facility (in this case the NPP Kozloduy). As there is no clear national strategy for the decommissioning of nuclear facilities at the date of approval of the consolidated financial statements and no estimate of the projected cost of the project by the IPRS Fund has been made, the Group cannot reliably estimate the obligation and has not recognized provision for the decommissioning of nuclear installations on 31 December 2020 and 31 December 2019.

Provision for transporting, processing and storage of spent nuclear fuel

Under the current Strategy for Management of Spent Fuel and Radioactive Waste by 2030, adopted by decision of the Council of Ministers on 2 September 2015, NPP Kozloduy has a statutory obligation to transport at least 50 tons of heavy metal annually spent nuclear fuel (SNF) for processing and storage in Russia, in the presence of favorable financial and economic conditions.

Greenhouse gas emissions allowances

The allowances for greenhouse gas emissions (tons of carbon dioxide equivalent) are reported in “net liability method” under which the Group recognizes a liability for carbon dioxide emissions when the emissions are emitted and are in excess of the distributed (according to the National Plan for Allocation of Greenhouse Gas Emissions Allowances) and additionally purchased allowances. The emissions which exceed the allocated annual allowances for the Company are purchased from the open market. The Group currently recognizes an expense and a corresponding liability for the emissions in excess of the allocations. The estimation of such allowances is the best possible estimate of the prospective resources needed to purchase, i.e. their market price at the end of the reporting period.

4.28 Government grants and deferred funding

Government grants and deferred funding are recognized when there is reasonable assurance that the grant/funding will be received and that all conditions attached to it will be met. When the grant/funding relates to an expense item, it is recognized as revenue for the periods necessary to match the grant/funding on a systematic basis with the expenses
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

it is intended to compensate. When the grant/funding relates to the acquisition of a non-current asset, it is presented
as revenue for a future period and is recognized in the income or loss in equal amounts over the estimated useful life
of the related asset.

When the Group receives non-cash government grants, the grant and the asset are reported at their par value and the
grant/funding is recognized as revenue in the profit or loss in equal amounts over the useful life of the asset.

4.29 Significant Management's judgements when applying accounting policy. Uncertainty of approximate
accounting estimates
The preparation of the consolidated financial statements requires the Management to make best estimates, accruals
and assumptions that affect the value of the recognized assets and liabilities and the disclosure of contingent liabilities
as of the reporting date and the reported revenue and expenses for the relevant period. The uncertainty associated
with the assumptions and estimates made could result in actual results that require material adjustments to the carrying
amounts of the assets or liabilities in subsequent reporting periods.

Approximate accounting estimates and relevant material assumptions are reviewed on an ongoing basis. The results
of a change in approximate accounting estimates are recognized in the period in which the change is made as well as
in each future period affected.

Information about the significant assumptions, estimates and assumptions, as well as the main sources of uncertainty
in the use of approximate accounting estimates that have the most significant impact on the recognition and
measurement of assets, liabilities, income and expenses, is presented below.

Long-term power purchase agreements
The Group has entered into long-term power purchase agreements with the following contractors which operate
thermal power plants in Maritsa Basin – AES-3C Maritsa East 1 EOOD (contracted term – 15 years) and Contour
Global Maritsa East 3 AD (contracted term – 15 years). Based on the long-term contracts, the Group is entitled to set
the quantities of electricity that each of the two thermal power plants is to generate over a certain period of time based
on the installed capacity, and over the term of the agreement the Group is required to purchase through its subsidiary
– NEK EAD – the minimum quantities of generated electricity agreed and the corresponding availability. The Group
may set bigger quantities than the minimum agreed, if necessary, by purchasing the corresponding availability as well.

The Group's management considers that since all significant risks and benefits from the use of the mentioned thermal
power plants are not borne by the Group, the Company, through its subsidiary NEK EAD, does not fall within the
scope of IFRS 16. Additional information on long-term electricity purchase agreements is presented in note 40.

The result of the review and analysis of the long-term power purchase contracts is presented in section 3.2. New
standards, amendments and interpretations to IFRS, which came into force on 1 January 2019, IFRS 16 "Leasing".

Deferred tax assets
Deferred tax assets are recognized for all unused taxable losses inasmuch as it is probable that taxable profits will be
recognized, against which these losses can be utilized. In determining the amount of deferred tax assets, the
Management is required to make assumptions on the length of the period and the approximate amount of the future
taxable profits, including assessment of the future strategy for tax planning. The Group has not recognized deferred
tax assets for all taxable losses. Further information is presented in Note 23.

Fair value of property, plant and equipment
The Group subsequently recognizes major groups of property, plant and equipment at their remeasured value by using
reports made by independent external appraisers to determine their fair value. Detailed information on the revaluation,
valuation methods used, assumptions and judgement when determining fair value is given in Note 19.

The specificity of the Group's assets and the dynamic economic environment in the energy sector in which it operates
may lead to variations in the assumptions used and estimates in determining the fair values of those assets, plant and
equipment.

Provision for transporting, processing and storage of spent nuclear fuel
Under the current Strategy for Management of Spent Fuel and Radioactive Waste by 2030, adopted by decision of the
Council of Ministers on 2 September 2015, the Group through its subsidiary NPP Kozloduy has a statutory obligation
to transport at least 50 tons of heavy metal annually spent nuclear fuel (SNF) for processing and storage in Russia, in
the presence of favorable financial and economic conditions.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

In 2018, Kozloduy NPP and FSUE PA MAYAK (Federal State Unitary Enterprise “Production Association MAYAK”, Russia, in coordination with the Euratom Supply Agency, Luxembourg signed a framework Addendum No 19 to the Contract for transportation, temporary technological storage and processing in Russia of 414 spent fuel cassettes from WWER-1000 in the period 2019-2023. In 2019, in coordination with the ESA, Appendix No 19-1 to Appendix No.19 to the Contract for transportation, temporary technological storage and processing of 96 cartridges of spent nuclear fuel from WWER-1000 in period 2019-2020

In view of the long-term nature of the preparatory activities for the removal of spent fuel, including organizational and technical activities, preparation of the necessary documentation, obtaining certificates and permits, a new transport scheme for the transport of spent fuel from WWER-1000 has been developed. The first transport under this scheme took place in December 2020. The costs for its implementation are financed by the provided in 2018 targeted funds for spent fuel management, incl. for the activities for transportation, technological storage and processing of spent fuel, which have not been carried out in previous years.

In order to fulfill the obligations under the "Strategy for Management of radioactive waste and spent nuclear fuel until 2030." for transportation of at least 50 tons of heavy metal per year of SNF and provision of the necessary financing, according to the current accounting policies of the Group and the requirements of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” in the current expenses for 2020 is charged a provision for SNF management worth BGN 39,860 thousand The calculations are based on the best estimate of the costs of 1 shipment of SNF from WWER-1000 (96 cartridges) required to cover the current liability as of 31 December 2020.

At the end of the reporting period ending on 31 December 2020, the amount of the recognized provision required to cover the current obligation for SNF management, including for the transport of spent fuel from WWER-1000 is BGN 79,720 thousand.

Provision for decommissioning of nuclear facilities

In compliance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions must be recognized in respect of future amounts with uncertain timing and amount. Provisions are recognized only if the following criteria are satisfied:
- The entity has a present obligation, arising from a past event;
- An outflow of the entity’s resources, embodying economic benefits, may be required to settle the liability; and
- The value of the liability can be reliably estimated.

In compliance with the requirements under the standard for “reliable estimates”, the Group has not accrued any provisions for “decommissioning of nuclear facilities” and for “safe storage of spent nuclear fuel”, due to the following reasons:
- The Group is subject to specific regulations – Safe Use of Nuclear Energy Act, pricing regulations and decrees adopted by the Council of Ministers to raise funds in the Radioactive Waste (RAW) Fund and the Decommissioning of Nuclear Facilities (DNF) Fund. In accordance with these regulations, current expenses are accrued in the consolidated statement of profit or loss related to the contributions due to the above-stated funds and paid into government accounts. Pursuant to the principle of “comparability of revenues and expenses” as per the Accounting Act, the price of electricity in a regulated market, as determined by EWRC, includes an expense recognized up to the amount of the contributions due to the RAW Fund and the DNF Fund;
- In compliance with the agreements with the European Commission for early closure of Units 1 to 4, the State has contracted external funding for the construction of Dry Spent Nuclear Fuel (SNF) Storage Facility in order to cover wage and social security costs for the staff of Units 3 and 4 and other funding;
- The assets of Units 1 and 2 were transferred free of charge in December 2008 under Decision No.839 of the Council of Ministers from NPP Kozloduy EAD to State Enterprise RAW, Sofia, concerning the decommissioning activity. By decision of the Council of Ministers No.1038 dated 19 December 2012, Units 3 and 4 of NPP Kozloduy EAD were announced as radioactive waste management facilities and they are allocated to be managed by SE RAW. On 1 March 2013, the property belonging to Units 3 and 4, together with the respective staff, were transferred to SE RAW.

According to the regulatory requirements, when the implementation of the decommissioning project proves to be more expensive than the estimates approved by the Management Board of the DNF Fund, the necessary additional costs are borne by the person who last operated the nuclear facility (in this case it is NPP Kozloduy). As there is no estimate of the projected cost of the project by the DNF Fund at the date of approval of the financial statements, the Group cannot reliably estimate the obligation and has not recognized provision for the decommissioning of nuclear installations on 31 December 2020 and 31 December 2019.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Other provisions of the Group

The Group recognizes provisions for environmental protection, for reclamation, for exceeding greenhouse gas emission allowances, provisions for legal claims and other. Determination of provisions requires the management to make an estimate of the expected costs necessary to cover the Group's respective obligations and the time period. As of 31 December 2020, the Management's best estimate of the provisions is presented in Note 32.

Retirement benefits

The retirement benefit obligation is determined by actuarial valuation. This valuation requires that estimates be made for the discount rate, future wage growth, staff turnover and mortality rates. Due to the long-term nature of the retirement benefits, these estimates are subject to considerable uncertainty. As of 31 December 2020 the Group's liabilities for retirement benefits amount to BGN 302,946 thousand (31 December 2019: BGN 293,611 thousand); Additional information on the Group's liabilities for retirement benefits is presented in Note 31.

Useful life of property, plant, equipment and intangible assets

At the end of each reporting period, the Management reviews the useful life of the depreciable assets. As of 31 December 2020, the Management determines the useful life of assets as the expected period of use of the assets by the Group. Information on the useful life of property, plant and equipment is presented in Note 4.12. The carrying amounts of the assets are analyzed in Note 19 and Note 20. The actual useful life of an asset may differ from its estimated useful life as a result of technical or moral obsolescence.

Impairment of inventories

The Group recognizes impairment on slow-moving and obsolete inventories to their net realizable value. The Management assesses on an annual basis the adequacy of this impairment and the cost of the inventories is reduced to their estimated net realizable value. As of 31 December 2020, the best estimate of the impairment of inventories amounts to BGN 24,039 thousand (31 December 2019: BGN 4,144 thousand); Further information is presented in Note 24.

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

Measuring the expected credit loss of financial assets measured at amortized cost (loans, receivables, cash and cash equivalents) requires the use of models and material assumptions about future economic conditions and credit behavior of customers and debtors. For the application of these requirements, the Group's management makes a number of significant assessments of the criteria for identifying and assessing a significant increase in credit risk, appropriate models and assumptions to measure expected credit losses, identifying and assessing the relationship between historical overdue rates and the behavior of certain macro indicators to reflect the future effects of the estimated credit losses.

Approach for impairment of cash in banks

Cash and cash equivalents are the most liquid financial instruments. They do not entail settlement risk, and the liquidity risk they entail is limited to the technical possibility that a disposition with them will not be carried out. However, cash deposited in banks is a counterparty credit risk (risk of default). Counterparty risk is the likelihood that the counterparty in a financial transaction will not fulfill its contractual obligations. The Group 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 Group has deposited its cash is used to determine the loss given default in the model parameters. As of 31 December 2020, the management's best estimate of the expected credit losses of cash in banks amounted to BGN 3,686 thousand (31 December 2019: BGN 3,876 thousand) (Note 26).

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

The Group applies a simplified approach to calculate the expected credit losses for trade receivables that do not contain a financing component.

For the purpose of determining the expected credit losses modeling at the customer's level is done. Modeling is the inherent removal of the financial risk that customers bring to the Group companies.

Expected credit losses are calculated for each single receivable (invoice, interest rate, etc.) 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.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Additional risk has been identified based on historical experience in collecting receivables, including deteriorated financial condition, liquidity problems and other difficulties.

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 Group's expected credit losses is presented in note 22 Trade and other receivables, note 35 Related party disclosures, note 37 Financial risk management objectives and policy.

Approach for impairment of receivables with a financing component

The Group applies an individual approach for impairment of receivables with an element of financing and loans. 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 present value of each shortage of money) over the expected term of the financial instrument. Cash deficit is the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive. As expected credit losses take into account the amount and timing of payments, an expected credit loss is recognized even if the Group 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 adjudicated receivables

In cases where the Group has taken legal action to satisfy its receivables, they are classified as “court receivables”. This type of receivable is characterized by a total default – i.e. reluctance or inability of the customer to settle its payable. For this reason, irrespective of the existence of judgments of the judiciary and the enforcement procedures launched, the rate of collection of these receivables and respectively expected future cash inflows are low and the probability of default has already occurred with respect to the original asset, i.e. is equal to 100%.

Expected credit losses are the sum of the expected credit losses for each court and adjudicated receivable based on the historical rate of collection of this asset class. Further information is also provided in note 22 Trade and other receivables, note 37 Financial risk management objectives and policy.

Revenue from contracts with customers

When recognizing revenue under contracts with customers, the management makes various judgments, estimates and assumptions that affect the reported revenue, expense, assets and contingent liabilities. The key judgments and assumptions that have a material impact on the amount and timing of recognizing revenue from contracts with customers are disclosed in Note 4.9 Revenue Recognition, Performance obligations and Approach to Recognizing Principal Types of Revenue from Contracts with Customers.

Right-of-use assets and liabilities under leasing contracts

Management makes estimates based on its assessments of the elements of the lease in the contracts, the probable terms of the leases, the options for extension and termination, the determination of the differential interest rate, etc. upon recognition of “right-of-use assets” and liabilities under leasing contracts. These estimates have an impact on the reported income, expenses, assets and liabilities under leasing contracts and the corresponding disclosures.

As a result of the uncertainty regarding these assumptions and estimates, changes in the carrying amount of usable assets, liabilities under leases and reported costs and income may arise as a result of changes in revaluations or changes in leases.
5. **Segment Reporting**

The management currently defines the following Group products and services as operating segments as described in Note 4.6 “Electricity”, “Natural Gas”, “Coal” and “Administration”. These operating segments are monitored by the management, which takes strategic decisions based on the adjusted operating results of the segments.

In addition, smaller operating segments that do not exceed the quantitative thresholds are pooled in the segment of “Administrative activity” whose activity and main source of revenue is the provision of services to companies in other segments of the Group. Segment information can be analyzed for the reporting periods presented as follows:
Bulgarian Energy Holding EAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

As of December 31, 2020

<table>
<thead>
<tr>
<th></th>
<th>Electricity</th>
<th>Natural gas</th>
<th>Coal</th>
<th>Administration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN '000</td>
<td>BGN '000</td>
<td>BGN '000</td>
<td>BGN '000</td>
<td>BGN '000</td>
</tr>
<tr>
<td>Sales revenue and other operating income from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- external customers</td>
<td>4,130,123</td>
<td>1,120,031</td>
<td>341,844</td>
<td>3,857</td>
<td>5,595,855</td>
</tr>
<tr>
<td>- other segments</td>
<td>742,581</td>
<td>75,387</td>
<td>119,910</td>
<td>169,147</td>
<td>1,107,025</td>
</tr>
<tr>
<td><strong>Segment revenue</strong></td>
<td><strong>4,872,704</strong></td>
<td><strong>1,195,418</strong></td>
<td><strong>461,754</strong></td>
<td><strong>173,004</strong></td>
<td><strong>6,702,880</strong></td>
</tr>
<tr>
<td>Change in production and WIP balances</td>
<td>1,607</td>
<td>(39)</td>
<td>22,642</td>
<td>-</td>
<td>24,210</td>
</tr>
<tr>
<td>Cost of acquisition of PPE in an economic manner</td>
<td>34,729</td>
<td>-</td>
<td>9,543</td>
<td>-</td>
<td>44,272</td>
</tr>
<tr>
<td>Cost of sales of natural gas, electricity and other assets</td>
<td>(2,420,509)</td>
<td>(759,496)</td>
<td>(3,478)</td>
<td>-</td>
<td>(3,183,483)</td>
</tr>
<tr>
<td>Expenses for materials</td>
<td>(613,370)</td>
<td>(4,508)</td>
<td>(103,639)</td>
<td>(135)</td>
<td>(721,652)</td>
</tr>
<tr>
<td>Hired services expenses</td>
<td>(278,785)</td>
<td>(19,054)</td>
<td>(33,238)</td>
<td>(5,773)</td>
<td>(336,850)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(424,363)</td>
<td>(108,445)</td>
<td>(95,738)</td>
<td>(1,248)</td>
<td>(629,794)</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(609,060)</td>
<td>(75,079)</td>
<td>(266,656)</td>
<td>(5,346)</td>
<td>(956,141)</td>
</tr>
<tr>
<td>Reintegration of impairment / (net impairment) of sales receivables</td>
<td>4,263</td>
<td>8,056</td>
<td>(5,961)</td>
<td>(217,709)</td>
<td>(211,351)</td>
</tr>
<tr>
<td>Net impairment of property, plant and equipment</td>
<td>(5)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5)</td>
</tr>
<tr>
<td>Costs for provisions</td>
<td>(79,312)</td>
<td>(1,511)</td>
<td>(2,673)</td>
<td>(756)</td>
<td>(84,252)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(295,735)</td>
<td>(43,675)</td>
<td>(17,277)</td>
<td>(1,686)</td>
<td>(358,373)</td>
</tr>
<tr>
<td>Technological cost of natural gas</td>
<td>-</td>
<td>(27,712)</td>
<td>-</td>
<td>-</td>
<td>(27,712)</td>
</tr>
<tr>
<td><strong>Operating profit/(loss) of the segment from continuing operations</strong></td>
<td><strong>192,164</strong></td>
<td><strong>163,955</strong></td>
<td><strong>(34,721)</strong></td>
<td><strong>(59,649)</strong></td>
<td><strong>261,749</strong></td>
</tr>
<tr>
<td>Segment Assets</td>
<td>13,292,477</td>
<td>5,450,528</td>
<td>1,166,208</td>
<td>6,185,814</td>
<td>26,095,027</td>
</tr>
<tr>
<td>Segment Liabilities</td>
<td>6,794,663</td>
<td>2,663,117</td>
<td>368,276</td>
<td>2,411,115</td>
<td>12,237,171</td>
</tr>
</tbody>
</table>

45
Bulgarian Energy Holding EAD  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
For the year ended 31 December 2020

As of 31 December 2019

<table>
<thead>
<tr>
<th></th>
<th>Electricity</th>
<th>Natural gas</th>
<th>Coal</th>
<th>Administration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN'000</td>
<td>BGN'000</td>
<td>BGN'000</td>
<td>BGN'000</td>
<td>BGN'000</td>
</tr>
<tr>
<td>Sales revenue and other operating income from:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- external customers</td>
<td>4,781,766</td>
<td>1,652,055</td>
<td>314,627</td>
<td>(6,468)</td>
<td>6,741,980</td>
</tr>
<tr>
<td>- other segments</td>
<td>644,453</td>
<td>110,635</td>
<td>199,337</td>
<td>364,834</td>
<td>1,319,259</td>
</tr>
<tr>
<td>Segment revenue</td>
<td>5,426,219</td>
<td>1,762,690</td>
<td>513,964</td>
<td>358,366</td>
<td>8,061,239</td>
</tr>
<tr>
<td>Change in production and WIP balances</td>
<td>(8,511)</td>
<td>(57)</td>
<td>60,832</td>
<td>-</td>
<td>52,264</td>
</tr>
<tr>
<td>Cost of acquisition of PPE in an economic manner</td>
<td>30,139</td>
<td>-</td>
<td>7,572</td>
<td>-</td>
<td>37,711</td>
</tr>
<tr>
<td>Cost of sales of natural gas, electric energy and other assets</td>
<td>(2,798,202)</td>
<td>(1,262,968)</td>
<td>(5,922)</td>
<td>-</td>
<td>(4,067,092)</td>
</tr>
<tr>
<td>Expenses for materials</td>
<td>(390,420)</td>
<td>(5,798)</td>
<td>(144,836)</td>
<td>(147)</td>
<td>(541,201)</td>
</tr>
<tr>
<td>Hired services expenses</td>
<td>(253,619)</td>
<td>(17,894)</td>
<td>(46,968)</td>
<td>(4,653)</td>
<td>(323,134)</td>
</tr>
<tr>
<td>Depreciation and amortization expenses</td>
<td>(402,502)</td>
<td>(104,661)</td>
<td>(92,550)</td>
<td>(1,158)</td>
<td>(600,871)</td>
</tr>
<tr>
<td>Personnel expenses</td>
<td>(600,827)</td>
<td>(72,425)</td>
<td>(267,723)</td>
<td>(5,288)</td>
<td>(946,263)</td>
</tr>
<tr>
<td>Reintegration of impairment / (net impairment) of sales receivables</td>
<td>6,886</td>
<td>1,198</td>
<td>(1,602)</td>
<td>232,782</td>
<td>239,264</td>
</tr>
<tr>
<td>Net impairment of property, plant and equipment</td>
<td>-</td>
<td>(225)</td>
<td>-</td>
<td>-</td>
<td>(225)</td>
</tr>
<tr>
<td>Costs for provisions</td>
<td>(343,793)</td>
<td>(103,227)</td>
<td>(3,402)</td>
<td>(593)</td>
<td>(451,015)</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(349,438)</td>
<td>(21,611)</td>
<td>(18,194)</td>
<td>(1,222)</td>
<td>(390,465)</td>
</tr>
<tr>
<td>Technological cost of natural gas</td>
<td>-</td>
<td>(28,637)</td>
<td>-</td>
<td>-</td>
<td>(28,637)</td>
</tr>
<tr>
<td>Operating profit/(loss) of the segment from continuing operations</td>
<td>315,932</td>
<td>146,385</td>
<td>1,171</td>
<td>578,087</td>
<td>1,041,575</td>
</tr>
<tr>
<td>Segment Assets</td>
<td>13,004,377</td>
<td>3,699,433</td>
<td>1,211,248</td>
<td>6,306,734</td>
<td>24,221,792</td>
</tr>
<tr>
<td>Segment Liabilities</td>
<td>6,977,931</td>
<td>926,428</td>
<td>372,492</td>
<td>2,534,664</td>
<td>10,811,515</td>
</tr>
</tbody>
</table>
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The total amount of revenue, operating profit, segment assets and liabilities is compared to the corresponding items in the consolidated financial statements of the Group as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total segments revenue</td>
<td>6,702,880</td>
<td>8,061,239</td>
</tr>
<tr>
<td>Elimination of intra-segment revenue</td>
<td>(1,107,025)</td>
<td>(1,319,259)</td>
</tr>
<tr>
<td><strong>Group’s revenue</strong></td>
<td><strong>5,595,855</strong></td>
<td><strong>6,741,980</strong></td>
</tr>
</tbody>
</table>

**(Loss)/Profit**

| Operating profit/(loss) of segments | 261,749 | 1,041,575 |
| Elimination of profits from transactions between segments | 7,182 | (586,863) |
| **Operating profit/loss of the Group** | **268,931** | **454,712** |
| Share of the financial result of investments accounted by the equity method | 40,324 | 40,526 |
| Financial expenses | (150,748) | (107,518) |
| Financial income | 30,198 | 31,518 |
| **Group Profit/(Loss) before Taxes from continuing operations** | **188,705** | **419,238** |

**Group Profit/Loss before Taxes from discontinued operations**

**Assets**

| Total segments’ assets | 26,095,027 | 24,221,792 |
| Consolidation | (5,672,356) | (5,518,545) |
| **Group’s assets** | **20,422,671** | **18,703,247** |

**Liabilities**

| Total segments’ liabilities | 12,237,171 | 10,811,515 |
| Consolidation | (3,542,597) | (3,786,396) |
| **Group’s liabilities** | **8,694,574** | **7,025,119** |

6. **Sales revenue**

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Revenue from sales of electricity</td>
<td>2,637,658</td>
<td>2,943,096</td>
</tr>
<tr>
<td>Revenue from sales of natural gas</td>
<td>780,810</td>
<td>1,383,428</td>
</tr>
<tr>
<td>Revenue from sales of coal</td>
<td>267,569</td>
<td>285,540</td>
</tr>
<tr>
<td>Revenue from other sales, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Related with sales of electricity</td>
<td>440,905</td>
<td>440,375</td>
</tr>
<tr>
<td>Revenue generated from access fee</td>
<td>57,749</td>
<td>58,584</td>
</tr>
<tr>
<td>Revenues generated from reactive electricity</td>
<td>15,895</td>
<td>12,363</td>
</tr>
<tr>
<td>Revenue generated from connection fees</td>
<td>2,011</td>
<td>6,689</td>
</tr>
<tr>
<td>Revenues associated the transmission through the electricity grid</td>
<td>365,250</td>
<td>362,434</td>
</tr>
<tr>
<td>Revenues generated from electricity power system management</td>
<td>-</td>
<td>305</td>
</tr>
<tr>
<td>Related with sales of natural gas</td>
<td>297,150</td>
<td>235,932</td>
</tr>
<tr>
<td>Revenue generated from transmission of natural gas</td>
<td>268,462</td>
<td>13,152</td>
</tr>
<tr>
<td>Revenues from natural gas transit</td>
<td>26,207</td>
<td>221,509</td>
</tr>
<tr>
<td>Revenues from natural gas storage</td>
<td>2,481</td>
<td>698</td>
</tr>
<tr>
<td>Free of charge gas</td>
<td>-</td>
<td>573</td>
</tr>
</tbody>
</table>

47
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

**Revenue from “water supply” services** 4,073 3,818
**Revenue from sales of thermal energy** 2,161 1,933
**Revenue from transportation services** 5,823 5,952
**Revenue from rendered telecommunications services** 3,028 2,664
**Revenue from other services** 23,236 15,286

4,462,353 5,318,024

6.1. Revenue from contracts with customers

<table>
<thead>
<tr>
<th>Segments</th>
<th>Electricity</th>
<th>Natural gas</th>
<th>Coal</th>
<th>Administration</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>1. Types of goods or services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from sales of electricity</td>
<td>2,633,177</td>
<td>-</td>
<td>4,481</td>
<td>-</td>
<td>2,637,658</td>
</tr>
<tr>
<td>Revenue from sales of natural gas</td>
<td>780,810</td>
<td>267,509</td>
<td></td>
<td>-</td>
<td>780,810</td>
</tr>
<tr>
<td>Revenue from sales of coal</td>
<td>-</td>
<td>-</td>
<td>267,509</td>
<td>-</td>
<td>267,509</td>
</tr>
<tr>
<td>Revenue associated with the transmission and management of the electricity transmission grid</td>
<td>440,905</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>440,905</td>
</tr>
<tr>
<td>Revenue from natural gas transmission</td>
<td>-</td>
<td>297,150</td>
<td>-</td>
<td>-</td>
<td>297,150</td>
</tr>
<tr>
<td>Revenue from “water supply” services</td>
<td>4,073</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,073</td>
</tr>
<tr>
<td>Revenue from sales of thermal energy</td>
<td>2,161</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2,161</td>
</tr>
<tr>
<td>Revenue from transportation services</td>
<td>-</td>
<td>-</td>
<td>5,823</td>
<td>-</td>
<td>5,823</td>
</tr>
<tr>
<td>Revenue from telecommunications services</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,028</td>
<td>3,028</td>
</tr>
<tr>
<td>Other revenue under contracts with customers</td>
<td>8,770</td>
<td>14,442</td>
<td>-</td>
<td>24</td>
<td>23,236</td>
</tr>
<tr>
<td>Total revenue from customer contracts</td>
<td>3,089,086</td>
<td>1,092,402</td>
<td>277,813</td>
<td>3,052</td>
<td>4,462,353</td>
</tr>
</tbody>
</table>

2. Geographic markets

- Domestic market | 3,089,086 | 796,322 | 277,813 | 3,052 | 4,166,273 |
- Foreign Markets | 296,080 | | | | 296,080 |
| Total revenue from customer contracts | 3,089,086 | 1,092,402 | 277,813 | 3,052 | 4,462,353 |

3. Point in Time to Recognize Revenue

| Goods transferred at some point in time | - | - | 273,332 | - | 273,332 |
| Services transferred over time | 3,089,086 | 1,092,402 | 4,481 | 3,052 | 4,189,021 |
| Total revenue from customer contracts | 3,089,086 | 1,092,402 | 277,813 | 3,052 | 4,462,353 |

Balances on contracts with customers are as follows:

<table>
<thead>
<tr>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Receivables under contracts with customers - third parties, net of impairment</td>
<td>402,854</td>
</tr>
<tr>
<td>Receivables under contracts with customers - related parties, net of impairment</td>
<td>121,460</td>
</tr>
<tr>
<td>Liabilities under contracts with customers</td>
<td>272</td>
</tr>
</tbody>
</table>

Trade receivables are not interest-bearing and the usual credit period is up to 30 days.

**Performance obligations**

The Group through its subsidiary Mini Maritsa Iztok EAD has long-term contracts for the sale of coal with its main customers. Contracts include provisions for the purchase of minimum monthly and total annual quantities of coal, as well as penalties for delayed current payments by customers.

In 2020, the orders for delivery of lignite coal from the power plants in the complex to "Mini Maritsa-Iztok" EAD are significantly reduced. There is a decline in sales and revenues from coal.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Under a long-term agreement for the sale of coal with AES - 3C Maritsa East 1 EOOD (AES), the delivery obligation is a minimum annual quantity of 5,184 thousand standard tons of lignite coal. In the current year 4,812 thousand standard tons were delivered to the customer. (2019: 5,394 thousand standard tons).

Pursuant to a long-term contract for the sale of coal with ContourGlobal Maritsa East 3 AD (ContourGlobal) the delivery obligation is a minimum annual quantity of 8,756 thousand standard tons of lignite coal. In the current year 7,295 thousand standard tons were delivered to the customer (2019: 7,867 thousand standard tons).

7. Other operating income

Other income includes operations that are incidental to the Group's main activities and are income that is recognized under other standards and is outside the scope of IFRS 15.

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from the Security of the Electricity System Fund</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Income from penalties</td>
<td>27,955</td>
<td>33,946</td>
</tr>
<tr>
<td>Revenue from financing (Note 30)</td>
<td>76,389</td>
<td>19,544</td>
</tr>
<tr>
<td>Rental income</td>
<td>1,856</td>
<td>1,931</td>
</tr>
<tr>
<td>Revenue from the sale of current assets</td>
<td>2,838</td>
<td>4,673</td>
</tr>
<tr>
<td>Income from insurance compensation</td>
<td>7,281</td>
<td>11,134</td>
</tr>
<tr>
<td>Revenue from surplus assets</td>
<td>519</td>
<td>1,463</td>
</tr>
<tr>
<td>Gain on the sale of property, plant and equipment</td>
<td>426</td>
<td>200</td>
</tr>
<tr>
<td>Other incomes</td>
<td>35,807</td>
<td>40,477</td>
</tr>
<tr>
<td></td>
<td>1,133,502</td>
<td>1,423,956</td>
</tr>
</tbody>
</table>

Revenue from the Security of the Electricity System Fund

With the amendments to the Energy Act (Energy Act), promulgated in SG No.56/2015, Security of the Electricity System Fund (SESF/Fund) was established as a legal entity based in Sofia. The provisions which regulate the operations of the Fund are laid down in Article 36(b) to Article 36(k) of the Energy Act.

The purpose of the Fund is to manage the funds to cover the expenses incurred by Natsionalna Elektricheska Kompania EAD, acting as Public Supplier (PS), arising from its obligations to purchase electricity from producers connected to the transmission grid under long-term power purchase agreements, as well as electricity generated from renewable sources, from highly-efficient cogeneration of electricity and thermal energy and the amount of electricity produced by producers using local primary energy sources (fuel), up to 15 percent of all primary energy necessary to produce electricity. The other costs of the Public Supplier that can be covered by the Fund are those determined by a decision of the commission, including compensation for previous regulatory periods. The payments from the Fund to the public supplier are scheduled on a monthly basis.

For the price period from 1 July 2019 to 30 June 2020, the expenses of the Public supplier to be covered by the Fund pursuant to Decision of EWRC No.C-19 dated 1 July 2019 are estimated to a total of BGN 1,300,067 thousand and include compensation of the expenses for the previous period in the amount of BGN 356,487 thousand. The revenue generated from “Obligation to society” fee for the current period compensates expenses between the forecasted market price and the preferential prices under long-term contracts - BGN 701,657 thousand and BGN 91,842 thousand for access fee of generators and installment due under Art. 36f of the Energy Act, RES - BGN 83,286 thousand (up to 1 MW of installed capacity) and highly-efficient cogeneration (HECG) up to 1 MW of installed capacity - 1, 578 thousand BGN or total BGN 878,363 thousand. BGN 65,217 thousand of TPP Maritsa East 2 through the public supplier are also compensated. With decision No.II-12 of 1 April 2020 EWRC determined expenses in the amount of BGN 97,030 thousand, which should be reimbursed to the public supplier in connection with Order No. E-PJI-16-39 of 29.01.2020 of the Minister of Energy for imposed an additional obligation to supply the public, consisting in providing additional quantities of electricity to meet the needs of the regulated market for the period 29.01.2020-30.06.2020. Thus, for the price period from 1 July 2019 until 30 June 2020, the costs of the public provider, which are covered by the fund, according to Decision No. II-19 of 1 July 2019 and Decision No.II-12 of 01.04.2020 of the EWRC are estimated at a total of 1,397,097 thousand BGN.

For the price period from 1 July 2020 to 30 June 2021, the expenses of the Public Supplier to be covered by the Fund pursuant to Decision of EWRC No.II-29 dated 1 July 2020 are estimated to a total of BGN 881,500 thousand and
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

include compensation of the expenses for the previous period in the amount of BGN 16,697 thousand. The revenue of the fund for the current period compensates expenses between the forecasted market price and the preferential prices under long-term contracts - BGN 612,710 thousand and BGN 88,923 thousand for access fee of generators and installment due under Art. 36f of the Energy Act, RES in the amount of BGN 66,448 thousand. (up to 1 MW installed capacity) and HECG up to 1 MW installed capacity BGN 1,113 thousand or a total of BGN 878,363 thousand BGN. 65,609 thousand of TPP Maritsa East 2 through the public supplier are also compensated. With decision No. ІІ-10 of 24 February 2021 EWRC determined costs in the amount of BGN 247,027 thousand for compensation of the public supplier by the fund, arising from the higher reported and expected price of carbon emissions by the end of the regulatory period compared to the forecast in Decision No. ІІ-29 of 1 July 2020. Thus, for the price period from 1 July 2020 to 30 June 2021, the costs of the public supplier, which are covered by the fund, according to Decision No. ІІ-29 of 1 July 2020 and Decision No. ІІ-10 of 24.02.2021 of the EWRC are estimated at a total of BGN 1,128,527 thousand.

By their nature, the funds provided by the Security of the Electricity System Fund are grants provided by the state that fall within the scope of IAS 20, Accounting for grants provided by the state and disclosure of state aid. Funds provided by the Security of the Electricity System Fund are recognized in profit or loss on a systematic basis (monthly) over the periods in which the entity recognizes as an expense the respective costs that the grants are intended to compensate the Fund's budget has been exhausted. In the process of making compensation claims, if the costs of NEK EAD exceed those specified in the EWRC’s price decision for the regulatory period, even if they meet the reimbursement condition, the excess should be recognized as financing revenue after receipt of the cash. This is due to the fact that the timing of their recovery cannot be determined due to the exhaustion of the Fund's compensation budget.

For the period from 1 January 2020 to 31 December 2020, to NEK EAD are recognized revenues for compensating the costs of the Public supplier amounting to BGN 978,293 thousand (2019: BGN 1,308,267 thousand), disclosed in Note 22.2. Receivables from the Security of Electricity System Fund and from NPP Kozloduy EAD in the amount of BGN 2,138 thousand. (2019: BGN 2,321 thousand);


According to Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market in electricity of 5 June 2019, Art. 19 (2): “The following objectives shall have priority with the respect to the allocation of any revenues resulting from the allocation of cross-system capacity:

a) guaranteeing the actual availability of the allocated capacity including guarantee compensation; or
b) maintaining or increasing cross-system capacities through optimisation of the usage of existing interconnector power lines by means of coordinated remedial actions, where applicable, or covering costs resulting from network investments that are relevant to reduce interconnector power lines.

Where the priority objectives set out in paragraph 2 are properly met, the revenue may be used as income to be taken into account by regulatory authorities when approving the methodology for calculating network tariffs, setting network tariffs, or both. The balance of the revenue shall be recorded on a separate line in the internal account until it becomes possible to spend it for the purposes referred to in paragraph 2.

Transmission system operators shall propose to ACER a methodology for the use of revenues in accordance with points (a) or (b) of paragraph 2. The methodology shall establish at least the conditions under which the revenue may be used for the purposes referred to in paragraph 2, the conditions under which such revenue may be recorded internally on a separate line for future use for those purposes, and the period during which such revenue may be used. Income can be recorded in such an order.

In 2020, a total of BGN 4,253 thousand of revenues under the Regulation were reported in the Group through the subsidiary Electricity System Operator EAD. Revenues in the amount of BGN 2,852 thousand are for construction of sites of "Electricity System Operator" EAD, related to the implementation of Regulation (EU) 2019/943, and revenues in the amount of BGN 1,401 thousand are for repair of sites related to the implementation of Regulation (EU) 2019/943.
Revenue related to payment of funds for preserving employment (measure 60/40)

In connection with the state of emergency and subsequent emergency epidemic situation in the country the Government of the Republic of Bulgaria has taken measures to preserve employment, as employers from almost all sectors of the economy funds are provided in the amount of 60% of the insurance income of their employees for a certain period of time. The group through the subsidiary Mini Maritsa East EAD has been approved for the payment of compensation for maintaining employment, respectively as follows:

• under Art. 1, para. 1 of the Council of Ministers No. 151 / 03.07.2020 for the months of July, August and September 2020;
• under Council of Ministers Decree no. 151 / 03.07.2020 amended with CMD № 278 / 2020 for the months of October, November and December 2020.

For 2020, the recognized revenues under measure 60/40 amount to BGN 56,216 thousand.

In 2020, the Group recognized the approved grant in profit or loss in the part Financing revenue.

8. Cost of natural gas, electricity and other current assets sold

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>(1,735,050)</td>
<td>(2,187,149)</td>
</tr>
<tr>
<td>Natural gas</td>
<td>(703,110)</td>
<td>(1,178,238)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(1,420)</td>
<td>(4,015)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(2,439,580)</strong></td>
<td><strong>(3,369,402)</strong></td>
</tr>
</tbody>
</table>

9. Cost of acquisition of property, plant and equipment

During the current period expenses in the amount of BGN 44,272 thousand were incurred (2019: BGN 37,711 thousand) for self-constructed assets from property, plant and equipment by the companies in the Group. These costs include material costs, including fuels and lubricants, external services, staff costs and other costs.

10. Cost of materials

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fuel</td>
<td>(134,149)</td>
<td>(125,715)</td>
</tr>
<tr>
<td>Spare parts</td>
<td>(40,567)</td>
<td>(54,982)</td>
</tr>
<tr>
<td>Electricity</td>
<td>(55,625)</td>
<td>(89,411)</td>
</tr>
<tr>
<td>Reagents, limestone and other main materials</td>
<td>(12,819)</td>
<td>(17,506)</td>
</tr>
<tr>
<td>Repair and maintenance materials</td>
<td>(23,452)</td>
<td>(15,680)</td>
</tr>
<tr>
<td>Other raw materials and consumables</td>
<td>(28,181)</td>
<td>(33,509)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(294,793)</strong></td>
<td><strong>(336,803)</strong></td>
</tr>
</tbody>
</table>

11. Hired services expenses

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repairs</td>
<td>(100,614)</td>
<td>(93,515)</td>
</tr>
<tr>
<td>Insurance services</td>
<td>(53,774)</td>
<td>(55,237)</td>
</tr>
<tr>
<td>Security services</td>
<td>(56,009)</td>
<td>(51,612)</td>
</tr>
<tr>
<td>Concession fees and licenses</td>
<td>(18,508)</td>
<td>(24,592)</td>
</tr>
<tr>
<td>Other charges and fees</td>
<td>(4,322)</td>
<td>(4,426)</td>
</tr>
<tr>
<td>Transport services</td>
<td>(13,787)</td>
<td>(22,061)</td>
</tr>
<tr>
<td>Consultancy services</td>
<td>(13,105)</td>
<td>(10,721)</td>
</tr>
<tr>
<td>Communication services</td>
<td>(3,385)</td>
<td>(3,590)</td>
</tr>
<tr>
<td>Rent</td>
<td>(533)</td>
<td>(667)</td>
</tr>
<tr>
<td>Others</td>
<td>(24,196)</td>
<td>(24,315)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(288,233)</strong></td>
<td><strong>(290,736)</strong></td>
</tr>
</tbody>
</table>
Audit services

These consolidated financial statements have been audited by the audit company HLB Bulgaria OOD on the basis of a contract concluded between Bulgarian Energy Holding EAD and HLB Bulgaria OOD and includes an independent financial audit of the individual financial statements of BEH EAD, NEK EAD, NPP Kozloduy and its subsidiaries, TPP Maritsa 2 EAD and its subsidiary Mini Maritsa Iztok EAD, Bulgargaz EAD, and the consolidated financial statements of BEH EAD, NPP Kozloduy EAD, TPP Maritsa East 2 EAD.

The remuneration of the registered auditors for the independent financial audit conducted for 2020 amounts to BGN 756 thousand, excluding VAT. The remuneration includes independent financial audit of the annual consolidated and individual financial statements for 2020 amounting to BGN 516 thousand and audit of the interim consolidated and individual financial statements as of 30 June 2020 amounting to BGN 240 thousand.

During the period the registered auditors did not provide other services.

12. Accrued/reversed impairment

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impairment of expected credit losses on trade receivables, net</td>
<td>(40,650)</td>
<td>13,652</td>
</tr>
<tr>
<td>Impairment of expected credit losses on related party receivables, net</td>
<td>10,182</td>
<td>(26)</td>
</tr>
<tr>
<td>Impairment of expected credit losses on other receivables, net</td>
<td>2,773</td>
<td>1,549</td>
</tr>
<tr>
<td>Impairment of expected credit losses on court and adjudicated receivables, net</td>
<td>(2,744)</td>
<td>(347)</td>
</tr>
<tr>
<td>Impairment of expected credit losses on cash in bank accounts, net</td>
<td>254</td>
<td>(1,631)</td>
</tr>
<tr>
<td>Impairment of expected credit losses on other current assets, net</td>
<td>(830)</td>
<td></td>
</tr>
<tr>
<td><strong>Total impairment of trade and other receivables</strong></td>
<td>(30,185)</td>
<td>12,367</td>
</tr>
<tr>
<td>Impairment of investments accounted by the equity method</td>
<td>(193)</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>Accrued/reversed impairment</strong></td>
<td>(30,378)</td>
<td>12,358</td>
</tr>
</tbody>
</table>

13. Employee benefits expenses

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration</td>
<td>(604,175)</td>
<td>(573,004)</td>
</tr>
<tr>
<td>Social Security</td>
<td>(166,523)</td>
<td>(166,228)</td>
</tr>
<tr>
<td>Social costs</td>
<td>(157,486)</td>
<td>(148,429)</td>
</tr>
<tr>
<td>Accrued expenses for long-term retirement employee benefits (Note 31)</td>
<td>(28,805)</td>
<td>(51,387)</td>
</tr>
<tr>
<td>Expenses for unused paid leave and social security contributions on it</td>
<td>871</td>
<td>(7,187)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(956,118)</td>
<td>(946,235)</td>
</tr>
</tbody>
</table>

14. Other operating expenses

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions to the Decommission of Nuclear Facilities Fund and to the Radioactive Waste Fund</td>
<td>(131,860)</td>
<td>(137,772)</td>
</tr>
<tr>
<td>Fines and penalties</td>
<td>(429)</td>
<td>(4,635)</td>
</tr>
<tr>
<td>Food and workwear</td>
<td>(35,989)</td>
<td>(48,405)</td>
</tr>
<tr>
<td>Technological cost of natural gas</td>
<td>(12,524)</td>
<td>(8,984)</td>
</tr>
<tr>
<td>Inventories and property, plant and equipment written off</td>
<td>(6,166)</td>
<td>(15,279)</td>
</tr>
<tr>
<td>Business trips</td>
<td>(2,122)</td>
<td>(4,916)</td>
</tr>
<tr>
<td>Local taxes and fees</td>
<td>(9,561)</td>
<td>(9,351)</td>
</tr>
<tr>
<td>Impairment of inventories</td>
<td>(20,447)</td>
<td>(605)</td>
</tr>
<tr>
<td>Expenses for tax on costs</td>
<td>(1,712)</td>
<td>(1,809)</td>
</tr>
<tr>
<td>Excise and other taxes</td>
<td>(20,078)</td>
<td>(17,820)</td>
</tr>
<tr>
<td>Fees to Security of the Electricity System Fund</td>
<td>(106,300)</td>
<td>(116,471)</td>
</tr>
<tr>
<td>Training and qualification</td>
<td>(661)</td>
<td>(1,068)</td>
</tr>
<tr>
<td>Others</td>
<td>(15,358)</td>
<td>(24,372)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(363,207)</td>
<td>(393,487)</td>
</tr>
</tbody>
</table>
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Contributions to the “Security of the Electricity System” Fund

Pursuant to the provisions of Article 36(f) of the Energy Act, contributions to the “Security of the Electricity System” Fund should be deducted and paid by the electricity producers from the proceeds of the sales of electricity, excluding VAT; the operators of the electricity and gas transmission networks from the proceeds for access and transmission of electricity and natural gas, excluding VAT. In order to implement this requirement, the companies – Nacionalna Elektricheska Kompania EAD, TPP Maritza East 2 EAD, NPP Kozloduy EAD, Bulgartransgaz EAD and Electricity System Operator EAD charge and contribute their 5% deductions to the Fund.

Contributions to the Decommission of Nuclear Facilities Fund and to the Radioactive Waste Fund

According to the ordinances adopted by the Council of Ministers for the establishment, collection, utilization and control of the funds and the amount of the contributions due to the Decommission of Nuclear Facilities Fund and the Radioactive Waste Fund, the subsidiary NPP Kozloduy EAD makes its contributions to the funds. The contributions due are determined in accordance with the rules laid down in the regulations. The contributions are reported as current expenses and are used as a pricing element in determining the electricity price produced by NPP Kozloduy EAD.

15. Financial income

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Income on receivables from Toplofikatsia Sofia EAD</td>
<td>21,128</td>
<td>19,136</td>
</tr>
<tr>
<td>Interest income on bank deposits</td>
<td>358</td>
<td>6,544</td>
</tr>
<tr>
<td>Interest income on bank current accounts</td>
<td>115</td>
<td>-</td>
</tr>
<tr>
<td>Other interest income on financial instruments, carried at amortized cost</td>
<td>8,547</td>
<td>4,307</td>
</tr>
<tr>
<td><strong>Total interest income on financial instruments that are not carried at fair value through profit or loss</strong></td>
<td>30,148</td>
<td>29,987</td>
</tr>
<tr>
<td>Income from dividends and liquidation share</td>
<td>42</td>
<td>55</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>1,476</td>
</tr>
<tr>
<td><strong>Total financial income</strong></td>
<td>30,198</td>
<td>31,518</td>
</tr>
</tbody>
</table>

16. Financial expenses

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on loans measured at amortized cost</td>
<td>(104,134)</td>
<td>(104,642)</td>
</tr>
<tr>
<td>Interest expense on trade payables at amortized cost</td>
<td>-</td>
<td>(1,131)</td>
</tr>
<tr>
<td>Interest expenses on financial leasing</td>
<td>(46)</td>
<td>(159)</td>
</tr>
<tr>
<td><strong>Total interest expense on financial instruments that are not carried at fair value through profit or loss</strong></td>
<td>(104,180)</td>
<td>(105,932)</td>
</tr>
<tr>
<td>Interest expense on retirement benefits (Note 31)</td>
<td>(1,825)</td>
<td>(2,299)</td>
</tr>
<tr>
<td>Interest expense on tax, fees and government receivables</td>
<td>(20)</td>
<td>(305)</td>
</tr>
<tr>
<td>Bank charges</td>
<td>(1,937)</td>
<td>(1,147)</td>
</tr>
<tr>
<td>Exchange rate differences, net</td>
<td>(42,736)</td>
<td>2,156</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>(50)</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total financial expenses</strong></td>
<td>(150,748)</td>
<td>(107,518)</td>
</tr>
</tbody>
</table>

Bank charges include an amount for accrued expenses under a bank guarantee issued in case COMP / AT.39849-BEH gas in the amount of BGN 1,025 thousand. (2019: BGN 792 thousand);

17. Income tax expense

The estimated income tax expense based on the applicable tax rate for Bulgaria at the rate of 10% (2019: 10%) and the actually recognized tax expense in the profit or loss can be reconciled as follows:
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting profit/(loss) from continuing operations</td>
<td>188,705</td>
<td>419,238</td>
</tr>
<tr>
<td>Accounting profit/(loss) before tax</td>
<td>188,705</td>
<td>419,238</td>
</tr>
<tr>
<td>Tax rate</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Expected income tax expense</td>
<td>(18,871)</td>
<td>(41,924)</td>
</tr>
</tbody>
</table>

Tax effect of:
|                           |          |          |
| Increases for tax purposes    | (140,848)| (185,170)|
| Reductions for tax purposes  | 114,586  | 162,597  |
| Tax loss carried forward      | 14       | 29       |
| **Current income tax expense**| (45,119) | (64,468) |

Deferred Tax (Expense)/Revenue:
|                           |          |          |
| Unrecognized income tax revenue | (23,158) | (14,511) |
| The occurrence and reversal of temporary differences | 36,773   | 59,143   |
| **Income tax expense**        | (31,504) | (19,836) |

Deferred tax (expense)/income recognized in other comprehensive income | 12,074   | 4,014    |

Note 23 provides information on the amounts of deferred tax assets and liabilities recognized through profit or loss and recognized directly in other comprehensive income.

18. Profit (loss) per share and dividends

18.1. Profit/(loss) per share

The profit/(loss) per share is calculated using as the numerator the net profit/(loss) attributable to the shareholder of the parent company. The weighted average number of shares used for the calculation of the profit/(loss) per share and the net profit/(loss) attributable for distribution to the shareholder of the parent company are presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(Loss) for the Group attributable to shareholders</td>
<td>157,254</td>
<td>399,573</td>
</tr>
<tr>
<td>Weighted average number of shares</td>
<td>3,462,941,744</td>
<td>3,462,941,744</td>
</tr>
<tr>
<td>Profit/(Loss) per share (in BGN per share)</td>
<td>0.045</td>
<td>0.115</td>
</tr>
</tbody>
</table>

18.2. Dividends paid

The distribution of the profit of the parent company – Bulgarian Energy Holding EAD – is performed pursuant to a decision of the sole-shareholder, as follows:
- at least 10% of the profit must be transferred to the Fund Reserves;
- upon a proposal of the Board of Directors, portion of the attributable profit may be allocated to particular funds of the company;
- dividends are paid out from the remaining portion.

The amount of dividends payable to the State is determined annually by the State Budget Act. For 2020 and 2019 the Group has no obligation to distribute dividends to the Sole Owner.
# Bulgarian Energy Holding EAD

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

### 19. Property, Plant and Equipment

<table>
<thead>
<tr>
<th></th>
<th>Lands and buildings</th>
<th>Plant and equipment</th>
<th>Transport vehicles</th>
<th>Fixtures and fittings and other assets</th>
<th>Acquisition costs</th>
<th>Right-of-use assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>As of 31 December 2020</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
</tr>
<tr>
<td><strong>Book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 1 January 2020</td>
<td>1,171,411</td>
<td>10,663,731</td>
<td>103,656</td>
<td>105,997</td>
<td>3,310,313</td>
<td>3,024</td>
<td>15,358,132</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>4,304</td>
<td>188,039</td>
<td>5,835</td>
<td>1,096</td>
<td>3,160,300</td>
<td>428</td>
<td>3,360,002</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(302)</td>
<td>(59,765)</td>
<td>(601)</td>
<td>(683)</td>
<td>(545,297)</td>
<td>8</td>
<td>(606,640)</td>
</tr>
<tr>
<td><strong>Revaluation</strong></td>
<td>217</td>
<td>(7,771)</td>
<td>(97)</td>
<td>(122)</td>
<td>-</td>
<td>-</td>
<td>(7,773)</td>
</tr>
<tr>
<td><strong>Impairment</strong></td>
<td>-</td>
<td>(107,717)</td>
<td>-</td>
<td>-</td>
<td>(4)</td>
<td>-</td>
<td>(107,721)</td>
</tr>
<tr>
<td>Transfers and reclassifications</td>
<td>11,775</td>
<td>2,523,180</td>
<td>5,940</td>
<td>1,110</td>
<td>(2,555,941)</td>
<td>-</td>
<td>(13,936)</td>
</tr>
<tr>
<td><strong>Balance as of 31 December 2020</strong></td>
<td>1,187,405</td>
<td>13,199,697</td>
<td>114,733</td>
<td>107,398</td>
<td>3,369,371</td>
<td>3,460</td>
<td>17,982,064</td>
</tr>
</tbody>
</table>

**Depreciation:**

| Balance as of 1 January 2020 | (47,868)           | (922,546)           | (50,062)           | (77,858)                               | (225)             | (1,001)             | (1,099,560) |
| Depreciation                 | (26,381)           | (377,582)           | (9,899)            | (5,957)                                | -                 | (449)               | (620,268)   |
| Disposals                    | 190                | 50,006              | 646                | 800                                    | -                 | -                   | 51,642      |
| Elimination of depreciation in case of revaluation | (217)              | (2,802)             | 3                  | -                                      | -                 | -                   | (3,016)     |
| **Balance as of 31 December 2020** | (74,276)           | (1,452,924)         | (59,312)           | (83,015)                               | (225)             | (1,450)             | (2,798,202) |
| **Carrying amount as at 31 December 2020** | 1,113,129           | 11,746,773          | 55,421             | 24,383                                 | 3,369,146         | 2,010               | 16,310,862  |
## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

<table>
<thead>
<tr>
<th></th>
<th>Lands and buildings</th>
<th>Plant and equipment</th>
<th>Transport vehicles</th>
<th>Fixtures and fittings and other assets</th>
<th>Acquisition costs</th>
<th>Right-of-use assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of 31 December 2019</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Book value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 31 December 2018</td>
<td>1,163,979</td>
<td>10,287,654</td>
<td>99,662</td>
<td>104,156</td>
<td>2,755,909</td>
<td>-</td>
<td>14,411,360</td>
</tr>
<tr>
<td>Recalculation from application of IFRS 16</td>
<td>-</td>
<td>(1,467)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,472</td>
<td>5</td>
</tr>
<tr>
<td>Balance as of 1 January 2019</td>
<td>1,163,979</td>
<td>10,286,187</td>
<td>99,662</td>
<td>104,156</td>
<td>2,755,909</td>
<td>1,472</td>
<td>14,411,365</td>
</tr>
<tr>
<td>Additions</td>
<td>3,332</td>
<td>226,875</td>
<td>4,324</td>
<td>2,218</td>
<td>1,168,072</td>
<td>1,552</td>
<td>1,406,373</td>
</tr>
<tr>
<td>Disposals</td>
<td>(543)</td>
<td>(43,256)</td>
<td>(1,435)</td>
<td>(566)</td>
<td>(354,069)</td>
<td>-</td>
<td>(399,869)</td>
</tr>
<tr>
<td>Revaluation</td>
<td>(1,069)</td>
<td>(8,677)</td>
<td>-</td>
<td>(6)</td>
<td>(47,541)</td>
<td>-</td>
<td>(57,293)</td>
</tr>
<tr>
<td>Revaluation at the expense of accumulated depreciation</td>
<td>(217)</td>
<td>(3,025)</td>
<td>(13)</td>
<td>(102)</td>
<td>-</td>
<td>-</td>
<td>(3,357)</td>
</tr>
<tr>
<td>Transfers and reclassifications</td>
<td>5,929</td>
<td>205,627</td>
<td>1,118</td>
<td>297</td>
<td>(212,058)</td>
<td>-</td>
<td>913</td>
</tr>
<tr>
<td>Balance as of 31 December 2019</td>
<td>1,171,411</td>
<td>10,663,731</td>
<td>103,656</td>
<td>105,997</td>
<td>3,310,313</td>
<td>3,024</td>
<td>15,358,132</td>
</tr>
</tbody>
</table>

### Depreciation:

<table>
<thead>
<tr>
<th></th>
<th>Lands and buildings</th>
<th>Plant and equipment</th>
<th>Transport vehicles</th>
<th>Fixtures and fittings and other assets</th>
<th>Acquisition costs</th>
<th>Right-of-use assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of 31 December 2018</td>
<td>(22,389)</td>
<td>(391,943)</td>
<td>(41,022)</td>
<td>(72,622)</td>
<td>-</td>
<td>-</td>
<td>(527,976)</td>
</tr>
<tr>
<td>IFRS 16</td>
<td>-</td>
<td>749</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance as of 1 January 2019</td>
<td>(22,389)</td>
<td>(391,436)</td>
<td>(41,022)</td>
<td>(72,622)</td>
<td>-</td>
<td>(749)</td>
<td>(527,976)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(26,062)</td>
<td>(549,009)</td>
<td>(10,165)</td>
<td>(5,887)</td>
<td>-</td>
<td>(252)</td>
<td>(591,375)</td>
</tr>
<tr>
<td>Disposals</td>
<td>375</td>
<td>14,834</td>
<td>1,130</td>
<td>645</td>
<td>-</td>
<td>-</td>
<td>16,984</td>
</tr>
<tr>
<td>Elimination of depreciation in case of revaluation</td>
<td>208</td>
<td>2,813</td>
<td>(5)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3,016</td>
</tr>
<tr>
<td>Other reclassifications</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>6</td>
<td>(225)</td>
<td>-</td>
<td>(209)</td>
</tr>
<tr>
<td>Balance as of 31 December 2019</td>
<td>(47,868)</td>
<td>(922,673)</td>
<td>(50,062)</td>
<td>(77,858)</td>
<td>(225)</td>
<td>(1,001)</td>
<td>(1,099,560)</td>
</tr>
<tr>
<td>Carrying amount as at 31 December 2019</td>
<td>1,123,543</td>
<td>9,741,185</td>
<td>53,594</td>
<td>28,139</td>
<td>3,310,088</td>
<td>2,023</td>
<td>14,258,572</td>
</tr>
</tbody>
</table>
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The right of use assets are included in the net book value of property, plant and equipment as follows:

<table>
<thead>
<tr>
<th>31 December 2020</th>
<th>Optical cable lines</th>
<th>Plant and equipment</th>
<th>Buildings</th>
<th>Total assets eligible for use</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGН’ 000</td>
<td>BGН’ 000</td>
<td>BGН’ 000</td>
<td>BGН’ 000</td>
</tr>
<tr>
<td><strong>Gross book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 1 January 2020</td>
<td>1,476</td>
<td>1,119</td>
<td>429</td>
<td>3,024</td>
</tr>
<tr>
<td>Newly acquired assets</td>
<td>382</td>
<td>46</td>
<td>-</td>
<td>428</td>
</tr>
<tr>
<td>Deregognized/adjusted assets</td>
<td>8</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>**Balance as of 31 December 2020</td>
<td>1,866</td>
<td>1,165</td>
<td>429</td>
<td>3,460</td>
</tr>
<tr>
<td><strong>Depreciation and impairment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 1 January 2020</td>
<td>(849)</td>
<td>(127)</td>
<td>(25)</td>
<td>(1,001)</td>
</tr>
<tr>
<td>Deregognized/adjusted assets</td>
<td>(2)</td>
<td></td>
<td></td>
<td>(2)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(171)</td>
<td>(276)</td>
<td>-</td>
<td>(447)</td>
</tr>
<tr>
<td>**Balance as of 31 December 2020</td>
<td>(1,022)</td>
<td>(403)</td>
<td>(25)</td>
<td>(1,450)</td>
</tr>
<tr>
<td><strong>Carrying amount at 31 December 2020</strong></td>
<td>844</td>
<td>762</td>
<td>404</td>
<td>2,010</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th>Optical cable lines</th>
<th>Plant and equipment</th>
<th>Buildings</th>
<th>Total assets eligible for use</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGН’ 000</td>
<td>BGН’ 000</td>
<td>BGН’ 000</td>
<td>BGН’ 000</td>
</tr>
<tr>
<td><strong>Gross book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 31 December 2018</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Effect of IFRS 16 Leasing</td>
<td>1,472</td>
<td>-</td>
<td>-</td>
<td>1,472</td>
</tr>
<tr>
<td><strong>Balance on 1 January 2019</strong></td>
<td>1,472</td>
<td></td>
<td></td>
<td>1,472</td>
</tr>
<tr>
<td>Newly acquired assets</td>
<td>4</td>
<td>896</td>
<td>652</td>
<td>1,552</td>
</tr>
<tr>
<td>**Balance as of 31 December 2019</td>
<td>1,476</td>
<td>896</td>
<td>652</td>
<td>3,024</td>
</tr>
<tr>
<td><strong>Depreciation and impairment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 1 January 2019</td>
<td>(749)</td>
<td>-</td>
<td>-</td>
<td>(749)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(100)</td>
<td>(105)</td>
<td>(47)</td>
<td>(252)</td>
</tr>
<tr>
<td>**Balance as of 31 December 2019</td>
<td>(849)</td>
<td>(105)</td>
<td>(47)</td>
<td>(1,001)</td>
</tr>
<tr>
<td><strong>Carrying amount at 31 December 2019</strong></td>
<td>627</td>
<td>791</td>
<td>605</td>
<td>2,023</td>
</tr>
</tbody>
</table>

Property, plant and equipment include Nuclear Power Plant (NPP) Kozloduy EAD, Thermal Power Plant (TPP) Maritsa Iztok 2 EAD, coal mining facilities Mini Maritsa Iztok EAD, gas transmission and transit pipelines and underground gas storage (UGS) facility Chiren, owned by Bulgartransgaz EAD, as well as the electricity transmission network at ESO, HPP and PSHP owned by NEK EAD, etc.

Acquisition costs

The cost of acquiring property, plant and equipment as of 31 December 2020 relates mainly to:
- Project for construction of NPP Belene, Yadenitsa Project, Gorna Arda Cascade at NEK EAD;
- Extension of the gas transmission infrastructure of Bulgartransgaz EAD to the Bulgarian-Turkish border to the Bulgarian-Serbian border, Construction and commissioning of a transmission gas pipeline in the section Bgelezh-KV Dermantsi-KV Batultsi-KV Kalugerovo, Increasing the capacity of the gas pipeline diversion Targovishte, Construction and installation works on an optical cable line CS Polski Senovets in Bulgartransgaz EAD;
- Extension of the useful life of NPP Kozloduy 5th and 6th Power Units;
- Projects to improve the efficiency of production at NPP Kozloduy;
- Design, construction supervision and installation of the new route of the Znamenosets power line, and dismantling of the old route for the normal operation of RTNK section 5 in Troyanovo 3 mine in Mini Maritsa East EAD;
- Production, delivery and installation of a crusher for crushing the piece of coal to a certain size obefore their further processing for the purposes of sampling system and delivery of GTL B1800, EP2500 in Mini Maritsa-Iztok EAD;
- optical cable route on the territory of the Republic of North Macedonia in Bulgartel AD.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Property, plant and equipment put into operation

The Group owns and operates the infrastructure for transmission and storage of natural gas, part of the single pan-European gas network. The group operates in a dynamically changing global and European energy sector, respectively.

It is expected that in the coming years the number of entry and exit points of the gas transmission network and their capacities will continue to increase. This is a result of the development of the projects for intersystem connections with Greece and Serbia, the reversal of the existing intersystem connections and the realization of the project for expansion of the infrastructure between the Bulgarian-Turkish and the Bulgarian-Serbian border. They will provide an opportunity to supply natural gas from various sources, including the terminals for liquefied natural gas in neighboring countries, which in turn will contribute to increased competition and have a positive effect on natural gas consumers in the country and the region. This will also stimulate the demand for natural gas storage capacity.

The significant assets built and put into operation in 2020 are related to two of the stages of the project "Extension of the gas transmission infrastructure of Bulgartransgaz EAD parallel to the northern (highway) gas pipeline to the Bulgarian-Serbian border" - stage" Linear part "with a length of 474 km and stage Compressor station" Rasovo ". The project will provide a new input capacity from Turkey of 54.6 mcm / d and a new output capacity to Serbia of 38.0 mcm / d. By the end of 2021, the Nova Provadia Compressor Station stage will be built and put into operation, which will finalize the project. The assets under stage "Linear part" and stage Compressor station "Rasovo" were put into operation with a Permit for use, issued by the relevant competent state authorities on 23.12.2020.

- Assets related to the implementation of one of the most significant projects of the subsidiary so far, namely Expansion of the gas transmission infrastructure of Bulgartransgaz EAD in parallel with the northern (main) gas pipeline to the Bulgarian-Serbian border, stage: linear part in the amount of BGN 2,209,126 thousand;
- Expansion of the gas transmission infrastructure of Bulgartransgaz EAD parallel to the northern (main) gas pipeline to the Bulgarian-Serbian border, stage: Compressor station "Rasovo" at a total value of BGN 157,702 thousand. Part of this value in the amount of BGN 501 thousand represents intangible assets.

Other significant sites put into operation in 2020 are:
- Highway and local optical cables - western highway from the nodal point (NP) at the service station "Ihtiman" to NP at the gas metering station "Dupnitsa", worth BGN 1,750 thousand;
- New gas pipeline section from the Pravets gas pipeline diversion for restoration of its working pressure and optical cable line to it, worth BGN 1,576 thousand.

Projects with temporarily suspended implementation

Assets under construction include project costs in the amount of BGN 38,053 thousand (31 December 2019: BGN 37,994 thousand), for which due to the deteriorated financial situation of NEK EAD in recent years, the management of the company does not envisage financing (Gorna Arda Cascade, Mesta and other smaller projects). These are not included in the investment program of the company for the next five-year period.

Project NPP Belene

The construction of NPP Belene Project started in 1981. The project funding was suspended in 1991.

In May 2004 the Government of the Republic of Bulgaria decided to continue the construction of a second nuclear power plant - NPP Belene - and on 7 April 2005, in compliance with Article 45 of the Safe Use of Nuclear Energy Act, a final decision was taken to build NPP Belene.

On 30 October 2006, NEK EAD officially announced ZAO Atomstroyexport as the contractor of the project with option A92 for the construction of two units of 1,000 MW of light-water reactors at the Belene site.

On 29 November 2006 in the city of Sofia, ZAO Atomstroyexport and NEK EAD signed an agreement for the construction of NPP Belene.

On 29 March 2012, the Government of the Republic of Bulgaria decided to terminate the construction of the Nuclear Power Station on the Belene site. By decision of 27 February 2013, the 41st National Assembly supported the Government's decision to suspend the construction of a new nuclear power plant at the Belene site and insisted on its final winding-up.

On 14 June 2016, the Arbitration Tribunal of the International Chamber of Commerce, Paris, made a decision by which NEK is to pay to AO Atomstroyexport (ASE) BGN 1,176,661 thousand (EUR 601,167 thousand).

58
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

On 7 June 2018, the National Assembly took a decision for resuming the activities of construction of NPP Belene together with a strategic investor, on a market principle and without granting a state guarantee, by separating the assets and liabilities for the NPP Belene in a separate project company.

The Council of Ministers repealed Decision No.250 of 2012 repealing the Decision No.259 of 2005 for the termination of the construction of the NPP Belene and the designation of the NPP Belene as a site of national importance and Decision No. 260 of the Council of Ministers of 2005 on the construction of a nuclear plant on the Belene site.

Pursuant to decisions of the National Assembly of 7 June 2018 and of the Council of Ministers of 29 June 2018, Nationalna Elektricheska Kompania EAD issued a call for selection of a strategic investor for the construction of NPP Belene. The notice also gives an opportunity to declare interest in acquiring a minority stake in the future project company as well as/or to purchase electricity from the future power plant. The purpose of the notice is to provide certain information to the parties wishing to participate in the procedure. Thirteen applicants submitted applications within the announced deadline.

The Ministry of Energy sent letters to the five companies from the "short list" prepared by a working group, in accordance with the provisions of the procedure for selection of a strategic investor for the implementation of NPP Belene, to confirm the submission of binding offers for further participation in the procedure. By 31 January 2020, the Ministry of Energy received letters confirming the submission of binding offers from all five companies.

As an indicative deadline for submitting the binding offer, this is planned to happen until May 31, 2020, but in connection with the current pandemic situation, the deadline for preparing binding offers will start from the date on which the candidates will have physical access to the "information hall" for the project, located in the building of National Electric Company EAD.

The information memorandum for the Belene NPP project was sent to all potential candidates from the short list. These are: China National Nuclear Corporation (CNNC), Atomenergoprom AD - Rosatom, Korean Hydro-Nuclear Corporation, Framatome SAS (France) and General Electric (USA). The memorandum contains basic information about the project, the legal framework in the country, as well as an analysis of the market situation in the region. It was sent to the candidates after they signed the confidentiality agreement on the project in April. It is binding on them as well as on all their consultants, bankers, agents and others. Given the ongoing measures in many countries in relation to the coronavirus pandemic, the information memorandum was sent online. The aspiration of the Bulgarian side is to create optimal conditions for the candidates to prepare their binding offer in the conditions of emergency.

In 2020, the change in the capitalized costs of the project is BGN 51,814 thousand, representing storage costs, capitalized interest and others.

As of 31 December 2020, the value of the costs for the NPP Belene project, included in the balance of assets under construction, amounts to BGN 2,325,019 thousand (31 December 2019: BGN 2,273,205 thousand). Related to the Belene project are also properties, plant and equipment with the carrying amount of BGN 74,061 thousand as of (31 December 2019: BGN 76,269 thousand);

As of 31 December 2020, the Group is not able to make a reliable estimate of the recoverable amount of project costs included in the value of property, plant and equipment under construction due to the specific nature and lack of clarity about the future implementation of the project, which is not entirely under the control of the management of the Group.

Based on the above facts, the management of the Group believes that as of 31 December 2020 there is significant uncertainty about the future implementation of the project, the recoverable amount of assets related to the project for construction of NPP Belene.

Revaluation of property, plant and equipment

According to the accounting policy, property, plant and equipment are subject to revaluation every 3 years or within a shorter period. As of 31 December 2018, a fair value measurement was performed in accordance with IAS 16 and IFRS 13. The revaluation was carried out based on their fair values by an independent licensed appraisers.

Under IFRS 13 Fair Value Measurement, the fair value of non-financial assets is measured by the ability of a market participant to generate economic benefits by using the asset in order to maximize its value or by selling it to another market participant that will use it in such a way. The Group’s assets included in the revaluation review are specific, strictly related to the operations and any alternative use of the majority of them is impossible or difficult, i.e. other use by market participants would be unlikely to maximize the value of the assets, which is the reason why their current use in the operations maximizes the value.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

As of 31 December 2018, the management of the Group has reviewed the carrying amounts, recoverable amounts and the useful lives of non-current assets. Management’s estimates are based on an independent appraiser review as of the date of the financial statements.

The review has applied the approach and evaluation methods to measure the fair value of the individual property, plant and equipment categories using a combination of the three underlying approaches based on the economic principles of price equilibrium, expected benefits or substitution:

- Market Approach - gives an indicative value by comparing the asset subject to valuation with identical or similar assets for which price information is available.
- Revenue approach - gives an indicative value, bringing future cash flows to a unified current capital value, i.e. reviews the revenue the asset will generate over its useful life and gives a benchmark through a capitalization process.
- Expense approach - gives an indicative value using the economic principle that a buyer would not pay for an asset more than the cost of acquiring an asset of equivalent value through purchase or construction.

Within each approach, as well as possible combinations among them, one or more evaluation techniques (methods) are used:

- Land valuation - two methods are used - a market analogue method with the adjustment of derived comparable market prices and an approach based on initial agricultural land prices, depending on the land category with corresponding adjustments.
- Building evaluation - as required by IAS 16 for its intended purpose, the cost method is applied as a main method using the “amortized replacement value” method. Other evaluation methods and approaches are used depending on their relevance to the particular asset.
- The evaluation of machinery, plant and technological equipment - because of the specialized nature, configuration and uniqueness of the machinery, plant and equipment owned by the Group and the absence of market evidence and analogies, the “amortized replacement value” method is applied. The value of an asset is measured by determining its new value at the measurement date, reflecting the cost of its acquisition, reduced by its physical impairment, functional and economic depreciation as a result of its operation.
- Evaluation of specialized means of transport - a cost method and a market analogue method are applied.

The fair value measurement as of 31 December 2018 is based on observable and unobservable data adjusted for specific factors such as area, location and current use. Directly or indirectly observable input data used in the assessment are subject to adjustments. For this reason, hypotheses used are categorized by level 3.

Impairment review

As of 31 December 2020, the Group has reviewed the existence of impairment indications with licensed appraisers. The selected asset impairment test level is a cash-generating unit. In the impairment test, it was ascertained that at the evaluation date the value in use was higher than the carrying amount of the fixed assets as of 31 December 2020 and then the value of the smallest cash-generating unit (subsidiary level).

Buffer gas

The buffer gas of the Group is a specific non-current asset, a significant part of which is gas in the underground gas storage Chiren (UGS), and the rest is in the gas transmission system. The buffer gas is divided into depreciable and non-depreciable.

The depreciable buffer gas in the Chiren UGS is the amount of gas that will remain in the underground tank after the decommissioning of the gas storage.

The non-depreciable buffer gas is the part of the buffer gas in the Chiren UGS which could be extracted on the surface at a gas pipeline pressure of 35 bar at the existing facilities.

The buffer gas in the transit and main gas pipelines is also divided into depreciable and non-depreciable, as depreciable is the amount of natural gas that cannot be extracted in case of liquidation of the gas pipelines. As of 31 December 2020, after a review by a licensed appraiser of the carrying amounts, recoverable amounts and useful lives of non-current assets, it has been established that at the valuation date, there is a deviation in the carrying...
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

amount by more than allowable according to the Group's accounting policy. 5% of the buffer gas and an impairment loss for 2020 in the amount of BGN 107,717 thousand was recognized.

Public state property assets
As of 31 December 2020, assets with a carrying amount of BGN 882,950 thousand (31 December 2019: BGN 892,867 thousand) are included in property, plant and equipment and are declared as public state property under the Water Act. NEK EAD, through the dams and cascades enterprise, performs all activities for the maintenance and management of the dam walls, their adjacent facilities and the collecting derivations of part of the complex and significant dams - public state property according to art. 13, para. 1, item 1 of the Water Act. According to the requirements of the same law, the functions of management and maintenance of the dam walls and their facilities should be performed by a "dam operator", which at the date of preparation of these consolidated financial statements has not yet been assigned to NEK EAD by the competent authorities. At the date of these consolidated financial statements, there is no change in the legal framework regarding the ownership and operation of those assets.
Until future changes are made to the above-mentioned water facilities, they are managed by the Company for which the company generates revenues.

Assets with unauthorized property

NEK EAD
As of 31 December 2020 for land and buildings with carrying amount of BGN 17,001 thousand (31 December 2019: BGN 17,097 thousand) a procedure for issuance of state property acts is running.

ESO EAD
As of 31 December 2020, the real estate without documents for ownership had a carrying amount of BGN 4,041 thousand (31 December 2019: BGN 4,130 thousand);

Collaterals under loans by NEK EAD
To secure the export and trade credits from ING Bank NV - The Netherlands, a mortgage on the lands and buildings of the Studen Kladenets hydroelectric power station, Ivaylovgrad HPP and the Kardzhali hydroelectric power station (Dolna Arda cascade) with a carrying amount of BGN 16,248 thousand has been registered. (31 December 2019: BGN 16,752 thousand); All current and future assets, including machines and equipment, part of the Dolna Arda Cascade, are pledged in favor of ING Bank NV. Promissory notes were issued in favor of the Bank. The loan was fully repaid in November 2020 and the collateral is to be canceled.
As of 31 December 2019, the loan from Bank Austria Creditanstalt has been fully repaid. In 2020 the activity for cancellation of the loan collateral has started and as of 31 December 2020 there is a partial cancellation of collateral. As of 31 March 2021, all collateral on the loan has been completely canceled.

Collaterals under loans by Mini Maritsa Istok EAD
In order to ensure the security of the bank loans the Company presented as collateral, the assets, of the class Plants, Facilities and Equipment, with carrying amount of BGN 41,705 thousand. (31 December 2019: BGN 46,246 thousand);

Other disclosures
Due to the specificity of the accounting records of property, plant and equipment and changes in prior periods, the disclosure of the carrying amount of assets if they would have been recognized after their recognition at cost requires significant resources and time that outweigh the benefits to users of the consolidated financial statements. Therefore, the management of the Group has determined that these disclosures should not be made.
The specificity of the Group's assets and the dynamic economic environment in the energy sector in which it operates may lead to variations in the assumptions used and estimates in determining the fair values of those assets, plant and equipment.
All depreciation and amortisation costs are included in the consolidated statement of profit or loss in the line "Depreciation, amortisation and impairment expenses".
20. Intangible assets

The carrying amounts of intangible assets for the reporting periods presented can be analyzed as follows:

<table>
<thead>
<tr>
<th>As of 31 December 2020</th>
<th>Software</th>
<th>Patents and licenses</th>
<th>Other intangible assets</th>
<th>Development costs</th>
<th>Concessions</th>
<th>Acquisition costs</th>
<th>Right-of-use assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td></td>
</tr>
<tr>
<td><strong>Book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of 1 January 2020</strong></td>
<td>73,245</td>
<td>22,097</td>
<td>95,109</td>
<td>53,910</td>
<td>2,829</td>
<td>-</td>
<td>546</td>
<td>247,736</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>1,273</td>
<td>944</td>
<td>335</td>
<td>-</td>
<td>132</td>
<td>2,523</td>
<td>-</td>
<td>5,207</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(4,202)</td>
<td>(649)</td>
<td>(6)</td>
<td>-</td>
<td>-</td>
<td>(6)</td>
<td>-</td>
<td>(4,863)</td>
</tr>
<tr>
<td><strong>Transfer of acquisition costs</strong></td>
<td>489</td>
<td>2,028</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(2,517)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as of 31 December 2020</strong></td>
<td>70,805</td>
<td>24,420</td>
<td>95,438</td>
<td>53,910</td>
<td>2,961</td>
<td>-</td>
<td>546</td>
<td>248,080</td>
</tr>
</tbody>
</table>

**Amortization**

<table>
<thead>
<tr>
<th>As of 31 December 2019</th>
<th>Software</th>
<th>Patents and licenses</th>
<th>Other intangible assets</th>
<th>Development costs</th>
<th>Concessions</th>
<th>Acquisition costs</th>
<th>Right-of-use assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td></td>
</tr>
<tr>
<td><strong>Book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of 1 January 2019</strong></td>
<td>74,680</td>
<td>22,118</td>
<td>95,116</td>
<td>53,224</td>
<td>2,750</td>
<td>-</td>
<td>-</td>
<td>247,888</td>
</tr>
<tr>
<td><strong>Additions</strong></td>
<td>964</td>
<td>1,219</td>
<td>224</td>
<td>686</td>
<td>79</td>
<td>3,526</td>
<td>546</td>
<td>7,244</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>(4,223)</td>
<td>(1,475)</td>
<td>(231)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(5,929)</td>
</tr>
<tr>
<td><strong>Transfer of acquisition costs</strong></td>
<td>1,824</td>
<td>1,702</td>
<td>-</td>
<td>-</td>
<td>(3,526)</td>
<td>-</td>
<td>-</td>
<td>(1,467)</td>
</tr>
<tr>
<td><strong>Balance as at 31 December 2020</strong></td>
<td>(59,432)</td>
<td>(19,180)</td>
<td>(91,292)</td>
<td>(49,826)</td>
<td>(2,348)</td>
<td>-</td>
<td>(485)</td>
<td>(222,563)</td>
</tr>
<tr>
<td><strong>Carrying amount as of 31 December 2020</strong></td>
<td>11,373</td>
<td>5,240</td>
<td>4,146</td>
<td>4,084</td>
<td>613</td>
<td>-</td>
<td>61</td>
<td>25,517</td>
</tr>
</tbody>
</table>

**Amortization**

<table>
<thead>
<tr>
<th>As of 31 December 2019</th>
<th>Software</th>
<th>Patents and licenses</th>
<th>Other intangible assets</th>
<th>Development costs</th>
<th>Concessions</th>
<th>Acquisition costs</th>
<th>Right-of-use assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td></td>
</tr>
<tr>
<td><strong>Book value</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Balance as of 1 January 2019</strong></td>
<td>61,231</td>
<td>(16,019)</td>
<td>(89,158)</td>
<td>(47,706)</td>
<td>(2,206)</td>
<td>-</td>
<td>-</td>
<td>(216,320)</td>
</tr>
<tr>
<td><strong>Amortization</strong></td>
<td>(3,472)</td>
<td>(2,748)</td>
<td>(1,148)</td>
<td>(1,219)</td>
<td>(69)</td>
<td>-</td>
<td>(243)</td>
<td>(8,899)</td>
</tr>
<tr>
<td><strong>Disposals</strong></td>
<td>4,223</td>
<td>1,475</td>
<td>191</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>5,890</td>
</tr>
<tr>
<td><strong>Transfer</strong></td>
<td>-</td>
<td>749</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>749</td>
</tr>
<tr>
<td><strong>Balance as of 31 December 2019</strong></td>
<td>60,480</td>
<td>(16,541)</td>
<td>(90,115)</td>
<td>(48,925)</td>
<td>(2,274)</td>
<td>-</td>
<td>(243)</td>
<td>(218,578)</td>
</tr>
<tr>
<td><strong>Carrying amount as of 31 December 2019</strong></td>
<td>12,765</td>
<td>5,556</td>
<td>4,994</td>
<td>4,985</td>
<td>555</td>
<td>-</td>
<td>303</td>
<td>29,158</td>
</tr>
</tbody>
</table>
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The right-of-use assets are included in the net carrying amount of intangible assets as follows:

<table>
<thead>
<tr>
<th>Gross book value</th>
<th>Licenses</th>
<th>Total assets eligible for use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of 31 December 2019</td>
<td>546</td>
<td>546</td>
</tr>
<tr>
<td>Balance on 1 January 2020</td>
<td>546</td>
<td>546</td>
</tr>
<tr>
<td>Balance as at 31 December 2020</td>
<td>546</td>
<td>546</td>
</tr>
<tr>
<td>Amortization and impairment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 1 January 2020</td>
<td>(243)</td>
<td>(243)</td>
</tr>
<tr>
<td>Amortization</td>
<td>(242)</td>
<td>(242)</td>
</tr>
<tr>
<td>Balance as at 31 December 2020</td>
<td>(485)</td>
<td>(485)</td>
</tr>
<tr>
<td>Carrying amount as at 31 December 2020</td>
<td>61</td>
<td>61</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Gross book value</th>
<th>Licenses</th>
<th>Total assets eligible for use</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance on 1 January 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Newly acquired assets</td>
<td>546</td>
<td>546</td>
</tr>
<tr>
<td>Balance as of 31 December 2019</td>
<td>546</td>
<td>546</td>
</tr>
<tr>
<td>Amortization and impairment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance as of 1 January 2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization</td>
<td>(243)</td>
<td>(243)</td>
</tr>
<tr>
<td>Balance as of 31 December 2019</td>
<td>(243)</td>
<td>(243)</td>
</tr>
<tr>
<td>Carrying amount as at 31 December 2019</td>
<td>303</td>
<td>303</td>
</tr>
</tbody>
</table>

Impairment of intangible assets

The Group has carried out an impairment review of intangible assets as of 31 December 2020. There are no indicators that the carrying amount of assets exceeds their recoverable amount and, as a result, no impairment loss is recognized in the consolidated financial statements.

The Group has not pledged intangible assets as collateral for its liabilities.

21. Investments in joint ventures, associates and other enterprises

<table>
<thead>
<tr>
<th>Joint ventures</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>State of incorporation</td>
<td>Share</td>
<td>Investments</td>
</tr>
<tr>
<td>------------------------</td>
<td>--------</td>
<td>-------------</td>
</tr>
<tr>
<td>ICGB AD</td>
<td>Bulgaria</td>
<td>50.00%</td>
</tr>
<tr>
<td>South Stream Bulgaria AD</td>
<td>Bulgaria</td>
<td>50.00%</td>
</tr>
<tr>
<td>Transbalkan Electric Power Trading S.A. – NECO S. A.</td>
<td>Greece</td>
<td>50.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>65,263</strong></td>
</tr>
<tr>
<td>Associates</td>
<td>31 December</td>
<td>31 December</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Contour Global Maritsa East 3 AD</td>
<td>Bulgaria</td>
<td>27.00%</td>
</tr>
<tr>
<td>Contour Global Operations</td>
<td>Bulgaria</td>
<td>27.00%</td>
</tr>
<tr>
<td>Bulgaria AD</td>
<td>Bulgaria</td>
<td>48.08%</td>
</tr>
<tr>
<td>ZAD Energy</td>
<td>Bulgaria</td>
<td>34.00%</td>
</tr>
<tr>
<td>POD Allianz Bulgaria AD</td>
<td>Bulgaria</td>
<td>24.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>131,072</strong></td>
</tr>
<tr>
<td>Total joint ventures and associates</td>
<td>196,335</td>
<td>372,189</td>
</tr>
</tbody>
</table>

63
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The change in the carrying amount of investments for the reporting periods presented may be analyzed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN '000</td>
<td>BGN '000</td>
</tr>
<tr>
<td>Carrying amount of the investments on 1 January</td>
<td>372,189</td>
<td>324,171</td>
</tr>
<tr>
<td>Effect of initial application of IFRS 9 and IFRS 15</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Balance as of 1 January 2019 (restated)</strong></td>
<td>372,189</td>
<td>324,171</td>
</tr>
<tr>
<td>Share of profits/(losses)</td>
<td>40,324</td>
<td>40,619</td>
</tr>
<tr>
<td>Share of other comprehensive income</td>
<td>1,469</td>
<td>1,780</td>
</tr>
<tr>
<td>Dividends received</td>
<td>(41,766)</td>
<td>(35,752)</td>
</tr>
<tr>
<td>Other changes</td>
<td>(188,863)</td>
<td>(84)</td>
</tr>
<tr>
<td>Impairment</td>
<td>12,982</td>
<td>(9)</td>
</tr>
<tr>
<td>Capital increase</td>
<td>-</td>
<td>41,464</td>
</tr>
<tr>
<td><strong>Carrying amount of the investments on 31 December</strong></td>
<td>196,335</td>
<td>372,189</td>
</tr>
</tbody>
</table>

Joint venture ICGB AD

BEH EAD is a partner in ICGB AD - a joint investment company with equal participation of BEH EAD and IGI Poseidon (joint investment company with equal participation of DEPA SA. and Edison International Holding N.V.). The project company will build a gas interconnector between Greece and Bulgaria with a capacity of up to 3 bcm3/year from Komotini to Stara Zagora with a length of 182 km. The implementation of the project is related to the policy of the Republic of Bulgaria aimed at providing infrastructure for access to alternative sources and routes for importing natural gas and ensuring the physical connectivity of the country to the Southern Gas Corridor.

It is envisaged that the joint venture will build and own the gas pipeline and will be licensed as its operator, allocate its capacity and receive the revenues from natural gas transmission.

In 2019 contracts were concluded with the selected Consulting Engineer (TIBEI consortium), Contractor for supply of pipes (Corinth Pipewrks Pipe Industry SA), Contractor for a contract for working design, supply of materials and construction - EPC (AVAX SA) and Contractor for construction supervision (DZZD Eco Bull Control) and the construction phase of the project has started.

On 10 October 2019, the General Meeting of Shareholders of ICGB AD decided to increase the capital of ICGB AD from BGN 33,053,560 to BGN 115,980,740 by issuing 8,292,718 shares new ordinary, registered Class A shares, with a nominal value of BGN 10, to be subscribed by the shareholders holding Class A shares, in proportion to the shares held by them before the increase.

On 23 October 2019, Bulgarian Energy Holding EAD made a cash contribution to the capital of ICGB AD in the amount of BGN 41,463,590, representing 50% of the contribution according to the decision of the General Meeting.

In 2020 the construction and assembly works on the pipeline continue, such as construction and assembly works, tests of the gas transmission system, implementation of the procedures for obtaining the necessary permits for use of the gas transmission infrastructure by the authorities in Bulgaria and Greece, and commissioning are planned by the second quarter of 2022.

Joint venture South Stream Bulgaria AD

In June 2014, with the permission of the Minister of Economy and Energy, an agreement was signed for the receipt of funds from Gazprom EP International BV, which will be used to finance the participation of BEH EAD in the project company South Stream Bulgaria AD. Refunds will only be made from BEH EAD's dividends from the project company's dividends. On 11 August 2014, a tranche of BGN 191,009 thousand, representing the contribution from BEH EAD, was received, with which on 18 August 2014 the equity of the project company was increased by BGN 382,018 thousand by the two shareholders BEH EAD and PAO Gazprom.

In December 2014, representatives of the Russian shareholder in South Stream Bulgaria AD, PAO Gazprom, publicly announced their intentions to end the project.

In September 2015, the shareholder PAO Gazprom informed BEH EAD that it considers the South Stream project to be terminated, in which case the shareholders have begun to settle their relationship under the project.

With an agreement dated 27 December 2019 (Deed of settlement) the overall settlement of the relations for the completion of the project has been made. On 11 May 2020, a reduction of the capital of the project company South Stream Bulgaria AD in the amount of BGN 377,726,000 was entered in the Commercial Register. Most of the
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

holding’s loan to Gazprom EP International BV was repaid with the amount of the reduced capital due to Bulgarian Energy Holding EAD in the amount of BGN 188,863,000 (EUR 96,560,662.61). The balance of the loan in the amount of EUR 1,107,149.39 will be repaid by the liquidation quota of Bulgarian Energy Holding EAD upon liquidation of the project company. The parties to the project will no longer have claims against each other.

As at 31 December 2020, the impairment of the investment amounts to BGN 3 thousand. (31 December 2019: BGN 12,985 thousand); For 2020 revenue from impairment was recognized in the amount of BGN 12,982 thousand.

Joint Venture Transbalkan Electric Power Trading SA - NECO S.A.

The Group, though its subsidiary NEK EAD, owns 50% of the capital of NECO S.A., a jointly controlled company, whose main business includes trading in electricity, as well as the construction and reconstruction of thermal power plants.

Contour Global Maritsa East 3 AD

The Group, through its subsidiary NEK EAD, owns 27% of the capital of the thermal power plant ContourGlobal Maritsa East 3” AD, whose main activity is the production, distribution and sale of electric and thermal energy.

ContourGlobal Operations Bulgaria AD

The Group, through its subsidiary NEK AD, owns 27% of the capital of ContourGlobal Operations Bulgaria AD, whose main activity includes the operation and maintenance of ContourGlobal TPP Maritsa East 3.

ZAD Energy

The Group owns 48.08% of the capital of ZAD Energy, which carries out insurance business.

POD Allianz Bulgaria AD

The Group, through its subsidiary NEK EAD, holds 34% of the equity of POD Allianz Bulgaria AD, an entity engaged in pension-insurance activities.

Hydro Power Company Gorna Arda AD

The Group through the subsidiary NEK EAD owns 24% (31 December 2019: 24%) of the equity of HPC Gorna Arda AD – an entity registered to perform valuation, structuring and planning of the construction of Gorna Arda Cascade, as well as construction of hydropower plants with total capacity of approximately 160 MW, ensuring the financing and the construction of Gorna Arda Cascade and managing the rights to operate the facilities (after obtaining the respective licenses and authorizations). HPC “Gorna Arda” does not operate, does not generate revenue, has no budgets and forecast for future development, the investment in the consolidated financial statements has a zero book value.
Bulgarian Energy Holding EAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Summary financial information for joint ventures and associates

The table presents summarized financial information based on the financial statements of the joint ventures and associates of the Group as of 31 December of the respective year:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>** 31 December 2020 **</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
<td>**</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>203,213</td>
<td>18,368</td>
<td>10</td>
<td>422,790</td>
<td>5,694</td>
<td>43,047</td>
<td>59,099</td>
<td>752,221</td>
<td></td>
</tr>
<tr>
<td>Current assets (a)</td>
<td>15,142</td>
<td>3,084</td>
<td>3,839</td>
<td>486,186</td>
<td>12,392</td>
<td>7,938</td>
<td>13,945</td>
<td>141,667</td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>218,355</td>
<td>21,452</td>
<td>3,849</td>
<td>908,976</td>
<td>18,086</td>
<td>50,985</td>
<td>73,044</td>
<td>1,294,88</td>
<td>1,294,88</td>
</tr>
<tr>
<td>Non-current liabilities (b)</td>
<td>82,582</td>
<td>-</td>
<td>-</td>
<td>159,346</td>
<td>5,559</td>
<td>18,626</td>
<td>839</td>
<td>266,952</td>
<td></td>
</tr>
<tr>
<td>Current liabilities (c)</td>
<td>28,239</td>
<td>195</td>
<td>2,110</td>
<td>411,145</td>
<td>7,391</td>
<td>1,831</td>
<td>2,746</td>
<td>453,658</td>
<td></td>
</tr>
<tr>
<td>Total liabilities</td>
<td>110,821</td>
<td>195</td>
<td>2,110</td>
<td>570,491</td>
<td>12,950</td>
<td>20,457</td>
<td>3,585</td>
<td>720,610</td>
<td>720,610</td>
</tr>
<tr>
<td>a) including cash and cash equivalent</td>
<td>12,056</td>
<td>3,022</td>
<td>608</td>
<td>58,753</td>
<td>635</td>
<td>7,938</td>
<td>-</td>
<td>141</td>
<td>83,153</td>
</tr>
<tr>
<td>b) including non-current loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>118,197</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>c) including current loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>55,761</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,298</td>
<td>-</td>
<td>-</td>
<td>696,405</td>
<td>33,702</td>
<td>15,219</td>
<td>40,700</td>
<td>-</td>
<td>787,324</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(189)</td>
<td>-</td>
<td>-</td>
<td>(73,446)</td>
<td>(578)</td>
<td>(378)</td>
<td>(578)</td>
<td>-</td>
<td>(74,338)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(2)</td>
<td>-</td>
<td>-</td>
<td>(11,820)</td>
<td>(567)</td>
<td>(1,126)</td>
<td>(2,051)</td>
<td>-</td>
<td>(15,566)</td>
</tr>
<tr>
<td>Profit (Loss) for the year</td>
<td>(2,451)</td>
<td>(258)</td>
<td>(473)</td>
<td>106,279</td>
<td>5,072</td>
<td>9,737</td>
<td>21,253</td>
<td>(2)</td>
<td>139,157</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,120</td>
<td>-</td>
<td>(373)</td>
<td>(373)</td>
<td>(578)</td>
<td>5,734</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) for the year</td>
<td>(2,451)</td>
<td>(258)</td>
<td>(473)</td>
<td>112,399</td>
<td>5,072</td>
<td>9,364</td>
<td>21,240</td>
<td>(2)</td>
<td>144,891</td>
</tr>
<tr>
<td>Group’s share of the profit/(loss) for the year</td>
<td>(1,226)</td>
<td>(192)</td>
<td>(303)</td>
<td>28,697</td>
<td>1,370</td>
<td>4,752</td>
<td>7,226</td>
<td>-</td>
<td>40,324</td>
</tr>
<tr>
<td>Group’s share of other comprehensive income of associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,652</td>
<td>-</td>
<td>(179)</td>
<td>(179)</td>
<td>(578)</td>
<td>1,469</td>
</tr>
<tr>
<td>Total net assets</td>
<td>107,534</td>
<td>21,257</td>
<td>1,739</td>
<td>338,485</td>
<td>5,136</td>
<td>30,528</td>
<td>69,459</td>
<td>574,278</td>
<td></td>
</tr>
<tr>
<td>Group’s share</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>27%</td>
<td>27%</td>
<td>48.08%</td>
<td>34%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>(3)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Carrying amount of investment</td>
<td>53,767</td>
<td>10,626</td>
<td>870</td>
<td>91,391</td>
<td>1,387</td>
<td>14,678</td>
<td>23,616</td>
<td>-</td>
<td>196,335</td>
</tr>
</tbody>
</table>

66
### Joint ventures and associates

<table>
<thead>
<tr>
<th></th>
<th>ICGB AD</th>
<th>South Stream Bulgaria AD*</th>
<th>Trans balkan Electric Power Trading S.A. - NECO S. A. **</th>
<th>ContourGlobal Maritsa East 3 AD</th>
<th>ContourGlobal Operations Bulgaria AD</th>
<th>ZAD Energy</th>
<th>POD Allianz Bulgaria AD</th>
<th>Hydro Power Company Gorna Arda AD</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>31 December 2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>BGN' 000</strong></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Non-current assets</td>
<td>64,894</td>
<td>18,370</td>
<td>24</td>
<td>475,150</td>
<td>5,897</td>
<td>-</td>
<td>-</td>
<td>142</td>
<td>564,335</td>
</tr>
<tr>
<td>Current assets (a)</td>
<td>46,571</td>
<td>381,136</td>
<td>4,429</td>
<td>541,894</td>
<td>13,102</td>
<td>81,266</td>
<td>69,215</td>
<td>142</td>
<td>1,137,755</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>111,465</td>
<td>399,506</td>
<td>4,453</td>
<td>1,017,044</td>
<td>18,999</td>
<td>81,266</td>
<td>69,215</td>
<td>142</td>
<td>1,700,090</td>
</tr>
<tr>
<td>Non-current liabilities (b)</td>
<td>221</td>
<td>-</td>
<td>-</td>
<td>223,517</td>
<td>5,786</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>229,524</td>
</tr>
<tr>
<td>Current liabilities (c)</td>
<td>1,259</td>
<td>139</td>
<td>2,108</td>
<td>452,441</td>
<td>7,979</td>
<td>52,448</td>
<td>4,617</td>
<td>-</td>
<td>520,991</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>1,480</td>
<td>139</td>
<td>2,108</td>
<td>675,958</td>
<td>13,765</td>
<td>52,448</td>
<td>4,617</td>
<td>-</td>
<td>750,515</td>
</tr>
<tr>
<td>a) including cash and cash equivalent</td>
<td>46,188</td>
<td>380,897</td>
<td>991</td>
<td>76,889</td>
<td>401</td>
<td>10,020</td>
<td>19,745</td>
<td>142</td>
<td>535,273</td>
</tr>
<tr>
<td>b) including non-current loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>172,991</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>172,991</td>
</tr>
<tr>
<td>c) including current loans</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,217</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>53,217</td>
</tr>
<tr>
<td>Revenues</td>
<td>-</td>
<td>65</td>
<td>-</td>
<td>704,359</td>
<td>32,485</td>
<td>13,845</td>
<td>40,311</td>
<td>-</td>
<td>791,065</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(122)</td>
<td>(5)</td>
<td>-</td>
<td>(69,976)</td>
<td>(154)</td>
<td>(433)</td>
<td>-</td>
<td>(70,690)</td>
<td>-</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>9</td>
<td>-</td>
<td>-</td>
<td>(12,125)</td>
<td>(851)</td>
<td>(1,820)</td>
<td>140,740</td>
<td>(15,367)</td>
<td>-</td>
</tr>
<tr>
<td>Profit (Loss) for the year</td>
<td>(1,668)</td>
<td>(82)</td>
<td>(254)</td>
<td>109,016</td>
<td>5,126</td>
<td>7,654</td>
<td>20,944</td>
<td>(1)</td>
<td>147,191</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>6,274</td>
<td>-</td>
<td>182</td>
<td>(5)</td>
<td>-</td>
<td>6,451</td>
</tr>
<tr>
<td><strong>Total comprehensive income/(loss) for the year</strong></td>
<td>(1,668)</td>
<td>(82)</td>
<td>(254)</td>
<td>115,290</td>
<td>5,126</td>
<td>7,836</td>
<td>20,944</td>
<td>(1)</td>
<td>147,191</td>
</tr>
<tr>
<td>Group’s share of the profit/(loss) for the year</td>
<td>(834)</td>
<td>(63)</td>
<td>(285)</td>
<td>29,434</td>
<td>1,384</td>
<td>3,767</td>
<td>7,123</td>
<td>-</td>
<td>40,526</td>
</tr>
<tr>
<td>Group’s share of other comprehensive income of associates</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,694</td>
<td>-</td>
<td>88</td>
<td>(2)</td>
<td>-</td>
<td>1,780</td>
</tr>
<tr>
<td>Total net assets</td>
<td>109,985</td>
<td>399,367</td>
<td>2,345</td>
<td>341,086</td>
<td>5,234</td>
<td>28,818</td>
<td>64,598</td>
<td>142</td>
<td>951,575</td>
</tr>
<tr>
<td>Group’s share</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
<td>27%</td>
<td>27%</td>
<td>48.08%</td>
<td>34%</td>
<td>24%</td>
<td>-</td>
</tr>
<tr>
<td>Impairment</td>
<td>-</td>
<td>(12,985)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>(12,985)</td>
</tr>
<tr>
<td><strong>Carrying amount of investment</strong></td>
<td>54,993</td>
<td>186,699</td>
<td>1,173</td>
<td>92,092</td>
<td>1,413</td>
<td>13,856</td>
<td>21,963</td>
<td>-</td>
<td>372,189</td>
</tr>
</tbody>
</table>

67
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Investments in associates and joint ventures are accounted by the equity method. The date of the financial statements of associates and joint ventures is 31 December. All transfers of funds to the Group, such as dividend payments, are subject to the approval of at least 51% of all shareholders in associates.

The presented financial information for Trans balkan Electric Power Trading SA - NECO SA and for South Stream Bulgaria AD for the period ending 31 December 2020 is in accordance with unaudited financial statements.

22. Trade and other receivables

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Trade receivables, gross</td>
<td>713,956</td>
<td>768,757</td>
</tr>
<tr>
<td>Accumulated impairment of trade receivables</td>
<td>(332,040)</td>
<td>(308,296)</td>
</tr>
<tr>
<td><strong>Trade receivables, net</strong></td>
<td><strong>381,916</strong></td>
<td><strong>460,461</strong></td>
</tr>
<tr>
<td>Financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances to suppliers</td>
<td>8</td>
<td>-</td>
</tr>
<tr>
<td>Prepaid services</td>
<td>450</td>
<td>501</td>
</tr>
<tr>
<td><strong>Non-financial assets</strong></td>
<td><strong>458</strong></td>
<td><strong>501</strong></td>
</tr>
<tr>
<td><strong>Trade and other receivables – non-current part</strong></td>
<td><strong>382,374</strong></td>
<td><strong>460,962</strong></td>
</tr>
</tbody>
</table>

Trade receivables, gross 532,245 591,910
Impairment for expected credit losses (129,391) (116,567)
**Trade receivables, net** 402,854 475,343
Gross court and adjudicated receivables 302,938 274,491
Impairment for expected credit losses (281,534) (265,115)

**Litigations and claims, net** 21,404 9,376
Receivables from Security of the Electricity System Fund 93,043 124,862
**Receivables from Security of the Electricity System Fund, net** 93,043 124,862
Other receivables, gross 137,738 129,384
Impairment for expected credit losses (102,805) (110,479)
**Other receivables, net** 34,933 18,905

**Financial assets** 552,234 628,486
Advances to suppliers 49,942 81,046
Prepaid services 30,253 33,686
Recoverable taxes 121,954 18,218
**Non-financial assets** 202,149 132,950
Trade and other receivables – current part 754,383 761,436

**Trade and other receivables** 1,136,757 1,222,398

Trade receivables are not interest-bearing and usually have a payment period of 1 to 30 days.

The net book value of trade and other receivables is considered a reasonable estimate of their fair value.

As of 31 December 2020, the Group carried out a review and accrued impairment for expected credit losses in accordance with the adopted accounting policy and the requirements of IFRS 9.

All trade and other financial receivables of the Group have been reviewed in respect of events of default. For all short-term trade receivables, a simplified approach has been applied to determine the expected credit losses at the end of the period. Long-term receivables with a financing component are impaired on an individual basis.

**Funds provided on an escrow account**

According to a decision of 8 January 2020, the Council of Ministers permitted Bulgartransgaz EAD to acquire a shareholding in Gastrade S.A. amounting to 20% of its equity. The agreement for purchase and sale of shares from
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

the capital of Gastrade S.A. between the seller, who is an individual, and Bulgartransgaz EAD was signed on 21 August 2020, and in connection with it, the Company incurred expenses for acquisition of an investment in an associate in 2020 in the amount of BGN 151 thousand.

According to the share purchase and sale agreement, an Escrow Agreement was signed between the parties and Eurobank Bulgaria AD in its capacity of escrow agent for the transaction. An Agreement between the shareholders was also signed, which enters into force upon fulfillment of the preliminary condition, laid down in the Agreement for purchase and sale of shares from the capital of Gastrade SA, namely - opinion of the Commission for Protection of Competition of the Republic of Bulgaria, which approves or does not object to its conclusion. As a result of the signed Escrow Agreement, Bulgartransgaz EAD has provided to an escrow account with Eurobank Bulgaria AD, in its capacity of escrow agent, cash in the amount of EUR 13,048 thousand as of 31 December, 2020.

On 14 January 2021, the Commission for Protection of Competition with its Decision No. 38 authorized the concentration between enterprises, which will take place through the acquisition by Bulgartransgaz EAD of joint control over Gastrade S.A. together with DEPA TRADE AD, Greece, GAZLOG CYPRUS INVESTMENT LTD and ASIMINA - ELENI KOPELOUSOU. In addition, immediate execution of this decision was ordered.

On 28 January 2021, the deal was finalized. Following the first payment under the share purchase agreement (EUR 6,024 thousand), the Share Transfer Agreement was signed on 28 January 2021. On the same date the shares were endorsed in favor of Bulgartransgaz EAD and the company is registered as a shareholder in the book of shareholders of Gastrade SA.

The movement in the cumulative impairment for expected credit losses on trade and other receivables is as follows:

<table>
<thead>
<tr>
<th>Impact of trade and other receivables</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
<td></td>
</tr>
<tr>
<td>On 1 January</td>
<td>800,457</td>
<td>817,435</td>
</tr>
<tr>
<td>Accrued during the year</td>
<td>75,836</td>
<td>67,455</td>
</tr>
<tr>
<td>Recovered</td>
<td>(28,956)</td>
<td>(82,451)</td>
</tr>
<tr>
<td>Written off</td>
<td>(1,567)</td>
<td>(1,982)</td>
</tr>
<tr>
<td>Total impairment of trade and other receivables</td>
<td>845,770</td>
<td>800,457</td>
</tr>
</tbody>
</table>

22.1. Receivables from Toplofikatsia Sofia EAD

<table>
<thead>
<tr>
<th>Impact of trade and other receivables</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
<td></td>
</tr>
<tr>
<td>Non-current receivables from Toplofikatsia Sofia EAD, gross amount</td>
<td>513,523</td>
<td>562,969</td>
</tr>
<tr>
<td>Impairment</td>
<td>(132,919)</td>
<td>(113,556)</td>
</tr>
<tr>
<td>Non-current receivables from Toplofikatsia Sofia EAD, net amount</td>
<td>380,604</td>
<td>449,413</td>
</tr>
<tr>
<td>Current receivables from Toplofikatsia Sofia EAD, gross amount</td>
<td>267,553</td>
<td>235,916</td>
</tr>
<tr>
<td>Impairment</td>
<td>(90,489)</td>
<td>(52,913)</td>
</tr>
<tr>
<td>Current receivables from Toplofikatsia Sofia EAD, net amount</td>
<td>177,064</td>
<td>183,003</td>
</tr>
<tr>
<td></td>
<td>557,668</td>
<td>632,416</td>
</tr>
</tbody>
</table>

Long-term receivables

On 11 December 2015 an agreement was concluded between Bulgarian Energy Holding EAD and Toplofikatsia Sofia EAD, according to which the obligations of the district heating plant to Bulgarian Energy Holding EAD are merged and novated. The debtor fully and unconditionally recognizes liabilities amounting to BGN 500,465 thousand, which are to be repaid for a period of twenty years, with a five-year grace period and an interest on the principal amounting to 3.25%. The agreement provides that upon concluding a concession agreement between Sofia Municipality and a third party, the latter undertakes to pay to Bulgarian Energy Holding EAD an initial installment of not less than BGN 200,000 thousand within 120 days from the date of the entry into force of the concession contract, and the remainder will be paid in a way agreed by the parties.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Liabilities in the amount of BGN 52,311 thousand were disputed by the debtor, for which in 2015 six claims were filed. In 2019, the court cases ended and receivables in the amount of BGN 3,339 thousand were recognized. The amounts due were paid by Toplofikatsiya Sofia EAD according to an agreement from 2020. For the unrecognized liabilities in the amount of BGN 48,972 thousand. The company has recognized full impairment.

As of 31 December 2020 Toplofikatsiya Sofia EAD has overdue interest in the amount of BGN 6 thousand under an agreement dated 11 December 2015.

On 28 August 2018, a contract was concluded with Bulgargaz EAD for remunerative transfer of receivables from Toplofikatsiya Sofia EAD for consumed natural gas at a total value as of the date of concluding the contract of BGN 99,193 thousand, including principal in the amount of BGN 94,967 thousand and interest in the amount of BGN 4,226 thousand. The receivables were fully overdue. On 1 April 2019, an agreement was concluded with Toplofikatsiya Sofia EAD, whereby the debtor agrees that the debt will be paid by the debtor by 31 August 2025, and he will not pay installments on the principal until 31 August 2019. The agreed interest on the principal amounts to 4.66%, as of 28 August 2018. In case of non-payment of any of the installments, interest is due by the debtor for each day of delay in the amount of the basic interest rate set by the Bulgarian National Bank, plus a margin of 10%. The obligations under the agreement are serviced regularly according to the repayment plan.

As of 31 December 2020 Toplofikatsiya Sofia EAD under an agreement dated 28 August 2018 due installments under the repayment plan in the amount of BGN 10,259 thousand and default interest in the amount of BGN 107 thousand.

Current receivables

Current receivables include part of the long-term receivables of the Group from Toplofikatsiya Sofia EAD maturing within 12 months after the reporting date, as well as receivables for sales of natural gas from enterprises in the group to Toplofikatsiya Sofia EAD.

On 23 December 2020, a contract was concluded with BEH EAD and Bulgargaz EAD for remunerative transfer of receivables from Toplofikatsiya Sofia EAD for consumed natural gas at a total value as of the date of concluding the contract of BGN 109,946 thousand, including principal in the amount of BGN 104,639 thousand and interest in the amount of BGN 5,307 thousand. The receivables are fully overdue. As of December 31, 2020 the amounts due from Toplofikatsiya Sofia EAD on the newly acquired receivables amount to a total of BGN 110,179 thousand.

22.2. Receivables from Security of the electricity system Fund

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Receivables as of 1 January</td>
<td>124,862</td>
<td>157,730</td>
</tr>
<tr>
<td>Revenue recognized to offset the costs of the public supplier</td>
<td>978,293</td>
<td>1,308,267</td>
</tr>
<tr>
<td>Recognized amounts for reimbursement to beneficiaries in connection with Ordinance No. E-RD-04-06 of 28 September 2016 to reduce the burden associated with the energy cost from renewable sources.</td>
<td>41</td>
<td>137</td>
</tr>
<tr>
<td>Cash received</td>
<td>(1,010,153)</td>
<td>(1,341,272)</td>
</tr>
<tr>
<td>Receivables as of 31 December</td>
<td>93,043</td>
<td>124,862</td>
</tr>
</tbody>
</table>

The exposure of the Group to credit and currency risk and impairment losses related to trade and other receivables are disclosed in Note 37 Financial risk management objectives and policy.
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 December 2020

### 23. Deferred tax assets and liabilities

<table>
<thead>
<tr>
<th>Deferred tax assets/(liabilities)</th>
<th>Balance as of 1 January 2020</th>
<th>Recognized in profit or loss</th>
<th>Recognized in other comprehensive income</th>
<th>Recognized in other comprehensive income 31 December 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
</tr>
<tr>
<td>Property, plant and equipment and intangible assets</td>
<td>(673,658)</td>
<td>15,091</td>
<td>10,779</td>
<td>(647,788)</td>
</tr>
<tr>
<td>Other temporary differences related to PPE (e.g. depreciation)</td>
<td>-</td>
<td>7,590</td>
<td>-</td>
<td>7,590</td>
</tr>
<tr>
<td>Financing</td>
<td>8,047</td>
<td>2,028</td>
<td>-</td>
<td>10,075</td>
</tr>
<tr>
<td>Unused paid leave</td>
<td>4,535</td>
<td>(704)</td>
<td>-</td>
<td>3,831</td>
</tr>
<tr>
<td>Provisions</td>
<td>49,504</td>
<td>4,033</td>
<td>-</td>
<td>53,537</td>
</tr>
<tr>
<td>Retirement benefits</td>
<td>29,354</td>
<td>(336)</td>
<td>1,275</td>
<td>30,293</td>
</tr>
<tr>
<td>Payables to personnel</td>
<td>1,233</td>
<td>1,086</td>
<td>-</td>
<td>2,319</td>
</tr>
<tr>
<td>Financial assets at fair value in other comprehensive income</td>
<td>(17)</td>
<td>-</td>
<td>20</td>
<td>3</td>
</tr>
<tr>
<td>Impairment of cash</td>
<td>215</td>
<td>(14)</td>
<td>-</td>
<td>201</td>
</tr>
<tr>
<td>Impairment of investments</td>
<td>1,369</td>
<td>(1,221)</td>
<td>-</td>
<td>148</td>
</tr>
<tr>
<td>Impairment of inventories</td>
<td>1,596</td>
<td>1,274</td>
<td>-</td>
<td>2,870</td>
</tr>
<tr>
<td>Impairment of trade and other receivables</td>
<td>57,155</td>
<td>4,506</td>
<td>-</td>
<td>61,661</td>
</tr>
<tr>
<td>Tax losses</td>
<td>-</td>
<td>533</td>
<td>-</td>
<td>533</td>
</tr>
<tr>
<td>Weak capitalization</td>
<td>3,613</td>
<td>2,907</td>
<td>-</td>
<td>6,520</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(517,054)</strong></td>
<td><strong>36,773</strong></td>
<td><strong>12,074</strong></td>
<td><strong>(468,207)</strong></td>
</tr>
</tbody>
</table>

Recognized as:
- Deferred tax assets: 156,621
- Deferred tax liabilities: (673,675)

<table>
<thead>
<tr>
<th>Deferred tax assets/(liabilities)</th>
<th>Balance as of 1 January 2019</th>
<th>Recognized in profit or loss</th>
<th>Recognized in other comprehensive income</th>
<th>Recognized in other comprehensive income 31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
<td><strong>BGN' 000</strong></td>
</tr>
<tr>
<td>Property, plant and equipment and intangible assets</td>
<td>(699,558)</td>
<td>25,900</td>
<td>-</td>
<td>(673,658)</td>
</tr>
<tr>
<td>Financing</td>
<td>8,343</td>
<td>(296)</td>
<td>-</td>
<td>8,047</td>
</tr>
<tr>
<td>Unused paid leave</td>
<td>4,263</td>
<td>272</td>
<td>-</td>
<td>4,535</td>
</tr>
<tr>
<td>Provisions</td>
<td>21,299</td>
<td>28,205</td>
<td>-</td>
<td>49,504</td>
</tr>
<tr>
<td>Retirement benefits</td>
<td>22,793</td>
<td>2,541</td>
<td>4,020</td>
<td>29,354</td>
</tr>
<tr>
<td>Payables to personnel</td>
<td>1,303</td>
<td>(70)</td>
<td>-</td>
<td>1,233</td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income</td>
<td>(13)</td>
<td>-</td>
<td>(4)</td>
<td>(17)</td>
</tr>
<tr>
<td>Impairment of cash</td>
<td>318</td>
<td>(103)</td>
<td>-</td>
<td>215</td>
</tr>
<tr>
<td>Impairment of investments</td>
<td>1,368</td>
<td>1</td>
<td>-</td>
<td>1,369</td>
</tr>
<tr>
<td>Impairment of inventories</td>
<td>1,582</td>
<td>14</td>
<td>-</td>
<td>1,596</td>
</tr>
<tr>
<td>Impairment of trade and other receivables</td>
<td>58,062</td>
<td>(907)</td>
<td>-</td>
<td>57,155</td>
</tr>
<tr>
<td>Tax losses</td>
<td>29</td>
<td>(29)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Weak capitalization</td>
<td>-</td>
<td>3,613</td>
<td>-</td>
<td>3,613</td>
</tr>
<tr>
<td>Others</td>
<td>-</td>
<td>2</td>
<td>(2)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>(580,211)</strong></td>
<td><strong>59,143</strong></td>
<td><strong>4,014</strong></td>
<td><strong>(517,054)</strong></td>
</tr>
</tbody>
</table>

Recognized as:
- Deferred tax assets: 119,360
- Deferred tax liabilities: (698,571)
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

The amount of income tax, related with each of the elements of other comprehensive income, may be presented as follows:

<table>
<thead>
<tr>
<th>2020</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Before taxes</td>
<td>(expense)/income</td>
</tr>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Revaluation of property, plant and equipment</td>
<td>(107,788)</td>
<td>10,779</td>
</tr>
<tr>
<td>Revaluation of defined benefit obligations</td>
<td>(12,739)</td>
<td>1,275</td>
</tr>
<tr>
<td>Net change in the fair value of financial assets (equity instruments)</td>
<td>(193)</td>
<td>20</td>
</tr>
<tr>
<td>Share of other comprehensive income of associates</td>
<td>1,632</td>
<td>(163)</td>
</tr>
<tr>
<td>Exchange differences from recalculation of foreign activities</td>
<td>(4)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>(119,092)</td>
<td>11,911</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2019</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Before taxes</td>
<td>(expense)/income</td>
</tr>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Revaluation of defined benefit obligations</td>
<td>(40,215)</td>
<td>4,020</td>
</tr>
<tr>
<td>Net change in the fair value of financial assets (equity instruments)</td>
<td>85</td>
<td>(6)</td>
</tr>
<tr>
<td>Share of other comprehensive income of associates</td>
<td>1,978</td>
<td>(198)</td>
</tr>
<tr>
<td>Exchange differences from recalculation of foreign activities</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td>(38,150)</td>
<td>3,816</td>
</tr>
</tbody>
</table>

24. Inventories

<table>
<thead>
<tr>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Natural gas</td>
<td>122,224</td>
</tr>
<tr>
<td>Fuel</td>
<td>375,917</td>
</tr>
<tr>
<td>Spare parts</td>
<td>192,526</td>
</tr>
<tr>
<td>Other materials and consumables</td>
<td>100,565</td>
</tr>
<tr>
<td>Goods</td>
<td>625</td>
</tr>
<tr>
<td>Work in progress, including:</td>
<td></td>
</tr>
<tr>
<td>- unused fresh nuclear fuel loaded</td>
<td>64,709</td>
</tr>
<tr>
<td>- coal</td>
<td>110,212</td>
</tr>
<tr>
<td>- others</td>
<td>61</td>
</tr>
<tr>
<td><strong>Inventories, Gross Amount</strong></td>
<td>966,839</td>
</tr>
<tr>
<td>Impairment to net realizable value</td>
<td>(24,039)</td>
</tr>
<tr>
<td><strong>Inventories, net of impairment</strong></td>
<td>942,800</td>
</tr>
</tbody>
</table>

The natural gas available at the reporting date includes mainly the natural gas stored at Chiren UGS. The fuel includes mainly uncharged fresh nuclear fuel, diesel fuel and fuel oil.

The costs of accrued impairment of the Group's inventories are included in the line “Accrued/(recovered) impairment, net” in the consolidated income statement.

The Group has no inventories provided as collateral for liabilities.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Bulgargaz EAD

The natural gas available at the reporting date amounts to BGN 703,110 thousand and is reported as an expense in profit or loss (2019: BGN 1,178,238 thousand).

As of the date of the statement of financial position the Company has analyzed the circumstances that would lead to indications of impairment of the value of natural gas. The main external source used as evidence of the existence of indications for impairment are decisions of the EWRC № C-19/28.12.2018, №C-10/28.03.2019, № C-16/28.06.2019 and № C-31/30.09.2019 and № C-1/01.01.2020 In 2020, an impairment was accrued to the net realizable value of natural gas in the amount of BGN 310 thousand.

The reversal of impairment losses on inventories is reported as an adjustment to the cost of natural gas sold during the period. Accrued new impairment losses are presented as such in the income statement and other comprehensive income.

Bulgartransgaz EAD

Based on and in pursuance of orders № D-16-148 / 16.04.2018 of the Minister of Energy, 115 million cubic meters of natural gas are stored in UGS "Chiren" in connection with the need for additional obligations to society. As at 23 December 2020, a new Emergency Action Plan for ensuring the security of natural gas supplies to the Republic of Bulgaria is in force, according to which Bulgartransgaz EAD stores quantities of natural gas in the Chiren UGS, with a maximum volume of up to 70 million cubic meters pursuant to an order of the Minister of Energy, issued pursuant to Art. 70 of the Energy Act for imposing additional obligations to society. The quantities specified in the order constitute a reserve necessary to ensure continuity of supply in accordance with Annex VIII to Regulation 2017/1938.

In 2020, a total of BGN 50,121 thousand of inventories were reported as an expense in profit or loss (2019: BGN 32,597 thousand ), incl. cost for impairment of inventories in the amount of BGN 19,651 thousand. (2019: BGN 0 thousand);

On 1 January 2021, EWRC confirmed a monthly price at which the public supplier sells natural gas to the end suppliers of natural gas and to persons to whom a license for production and transmission of thermal energy has been issued; EWRC decisions are the basis for determining the net realizable value of natural gas. As a result, the company has recognized an impairment loss for inventories for 2020 in the amount of BGN 19,651 thousand, according to a report by a licensed appraiser and the value of the available amount of natural gas in the gas transmission system and in UGS "Chiren" is estimated to its net realizable value.

TPP Maritsa East 2 EAD

In 2020, a total of BGN 140,950 thousand of inventories were reported as an expense in profit or loss (2019: BGN 232,963 thousand). This amount includes impairment of inventories in the amount of BGN 247 thousand. (2019: BGN 31 thousand).

NPP Kozloduy EAD

As at 31 December 2020 an impairment of the obsolete inventories was made on the basis of a report by an independent licensed appraiser in the amount of BGN 241 thousand and an impairment from previous periods in the amount of BGN 2 thousand was restored. As at 31 December 2019 an impairment of the obsolete inventories was made on the basis of a report by an independent licensed appraiser in the amount of BGN 495 thousand and an impairment from previous periods in the amount of BGN 4 thousand was restored.

25. Financial assets at fair value in other comprehensive income

Investment in shares of TRANSGAZ SA, Romania

On 17 December 2007, Bulgarian Energy Holding EAD participated in the initial public offering of securities of TRANSGAZ S.A., Romania from an increase in the company's equity by acquiring 6,041 shares. The fair value of this investment as of 31 December 2020 is BGN 692 thousand (31 December 2019: BGN 884 thousand) and is determined on the basis of the published quotes of prices on an active market as of 30 December 2020. All revaluation effects on the investment for 2020 are reported in the revaluation reserve of financial assets at fair value through other comprehensive income.

Investment in shares of Balkangaz 2000 AD, town of Botevgrad

Bulgarian Energy Holding EAD owns 10,000 units. registered shares of Balkangaz 2000 AD, Botevgrad, with a nominal value of BGN 1 (one) per share. The company has subscribed and paid-in capital in the amount of BGN 903 thousand. Bulgarian Energy Holding EAD (formerly Bulgargaz EAD) has been a shareholder since the establishment
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

of the company in 2000. The investment of Bulgarian Energy Holding EAD in Balkangaz 2000 AD has been impaired and derecognized from the financial statements prepared before 2007 due to the deteriorated financial condition of the company. For 2020 the received dividend for 2014, 2015 and 2019 amounts to BGN 4 thousand. The fair value of this investment as of 31 December 2020 was BGN 2 thousand (31 December 2019: BGN 0 thousand) and is determined in accordance with IFRS 3 using level 3 of the fair value hierarchy. This is a situation where there is no active market for similar assets and valuation techniques based on significant observable information are used. A model prepared by the GTFZP Consortium for determining the fair value of shares of companies that are not traded on an active market is attached, with appropriate reference values. All effects of the revaluation of the investment for 2020 are reported in the reserve for revaluation of financial assets at fair value through other comprehensive income.

Investment in the auction office JAO SA

In 2019, the Group through its subsidiary ESO EAD is a shareholder in the auction office JAO S.A acting as a Single Platform for Allocation (SPA) of Transmission Capabilities under Regulation 2016/1719 for establishing guidelines for the preliminary allocation of transmission capacity. JAO S.A distributes long-term transmission capacities (annual and monthly) at all borders between EU member states. The value of the investment in the capital of JAO S.A amounts to BGN 507 thousand. (31 December 2019: BGN 508 thousand).

Investment in Southeast Electricity Network Coordination Center SEleNe CC

In May 2020, The Group through its subsidiary ESO EAD, together with the transmission operators of Greece, Romania and Italy established the Southeast Electricity Network Coordination Center SEleNe CC based in Thessaloniki, Greece, which will facilitate the efficient management of regional energy systems and will ensure security of electricity supply in the conditions of market mergers and the integration of the Western Balkans. The value of the acquisition of the investment in the capital of SEleNe CC amounts to BGN 98 thousand.

<table>
<thead>
<tr>
<th>Financial assets at fair value in other comprehensive income</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>31 December</td>
<td>Level 3</td>
<td>Level 1</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>2020</td>
<td>31 December</td>
</tr>
<tr>
<td></td>
<td>BGN'000</td>
<td>BGN'000</td>
<td>BGN'000</td>
</tr>
<tr>
<td>Exchange-traded shares</td>
<td>692</td>
<td>-</td>
<td>884</td>
</tr>
<tr>
<td>Shares</td>
<td>-</td>
<td>607</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>508</td>
</tr>
</tbody>
</table>

26. Cash and short-term deposits

<table>
<thead>
<tr>
<th>Cash and cash equivalents</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
</tr>
<tr>
<td>Cash in bank accounts</td>
<td>1,115,383</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>310</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td>-</td>
</tr>
<tr>
<td>Cash provided as collateral</td>
<td>334,172</td>
</tr>
<tr>
<td>Gross value of cash and cash equivalents</td>
<td>1,449,865</td>
</tr>
<tr>
<td>Effect of expected credit losses</td>
<td>(3,686)</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,446,179</td>
</tr>
<tr>
<td>Overdrafts (*)</td>
<td>(52,372)</td>
</tr>
<tr>
<td>Cash provided as collateral</td>
<td>(240,997)</td>
</tr>
<tr>
<td>Cash and cash equivalents in the cash flow statement</td>
<td>1,446,179</td>
</tr>
</tbody>
</table>

74
Reconciliation of cash under the Statement of Financial Position and the Statement of Cash Flow

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash in bank accounts</td>
<td>1,033,992</td>
<td>1,168,425</td>
</tr>
<tr>
<td>Cash in hand</td>
<td>310</td>
<td>582</td>
</tr>
<tr>
<td>Short-term deposits</td>
<td></td>
<td>29,886</td>
</tr>
<tr>
<td>Blocked special purpose funds</td>
<td>320</td>
<td>320</td>
</tr>
<tr>
<td>Blocked funds with special purpose Art. 19 Regulation 2019/943</td>
<td>92,675</td>
<td>-</td>
</tr>
<tr>
<td>Blocked funds covering the costs of SNF management</td>
<td>81,391</td>
<td>41,775</td>
</tr>
<tr>
<td>Cash provided as collateral</td>
<td>241,177</td>
<td>446,795</td>
</tr>
<tr>
<td><strong>Gross value of cash and cash equivalents</strong></td>
<td><strong>1,449,865</strong></td>
<td><strong>1,687,783</strong></td>
</tr>
<tr>
<td>Effect of expected credit losses</td>
<td>(3,686)</td>
<td>(3,876)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td><strong>1,446,179</strong></td>
<td><strong>1,683,907</strong></td>
</tr>
<tr>
<td>Overdrafts (*)</td>
<td>-</td>
<td>(52,372)</td>
</tr>
<tr>
<td>Cash provided as collateral</td>
<td>(240,997)</td>
<td>(446,527)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents in the cash flow statement</strong></td>
<td><strong>1,205,182</strong></td>
<td><strong>1,185,008</strong></td>
</tr>
</tbody>
</table>

Cash in bank accounts is accrued at floating interest rates based on daily interest rates on bank deposits.

The amount of cash and cash equivalents with special purpose, which is blocked for the Group as of 31 December 2020 is BGN 174,386 thousand (31 December 2019: BGN 42,095 thousand), due to the following grounds:

- BGN 81,391 thousand in a special account with CB Eurobank Bulgaria AD, opened under conditions approved by the Ministry of Energy. The funds set aside from the available cash resources are blocked and are unavailable for making other payments beyond their intended purpose. They are spent on purpose only to cover the costs of spent fuel management, incl. for the activities for transportation, technological storage and processing of spent fuel, which have not been carried out in previous years (31 December 2019: BGN 41,775 thousand);
- BGN 92,675 thousand are in accordance with the requirements of Article 19 of Regulation 2019/943, as well as a decision of ACER and the adopted Methodology for the use of revenue from congestion in accordance with Art. 19 (4) of Regulation 2019/943 of the European Parliament and of the Council. No interest is accrued on the special accounts (31 December 2019: BGN 0 thousand);
- BGN 170 thousand on a current account with special purpose in Alianz Bank Bulgaria AD in connection with a contract with EWR; (31 December 2019: BGN 170 thousand);
- BGN 150 thousand in a special current account which serve as collateral within the meaning of Art. 8a of the Rules on the terms and conditions for granting access to the electricity transmission and distribution networks. (31 December 2019: BGN 150 thousand).

The amount of cash and cash equivalents presented as collateral as of 31 December 2020 amounts to BGN 241,177 thousand. (31 December 2019: BGN 446,795 thousand), and is blocked on the following basis:

- BGN 25,689 thousand represents an amount provided with a special purpose securing an obligation to pay a property sanction in case AT.39849 BEH-GAZ. (31 December 2019: EUR 25,689 thousand).
- USD 106,010 thousand are collateral in the form of deposits on loans for operating and investment expenses, which bear interest at an annual interest rate (31 December 2019: USD 227,336 thousand);
- BGN 25,520 thousand represents funds blocked on an escrow account in connection with the acquisition of 20% of the capital of Gastrade S.A. (31 December 2019: BGN 0 thousand).

27. Non-current assets for disposal

RAW (Radioactive wastes) processing, storage and disposal are RAW management activities which, according to the SUNEA, have to be carried out by the SE RAW to ensure the protection of the interests of the citizens of the Republic of Bulgaria and the responsibility of the Bulgarian State and its competent authorities.

By decision of the Ministry of Economy and Energy (Protocol No.6/17.10.2011) the SERAW is nominated as the sole operator for the decommissioning of Units 1 to 4.

By decision No.1038 of 19.12.2012 of the Council of Ministers of the Republic of Bulgaria on declaring NPP Kozloduy units 3 and of 4 as RAW management facilities and their provision for management to SE RAW, all
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

decommissioning activities of units 1 to 4 and permanently closed nuclear facilities were transferred for implementation and management to SE RAW.

As of 31 December 2020, together with the SE RAW, the steps required were taken to declare the site of unfinished construction of a Facility for the treatment and conditioning of solid RAW with a large volume reduction factor as a RAW management facility, and other assets in the process of acquisition under started projects for the implementation of the activities related to the decommissioning of nuclear facilities - as private state property and their provision for management to SE RAW.

The carrying amount of assets and liabilities intended for distribution to owners and which should be transferred to SE RAW can be presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020 BGN' 000</th>
<th>31 December 2019 BGN' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lands and buildings</td>
<td>1,069</td>
<td>1,069</td>
</tr>
<tr>
<td>Plant, equipment and facilities</td>
<td>8,600</td>
<td>8,667</td>
</tr>
<tr>
<td>Acquisition costs</td>
<td>46,573</td>
<td>47,541</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>56,242</strong></td>
<td><strong>57,277</strong></td>
</tr>
</tbody>
</table>

|                     |                           |                           |
| **Liabilities**     |                           |                           |
| Amounts withheld under a construction contract | 2,170 | 2,170 |
| Funding             | 43,709                    | 43,709                    |
| **Total liabilities** | **45,879**               | **45,879**               |

In 2020, a revaluation of plant, equipment and facilities, classified as held for distribution to owners in the amount of BGN 71 thousand was performed.

As of 31 December 2020, there are no assets and liabilities that have been distributed to the owners and no cash flows have been generated. The Group’s management expects the assets and liabilities to be transferred in 2021.

28. Share capital and reserves

28.1 Share capital

The registered capital of the Group consists of 3,462,941,744 ordinary shares with a nominal value of BGN 1 each as at 31 December 2020 (31 December 2019: 3,462,941,744 shares). The company’s shares are ordinary, registered, non-privileged, with voting rights. All ordinary shares are fully paid. Each share entitles one vote, the right to a dividend and a liquidation share in the company’s property. A sole shareholder in the capital of Bulgarian Energy Holding EAD is the Bulgarian State through the Minister of Energy.

Shares issued and authorized for the reporting periods can be presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of issued and fully paid shares:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>At the beginning of the year</td>
<td>3,462,941,744</td>
<td>3,462,941,744</td>
</tr>
<tr>
<td><strong>Total number of shares authorized at the end of the year</strong></td>
<td><strong>3,462,941,744</strong></td>
<td><strong>3,462,941,744</strong></td>
</tr>
</tbody>
</table>

28.2 Other reserves

Other reserves are formed by distribution of profits in accordance with the Commercial Law and the Articles of Association of the Group or from other sources by decision of the sole shareholder. These include statutory reserves and other general reserves. The statutory reserves are set aside until they reach one tenth or more of the capital. Sources for the formation of statutory reserves are at least one tenth of the net profit, share premiums and the funds provided in the statutes or decision of the sole shareholder. Statutory reserves can only be used to cover losses from current and prior reporting periods. General reserves are formed on the proposal of the board of directors and may be used to cover losses from past years and for other purposes.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Other changes in equity:

In 2019, the management of the subsidiary ESO EAD reported the following amounts as other reserves:

<table>
<thead>
<tr>
<th>Reason</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy market - write-off for lost court case for receivables that have not been registered during the transformation of 04.02.2014</td>
<td>(103)</td>
</tr>
<tr>
<td>EFG - provision for a court case, which was not transferred during the transformation of 04.02.2014.</td>
<td>(833)</td>
</tr>
<tr>
<td>ET NIK-60-N. Kalaksazov - provision for a court case, which was not transferred during the transformation of 04.02.2014.</td>
<td>(353)</td>
</tr>
<tr>
<td><strong>Total change</strong></td>
<td><strong>(1,289)</strong></td>
</tr>
</tbody>
</table>

28.3 Reserve from revaluation to fair value

Fair value revaluation reserves include the revaluation of financial assets at fair value in other comprehensive income.

28.4 Revaluation reserve of non-financial assets

Revaluation reserve is used to reflect increases in the fair value of property, plant and equipment, and reductions to the extent that those reductions are related to an increase in the same asset previously recognized in other comprehensive income.

28.5 Reserve from recalculation of foreign operations

The Group has a subsidiary in Republic of Northern Macedonia whose functional currency is Macedonian Denars. The recalculation reserve is formed as a result of currency exchange differences at 31 December 2020.

28.6 Defined benefit plans revaluation reserve

The defined benefit plans revaluation reserve includes actuarial gains and losses as a result of the revaluation of defined benefit plans.

29. Loans and financial leasing

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Non-current amount</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issued bonds</td>
<td>1,169,530</td>
<td>2,236,270</td>
</tr>
<tr>
<td>Bank Loans</td>
<td>875,540</td>
<td>41,722</td>
</tr>
<tr>
<td>Credit from EURATOM</td>
<td>-</td>
<td>10,879</td>
</tr>
<tr>
<td>Financial leasing</td>
<td>1,219</td>
<td>1,217</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,046,289</strong></td>
<td><strong>2,290,088</strong></td>
</tr>
</tbody>
</table>

| Current amount                           |                   |                   |
| Bank Loans                               | 146,296           | 418,368           |
| Credit from EURATOM                      | 11,410            | 22,833            |
| Bank overdrafts                          | -                 | 52,386            |
| Issued bonds                             | 1,115,398         | 42,780            |
| Financial leasing                        | 494               | 555               |
| **Total**                                | **1,273,598**     | **536,922**       |

3,319,887                                  2,827,010

Information on the most important terms and conditions of the loans and finance lease contracts is presented as follows:
## Bulgarian Energy Holding EAD

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Borrower/Issuer</th>
<th>Interest rate</th>
<th>Maturity / year</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Bond Issue 2016</td>
<td>BEH EAD</td>
<td>4.875%</td>
<td>2021</td>
<td>1,094,468</td>
</tr>
<tr>
<td>(2) Bond Issue 2018</td>
<td>BEH EAD</td>
<td>3.500%</td>
<td>2025</td>
<td>1,190,460</td>
</tr>
<tr>
<td>(3) European Investment Bank</td>
<td>BEH EAD</td>
<td>six-month interest rate 0.259%</td>
<td>2045</td>
<td>58,731</td>
</tr>
<tr>
<td>(4) Investment commercial credit from EURATOM in EUR</td>
<td>NPP Kozloduy EAD</td>
<td>EURIBOR + 0.079% to 0.13%</td>
<td>2021</td>
<td>11,170</td>
</tr>
<tr>
<td>(5) Investment loan in EUR</td>
<td>NEK EAD</td>
<td>0.0475</td>
<td>2020</td>
<td>-</td>
</tr>
<tr>
<td>(6) Investment loan in EUR</td>
<td>NEK EAD</td>
<td>from 4.341% to 4.844%</td>
<td>2022</td>
<td>12,761</td>
</tr>
<tr>
<td>(7) Investment loan</td>
<td>Mini Maritsa Iztok EAD</td>
<td>BIR+ mark-up of 1.89% per annum</td>
<td>2024</td>
<td>13,360</td>
</tr>
<tr>
<td>(8) Investment loan</td>
<td>Mini Maritsa Iztok EAD</td>
<td>BIR+ mark-up of 1.89% per annum</td>
<td>2024</td>
<td>3,637</td>
</tr>
<tr>
<td>(9) Investment loan</td>
<td>Mini Maritsa Iztok EAD</td>
<td>BIR+ mark-up of 1.69% per annum</td>
<td>2022</td>
<td>4,000</td>
</tr>
<tr>
<td>(10) Investment loan</td>
<td>Mini Maritsa Iztok EAD</td>
<td>BIR+ mark-up of 1.69% per annum</td>
<td>2022</td>
<td>4,000</td>
</tr>
<tr>
<td>(11) Investment loan</td>
<td>Mini Maritsa Iztok EAD</td>
<td>BIR+ mark-up of 1.59% per annum</td>
<td>2022</td>
<td>4,000</td>
</tr>
<tr>
<td>(12) Overdraft</td>
<td>Bulgargaz EAD</td>
<td>from 0.99% to 2.95%</td>
<td>2020</td>
<td>-</td>
</tr>
<tr>
<td>(13) Investment loan in EUR/Unicredit Bulbank AD</td>
<td>Bulgargaz EAD</td>
<td>EURIBOR + 1.65%</td>
<td>2026</td>
<td>195,583</td>
</tr>
<tr>
<td>(13) Investment loan in EUR/Raiffeisen Bank AD</td>
<td>Bulgargaz EAD</td>
<td>EURIBOR +1.75%</td>
<td>2026</td>
<td>97,792</td>
</tr>
<tr>
<td>(13) Investment loan in EUR/DSK Bank AD</td>
<td>Bulgargaz EAD</td>
<td>EURIBOR +2.20%</td>
<td>2026</td>
<td>97,792</td>
</tr>
<tr>
<td>(13) Investment loan in EUR/European Bank for Economic Co-Operation</td>
<td>Bulgargaz EAD</td>
<td>EURIBOR +2.50%</td>
<td>2026</td>
<td>78,233</td>
</tr>
<tr>
<td>(13) Investment loan in EUR/ING Bank N.V.</td>
<td>Bulgargaz EAD</td>
<td>EURIBOR +2.25%</td>
<td>2026</td>
<td>64,542</td>
</tr>
<tr>
<td>(13) Investment loan in EUR/Bulgarian Development Bank AD</td>
<td>Bulgargaz EAD</td>
<td>BIR + 2.10%</td>
<td>2025</td>
<td>41,440</td>
</tr>
<tr>
<td>(13) Investment loan in EUR/International Investment Bank</td>
<td>Bulgargaz EAD</td>
<td>EURIBOR +2.75%</td>
<td>2026</td>
<td>121,261</td>
</tr>
<tr>
<td>(14) Working capital loan /United Bulgarian Bank AD</td>
<td>Bulgargaz EAD</td>
<td>EURIBOR +2.75%</td>
<td>2026</td>
<td>97,792</td>
</tr>
<tr>
<td>(14) Working capital loan /UniCredit Bulbank AD</td>
<td>Bulgargaz EAD</td>
<td>EURIBOR +1.30%</td>
<td>2021</td>
<td>19,087</td>
</tr>
<tr>
<td>(14) Loan for the purchase of a shareholding / City Bank Europe AD</td>
<td>Bulgargaz EAD</td>
<td>BIR +0.85%</td>
<td>2021</td>
<td>66,576</td>
</tr>
<tr>
<td>(15) Investment loan</td>
<td>Bulgargaz EAD</td>
<td>BIR +1.35%</td>
<td>2021</td>
<td>41,249</td>
</tr>
<tr>
<td>(16) Financial leasing in BGN</td>
<td>Bulgargaz EAD</td>
<td>from 0.15% to 0.50%</td>
<td>2020</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total:** 3,319,887

### (1) Bond Issue 2016

On 2 August 2016, Bulgarian Energy Holding EAD successfully placed its second issue of Eurobonds worth EUR 550 million. With increased investor interest, the issue was over-subscribed to over EUR 2 billion. The parameters of the second bond issue of Bulgarian Energy Holding EAD are as follows:
- bond issue amount (nominal value) EUR 550 million;
- issue value - 98.921%;
- fixed interest rate 4.875% annually;
- the interest is payable once a year on 2 August, with a first payment due on 2 August 2017;
- maturity 2 August 2021;
- ISIN code XS1405778041 of the bond issue quoted on the Irish Stock Exchange's Main Market;
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

- BEH EAD should observe certain covenants as follows:
  • The Issuer undertakes not to accept or to prevent its subsidiaries from assuming, directly or indirectly, financial obligations if, after an assessment of the effects of the assumption of such obligations and their proceeds (1), there are, or arise, grounds for the occurrence of (2) the EBITDA Coverage Ratio calculated as the consolidated EBITDA for the last period prior to the date of the transactions for which the Issuer's Consolidated Financial Statements are prepared, divided by the financial expenses for the same period, is less than 4:1 and (3) the Consolidated Leverage Ratio, calculated as the Issuer's consolidated debt for the last period prior to the date of the transactions for which consolidated financial statements have been prepared, reduced by the Consolidated Leverage Ratio the carrying amount of the cash holdings of the Issuer for the same period, divided by the consolidated EBITDA for the same period, is more than 4.5:1.
  • In the event that NEK EAD is declared by a Bulgarian court to be over-indebted, the Issuer undertakes not to assume or to permit (to the extent permitted by law) its subsidiaries to assume, directly or indirectly, financial obligations.

The proceeds from the bond issue were used to repay the bridge loan of EUR 535 million provided by Banca IMI S.p.A., London Branch, Bank of China (Luxembourg) S.A. and J.P. Morgan Limited. under a signed agreement on 21 April 2016.

On 1 August 2017, the first interest payment was made, on 30 July 2018 - the second interest payment, on 1 August 2019 - the third interest payment and on 29 July 2020 - the fourth interest payment. The annual interest liability amounts to EUR 26,813 thousand (BGN 52,441 thousand).

(2) Bond Issue 2018

from the international political scene, Bulgarian Energy Holding EAD successfully placed its third issue of Eurobonds in the amount of EUR 400 million on the Irish Stock Exchange. The Eurobond parameters are as follows:
  - bond issue amount of EUR 400 million,
  - Maturity 28 June 2025;
  - a fixed interest rate of 3.5% annually;
  - the interest is payable once a year on 28 June, with a first payment due on 28 June 2019;
  - ISIN code XS1839682116 of the bond issue quoted on the Irish Stock Exchange (Euronext Dublin);
  - BEH EAD should observe certain covenants as follows:
    • For so long as any Bond remains outstanding, the Issuer shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly incur any Financial Indebtedness, provided, however, that the Issuer and any Material Subsidiary may incur Financial Indebtedness, in each case if, after giving effect to the incurrence of such Financial Indebtedness and the receipt and application of the proceeds therefrom: (1) no Event of Default has or would have occurred and is or would be continuing; (2) the EBITDA Coverage Ratio would be not less than 4.0 to 1.0; and (3) the Consolidated Leverage Ratio would not be more than 4.5 to 1.0.
    • For so long as any Bond remains outstanding, in the event that NEK EAD is declared by a Bulgarian court to be overindebted within the meaning of the Bulgarian Commerce Act, then the Issuer shall not, and shall not permit (to the extent permitted by law) any of its Material Subsidiaries to, directly or indirectly, incur any Financial Indebtedness.

On 31 July 2018, Bulgarian Energy Holding EAD successfully increased the third Eurobond issue listed on the Irish Stock Exchange (Euronext Dublin) from EUR 400 million to EUR 550 million.

On 12 October 2018, Bulgarian Energy Holding EAD recorded a second increase of its third Eurobond issue, listed on the Irish Stock Exchange (Euronext Dublin), from EUR 550 million to EUR 600 million.

The proceeds received from the issue are intended for general corporate purposes and for the refinancing of Eurobonds issued by the Company in 2013 with maturity in November 2018.

On 27 June 2019, the first interest payment was made, and on 24 June 2020 - the second interest payment. The annual interest liability amounts to EUR 21,000 thousand (BGN 41,072 thousand).

(3) Loan agreement for financing of ICGB AD by the European Investment Bank

In October 2019, Bulgarian Energy Holding EAD and the European Investment Bank concluded a Financing Agreement for the construction of an IGB gas pipeline worth EUR 109.9 million secured by a state financial guarantee from the Republic of Bulgaria, for which the Guarantee Agreement ratified by the National Assembly. The loan is provided to Bulgarian Energy Holding EAD as a shareholder in ICGB AD. For its part, BEH EAD transfers the loan financing to the project company through a Shareholder Loan Agreement in the same amount, under the same financial
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

conditions set in the agreement with the European Investment Bank and without additional margin for Bulgarian Energy Holding EAD. The repayment of the loan by the European Investment Bank will be carried out using a grace period for repayment of the principal of the disbursed tranches, which according to the Agreement concluded with the bank may last up to 7 years from the date of disbursement of the tranche.

On 17 August 2020, the first tranche of EUR 30 million was disbursed under the following conditions: payment of interest at the rate of six monthly interest rates 0.259%, five-year grace period for payments on the principal, payment of principal twice a year, the last installment being due on 17 August 2045.

As at 31 December 2020, the payable to the European Investment Bank amounts to BGN 58,731 thousand.

(4) Long-term investment loan with an agreed amount of EUR 212,500 thousand (BGN 415,614 thousand)

The loan was granted by the European Atomic Energy Community (EURATOM) in order to finance the modernization of Units 5 and 6 at Kozloduy NPP EAD. The repayment deadline is May 2021. The loan agreement contains special clauses with restrictive conditions regarding changes in the end-owners of NPP Kozloduy, as well as financial indicators requiring the achievement of certain levels of indebtedness and coverage of debt servicing. The loan is irrevocably and unconditionally guaranteed by the Government of the Republic of Bulgaria and by the Nationalna Elektricheska Kompania EAD.

(5) Agreement with ING Bank-Netherlands for financing the modernization and rehabilitation of the Cascade Dolna Arda

In October 2006 NEK EAD concluded an agreement for an export loan to finance the modernization and rehabilitation of the Cascade Dolna Arda. The loan is spread in two tranches, divided into a ratio of Tranche A to Tranche B at 10:90. The maximum approved export credit limit is EUR 42,075 thousand (BGN 82,292 thousand).

- Tranche A amounts to EUR 4,208 thousand (BGN 8,230 thousand) at a three-month volatile interest rate of OeKB on export credits with a surplus of 0.45%. As of 31 December 2016 the tranche is fully paid off.
- Tranche B amounts to EUR 37,867 thousand (BGN 74,062 thousand) at a fixed annual interest rate of 4.75%.

The nominal utilized and outstanding part of this loan as at 31.12.2020 amounts to EUR 0. The loan was fully repaid in November 2020.

To secure the export and trade credits from ING Bank NV - The Netherlands, a mortgage on the lands and buildings of the Studen Kladenets hydroelectric power station, Ivaylovgrad HPP and the Kardzhali hydroelectric power station (Dolna Arda cascade) with a carrying amount of BGN 16,248 thousand has been registered. Loans are secured by pledge on all current and future assets including machines and facilities, part of the Cascade Dolna Arda. Promissory notes were issued. The collateral for the loan is expected to be removed.

(6) Investment loan from the European Investment Bank with an agreed amount of EUR 60,000 thousand (BGN 117,345 thousand)

In November 2002, NEK EAD signed a contract as a Beneficiary under a state investment loan to finance a rehabilitation project in electricity sector - Energy II. The approved amount of the loan amounts to EUR 60,000 thousand (BGN 117,345 thousand), the total amount having been utilized.

The nominal outstanding amount as of 31 December 2020 amounts to BGN 6,512 thousand. (EUR 12,737 thousand). The loan was granted to the Republic of Bulgaria with the Final Beneficiary - NEK EAD. The loan is granted in six installments, each tranche having a fixed interest rate, as follows: tranche 1 in the amount of EUR 10 million on 07.06.2004 and an interest rate of 4.69%, tranche 2 in the amount of EUR 7 million on 19.05.2006 and an interest rate of 4.285%, tranche 3 in the amount of EUR 6 million on 13.11.2006 and interest rate 4.026%, tranche 4 in the amount of EUR 15 million on 03.07.2007 and interest rate 4.844%, tranche 5 in the amount of EUR 18 million on 12.03.2008 and interest rate 4.341%, tranche 6 amounting to EUR 6 million on 28.10.2008 and an interest rate of 4.555%.

Principals and interest are paid on 15 June and 15 December, with a final repayment on 15 June 2022.

(7) Investment loan from DSK Bank AD (successor of Expressbank AD) with a limit of up to BGN 19,100 thousand

Investment loan from DSK Bank AD with a limit of up to BGN 19,100 thousand to finance the implementation of the Contract No: MME / BWE relating to "Design, manufacture, supply, construction and commissioning of SRs 2000 rotary excavators in Mini Maritsa -Iztok EAD, Bulgaria". The loan is foreseen for the period 2016 - 2018. Contracted interest rate: Annual interest rate on the actually used loan amounts at BIR + margin of 1.89% per annum. One-time management and processing fee of 0.29% on the amount of the loan. The penalty interest for overdue installments is BIR + 6%. Collateral: A special pledge of assets contract of 24.11.2016, the value of which covers the amount of the loan. The duration of the loan is 81 months, with a 21-month grace period and a 60-month repayment period. The
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

duration of the loan is 81 months, with a 21-month grace period and a 60-month repayment period. By an additional agreement dated 25.06.2018, the utilization period was extended until 31.07.2019 and the deadline for repayment of all liabilities is 30.06.2024. During the grace period, Mini Maritsa-Iztok EAD shall owe interest each month, accrued on the actually utilized part of the investment loan. As of 31 December 2020 the loan is fully utilized in the amount of BGN 19,100 thousand, the interest paid on the loan amounts to BGN 742 thousand, the carrying amount of the liability is BGN 13,360 thousand. There are no overdue payables under the contract.

(8) Investment loan from DSK Bank AD (successor of Expressbank AD) with a limit of up to BGN 5,200 thousand

Investment loan from DSK Bank AD with a limit of up to BGN 5,200 thousand to finance the implementation of the Contract №: MME / BWE relating to "Design, manufacture, supply, construction and commissioning of SRs 200 rotary excavators in Mini Maritsa -Iztok EAD, Bulgaria". The loan is foreseen for the period 2016 - 2018. Contracted interest rate: Annual interest rate on the actually used loan amounts at BIR + margin of 1,89% per annum. One-time management and processing fee of 0.29% on the amount of the loan. The penalty interest for overdue installments is BIR + 6%. Collateral: A special pledge of assets contract of 24.11.2016, the value of which covers the amount of the loan. The duration of the loan is 81 months, with a 21-month grace period and a 60-month repayment period. The duration of the loan is 81 months, with a 21-month grace period and a 60-month repayment period. By an additional agreement dated 25.06.2018, the utilization period was extended until 31.07.2019 and the deadline for repayment of all liabilities is 30.06.2024. During the grace period, Mini Maritsa-Iztok EAD shall owe interest each month, accrued on the actually utilized part of the investment loan. As of 31 December 2020 the loan is fully utilized in the amount of BGN 5,200 thousand, the interest paid on the loan amounts to BGN 186 thousand, the carrying amount of the liability is BGN 3,637 thousand. There are no overdue payables under the contract.

(9) Investment loan from DSK Bank AD (successor of Expressbank AD) with a limit of up to BGN 8,000 thousand

Investment Loan from DSK Bank AD with a limit of up to BGN 8,000 thousand to finance the implementation of Contract MT440/19.12.2017 for delivery of bulldozers for the implementation of technological activities. The utilization of the loan is foreseen for the period until 31.12.2018. Contracted interest rate: Annual interest rate on the actually used loan amounts at BIR + margin of 1,69% per annum. One-off management and processing fee of 0.50% on the amount of the loan. The penalty interest for overdue installments is BIR + 6%. Collateral: A contract for special pledge of assets of 13.06.2018. The repayment of the principal on the loan is scheduled in 48 equal monthly installments on the principal and will start in January 2019. The deadline for repayment of all liabilities is 31.12.2022. During the period of the loan, Mini Maritsa Iztok EAD shall owe interest each month, accrued on the actually absorbed part of the loan. The agreed amount of the loan is fully utilized. As of 31 December 2020, the loan liability amounts to BGN 4,000 thousand, incl. a long-term part of BGN 2,000 thousand and the interest paid on the loan amounted to BGN 228 thousand. There are no overdue payables under the contract.

(10) Investment loan from DSK Bank AD (successor of Expressbank AD) with a limit of up to BGN 8,000 thousand

Investment Loan from DSK Bank AD with a limit of up to BGN 8,000 thousand to finance the implementation of Contract MT448/21.12.2017 for delivery of bulldozers for work in overburden horizons of the mines. The utilization of the loan is foreseen for the period until 31.12.2018. Contracted interest rate: Annual interest rate on the actually used loan amounts at BIR + margin of 1,69% per annum. One-off management and processing fee of 0.50% on the amount of the loan. The penalty interest for overdue installments is BIR + 6%. Collateral: A contract for special pledge of assets of 13.06.2018. The repayment of the principal on the loan is scheduled in 48 equal monthly installments on the principal and will start in January 2019. The deadline for repayment of all liabilities is 31.12.2022. During the period of the loan, Mini Maritsa-Iztok EAD shall owe interest each month, accrued on the actually absorbed part of the loan. The agreed amount of the loan is fully utilized. As of 31 December 2020, the loan liability amounts to BGN 4,000 thousand, incl. a long-term part of BGN 2,000 thousand and the interest paid on the loan amounted to BGN 263 thousand. There are no overdue payables under the contract.

(11) Investment loan from DSK Bank AD (successor of Expressbank AD) with a limit of up to BGN 8,000 thousand

Investment Loan from Societe Generale Expressbank AD with a limit of up to BGN 8,000 thousand to finance the implementation of Contract MT452/22.12.2017 for delivery of bulldozers for work in the dump horizons of the mines. The loan utilization is foreseen for the period until 31.12.2018. Contracted interest rate: Annual interest rate on the actually used loan amounts at BIR + margin of 1,59% per annum. One-off management and processing fee of 0.49% on the amount of the loan. The penalty interest for overdue installments is BIR + 6%. Collateral: A contract for special pledge of assets of 13.06.2018. The repayment of the principal on the loan is scheduled in 48 equal monthly installments on the principal and will start in January 2019. The deadline for repayment of all liabilities is 31.12.2022. During the period of the loan, Mini Maritsa Iztok EAD shall owe interest each month, accrued on the actually absorbed
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

part of the loan. The agreed amount of the loan is fully utilized. As of 31 December 2020, the loan liability amounts to BGN 4,000 thousand, incl. a long-term part of BGN 2,000 thousand and the interest paid on the loan amounted to BGN 243 thousand. There are no overdue payables under the contract.

(12) Bulgargaz EAD - overdraft

As of December 31, 2019, the Company has agreed overdrafts granted by 4 (four) banking institutions. The agreed amount of the concluded loans is BGN 70,000 thousand. The loans are unsecured and have a maturity in October 2021 - December 2021.

(13) Long-term loan agreements for financing Balkan Stream and other large-scale investment projects

In 2020, Bulgargaz EAD concluded contracts in EUR for loans to cover investment costs from several financial institutions: Unicredit Bulbank AD, Raiffeisenbank (Bulgaria) EAD, DSK Bank AD, International Bank for Economic Co-Operation, Eurobank Bulgaria AD, ING Bank NV, syndicated loan between Bulgarian Development Bank AD and International Investment Bank. The loans are secured by cash in the form of deposits amounting to 20% of the utilized and outstanding part of the loan. The principal of long-term loans has a grace period ranging from 12 to 17 months for various loans, and interest is paid each month. The funds are intended to cover investment costs of Bulgargaz EAD in connection with the implementation of the project "Balkan Stream" in the territory of the country and other major investment projects.

On 21 October 2019 Bulgargaz EAD concluded bank loan agreements in the total amount of EUR 200,000 thousand from four banking institutions against collateral - USD deposits for a period of 6 months, with options for extension for another 6 months. The loan principals are paid at the end of the term of the contracts and the interest is paid every month. The funds are intended to cover investment costs of Bulgargaz EAD in connection with the implementation of the project "Balkan Stream" in the territory of the country. In October 2020 the loans were repaid.

(14) Short-term loan agreements for financing operating expenses of Bulgargaz EAD

In 2020, Bulgargaz EAD received loans to cover operating costs from several financial institutions: Unicredit Bulbank AD in BGN, United Bulgarian Bank AD in EUR and City Bank Europe AD in BGN. The loans are secured by cash in the form of deposits amounting to 20% of the utilized and outstanding part of the loan. The agreement concluded with City Bank Europe AD is intended for the purchase of a shareholding in the capital of Gastrade S.A.

Unutilized loans

As of 31 December 2020, the Group has the following unutilized loans:

*Mini Maritsa Iztok EAD*

Agreement with DSK Bank AD (successor of Expressbank AD) for providing a working capital loan in the form of an overdraft with a limit of up to BGN 10 million concluded in October 2019. Term of full utilization and repayment of the overdraft is 12 months from the date of concluding the contract, until 02.10.2020. Contracted interest rate BIR + 1.60%. The loan is unsecured. As of 31 December 2020, there is no obligation under the contract.

Agreement with DSK Bank AD (legal successor of Expressbank AD) granting a working capital loan in the form of an overdraft with a limit of BGN 8 million to cover a temporary shortage of funds for servicing current payments to suppliers and other operational needs. The term of full utilization and repayment of the overdraft is 12 months from the date of the conclusion of the contract until 30.11.2021. Contracted interest rate BIR + 1.80%, the loan is without collateral. As of 31 December 2020, there is no obligation under the contract.

Agreement with DSK Bank AD (legal successor of Expressbank AD) granting a working capital loan in the form of an overdraft with a limit of BGN 10 million to cover a temporary shortage of funds for servicing current payments to personnel, public liabilities and other operational needs. The term of full utilization and repayment of the overdraft is 12 months from the date of the conclusion of the contract until 30.11.2021. Contracted interest rate BIR + 1.80%, the loan is without collateral. The loan is unsecured. As of 31 December 2020, there is no obligation under the contract.
## 29.1 Reconciliation between the opening and closing balances in the consolidated statement of financial position as of 31 December 2020 of the liabilities arising from financial activities.

<table>
<thead>
<tr>
<th>Liabilities arising from financial activities</th>
<th>Carrying amount on 1 January</th>
<th>Cash flows from financial activities</th>
<th>Changes of a non-monetary nature - dematerialized</th>
<th>Carrying amount on 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Bond issue 2016</td>
<td>1,089,933</td>
<td></td>
<td></td>
<td>5,075</td>
</tr>
<tr>
<td>Bond issue 2018</td>
<td>1,189,657</td>
<td></td>
<td></td>
<td>803</td>
</tr>
<tr>
<td>Loan from the European Investment Bank BEH EAD</td>
<td></td>
<td></td>
<td>58,675</td>
<td>56</td>
</tr>
<tr>
<td>Government loan</td>
<td>947,124</td>
<td></td>
<td>52,802</td>
<td></td>
</tr>
<tr>
<td>Investment commercial credit from EURATOM</td>
<td>33,712</td>
<td>(22,115)</td>
<td>(427)</td>
<td></td>
</tr>
<tr>
<td>Investment loans NEK EAD</td>
<td>29,054</td>
<td>(16,674)</td>
<td>381</td>
<td></td>
</tr>
<tr>
<td>Other bank loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mini Maritsa Iztok EAD</td>
<td>39,845</td>
<td>1,138</td>
<td>(12,130)</td>
<td>144</td>
</tr>
<tr>
<td>Other bank loans Bulgargaz EAD</td>
<td>52,386</td>
<td></td>
<td>(52,386)</td>
<td></td>
</tr>
<tr>
<td>Financial leasing</td>
<td>1,772</td>
<td>(850)</td>
<td>1,031</td>
<td></td>
</tr>
</tbody>
</table>

**Total liabilities of financial activities:**

|                        | 3,774,134 | 953,726 | (302,326) | (106,515) | 794 | 4,319,813 |

### 30. Deferred financing

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Non-current part</td>
<td>490,976</td>
<td>376,397</td>
</tr>
<tr>
<td>Current part</td>
<td>17,924</td>
<td>15,885 *</td>
</tr>
<tr>
<td><strong>On 31 December</strong></td>
<td><strong>508,900</strong></td>
<td><strong>392,282</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td><strong>On 1 January</strong></td>
<td><strong>392,282</strong></td>
<td><strong>416,834</strong></td>
</tr>
<tr>
<td>Received during the year</td>
<td>137,663</td>
<td>36,638</td>
</tr>
<tr>
<td><strong>Recognized in profit or loss:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- as a result of continuing operations (Note 8)</td>
<td>(20,845)</td>
<td>(17,446)</td>
</tr>
<tr>
<td>Deducted advances</td>
<td>(89)</td>
<td>(90)</td>
</tr>
<tr>
<td>Recovered funding</td>
<td>(111)</td>
<td>55</td>
</tr>
<tr>
<td>Derogocised financing related to assets distributed to the sole shareholder</td>
<td>-</td>
<td>(43,709)</td>
</tr>
<tr>
<td><strong>On 31 December</strong></td>
<td><strong>508,900</strong></td>
<td><strong>392,282</strong></td>
</tr>
</tbody>
</table>

As of 31 December 2020, no unfulfilled conditions and violations have been identified in connection with the received funding.

Funding is mainly related to the following major projects:

*Funding of TPP Maritsa East 2 EAD is related to the following projects:*

- ISPA Funding for the Construction of Flue Gas Installations for Unit5 and Unit6. The assets are built and put into operation. The balance of financing at 31 December 2020 includes the carrying amount of assets at the amount of BGN 8,326 thousand (31 December 2019: BGN 9,196 thousand);
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

- Funding from the International Kozloduy Fund to build a gypsum and CPS dewatering plant. The assets are built and put into operation. The balance of financing at 31 December 2020 includes the carrying amount of assets at the amount of BGN 14,800 thousand (31 December 2019: BGN 16,823 thousand);
- Funding from the Energy Resources Fund for the construction of a dredger. The assets are built and put into operation. The balance of financing at 31 December 2020 includes the carrying amount of assets at the amount of BGN 2,112 thousand (31 December 2019: BGN 2,305 thousand);
- Phare Fund for the construction of Flue Gas Installations for Unit 8. The assets are built and put into operation. The balance of financing at 31 December 2020 includes the carrying amount of assets at the amount of BGN 0 thousand

The financing of Mini Maritsa Izotok EAD is related to the following projects:

- The financing for fixed assets is related to the Kozloduy International Decommissioning Support Fund, as the administrator of the fund’s resources is the European Bank for Reconstruction and Development, and the management of their absorption by the Bulgarian side is carried out by the Ministry of Energy. The financing is related to energy efficiency through rehabilitation of the heavy industrial mining equipment and replacement of rotary multi-bucket excavators of the Company and other activities. The financing amounts to a total of EUR 30,150 thousand.
- Funding under the Connecting Europe Facility (CEF) - Telecommunications sector for the project "Data Center for Cyber Security in Mini Maritsa Izotok EAD". On 23 July 2020, a grant agreement was concluded between the company and the European Commission in the person of the Executive Agency for Innovation and Networks (INEA), Department C - Connecting Europe Facility. The project is worth EUR 278,619. Funding is provided by 75% of the European Commission and 25% of the company. The grant for the project amounts to a maximum amount of EUR 208,964.

The financing of NPP Kozloduy EAD is related to the following projects:

- Funding for programs and funds for the construction of property, plant and equipment with environmental use in NPP Kozloduy, financing for current and scientific activities of NPP Kozloduy, received from the European Bank for Reconstruction and Development (EBRD) totaling BGN 107,364 thousand (31 December 2019: BGN 111,306 thousand).

The financing of NEK EAD is related to the following projects:

- Funding under Energy Resources Fund programs, Swiss Government, Connecting Europe Facility granted to NEK EAD for the rehabilitation of hydroelectric power plants and other assets in the amount of BGN 27,618 thousand (31 December 2019: BGN 18,174 thousand).

The financing of Bulgartransgaz EAD is related to the following projects:

- A Grant Agreement was signed between Bulgartransgaz EAD and the European Bank for Reconstruction and Development (EBRD) with which the Company has been awarded financial grant from the Kozloduy International Fund for “Construction of transmission gas pipelines with automatic gas regulation stations (AGRS) to Svishtov, Panagyurishte, Pirdop and Bansko – Razlog”.
- Bulgartransgaz EAD has signed agreements with the financing institution INEA for a financial grant for "Conducting 3D field seismic surveys as part of the project for expansion of UGS Chireni 6.20.2", "Preparatory activities in connection with the implementation of POI 6.8.2. Rehabilitation, modernization and expansion of the Bulgarian gas transmission system", “Preparatory activities for rehabilitation of the section Valchi Dol - KV Preselk from the transmission system, POI 6.8.2.”, “Rehabilitation, modernization and expansion of the Bulgarian gas transmission system”, “Infrastructure required for the development of a Bulgarian gas hub”, “Implementation and certification of an information security management system in accordance with the requirements of the ISO 27001 standard”, “Establishment of a laboratory for cybersecurity and a protected environment for critical data and information systems”, POI 6.8.3 Bulgaria-Serbia gas interconnection (IBS) - construction activities”;
- Under the Operational Programme “Innovation and Competitiveness” 2014-2020 (OPIC) an administrative contract was signed for direct provision of grants № BG16RFOP002-4.003-0001-C01 for a project entitled "Completion of preparatory activities necessary for the start of construction of the gas interconnection Bulgaria - Serbia”;
- The Ministry of Energy (ME) and Bulgartransgaz EAD have concluded a contract under which the ME transfers the right of ownership, as well as the related intellectual and industrial property rights, including all its copyrights, to the extent permitted by law, and agreed with the authors, on a fixed tangible asset under construction, recorded in the balance sheet of the Ministry of Economy in connection with the realization of: Project “Preparation,
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

research and design for the construction of an interconnection gas connection Bulgaria - Serbia” and the Project “[Construction of an interconnection gas connection Bulgaria - Serbia”, as well as all the documentation created during the implementation of the two projects.
The carrying amount of financing at 31 December 2020 is in the amount of BGN 134,790 thousand (31 December 2019: BGN 99,167 thousand).

The financing of Electricity System Operator EAD is related to the following projects:

- In 2019, ESO EAD completed six investment projects under the National Investment Plan of the Republic of Bulgaria (NIP) 2013-2020 with a total investment value of BGN 35,591,278.68 and in 2020 a project worth BGN 1,352,592.75 was completed. A complete set of documents has been prepared for all projects and applications for reimbursement have been submitted with funds from the NIP to the Ministry of Energy. In 2020, NPI expenses were reimbursed in the amount of BGN 17,766,630.53 for the completed projects in 2019 and BGN 1,352,592.75 for the completed project in 2020.

Recovered funding

On 10 July 2018, a meeting of the Donors’ Assembly of the Kozloduy International Fund was held with the participation of the European Bank for Reconstruction and Development (EBRD) and representatives of the European Commission, where the donors and the bank raised the issue of the submission of accurate information on how to use the Extension - Phase 1a of the Storage facility for dry storage of spent nuclear fuel (SFDSSNF).

Despite the assurance by NPP Kozloduy on the feasibility of the project and its future purpose, for various reasons, the analyses presented so far on storage of SNF from WWER-440 were not accepted by the donors.

In this respect, at the meeting on 10 July 2018, the Assembly adopted a decision for NPP Kozloduy EAD to submit a repayment plan for the reimbursement of the amount of EUR 12,892,000 (BGN 25,214,560.36) intended for the construction of the extension of the SFDSSNF - Stage 1a.

Pursuant to the decision and in accordance with a meeting held in MoE on 20 November 2018, NPP KozloduyEAD proposed to the EBRD an option to implement the decision of the Donor Assembly by reimbursing the amount in four equal annual installments, EUR 3,223,000 each, payable between 2019 and 2022, with no accrual of interest, which plan was accepted by the EBRD.

At its meeting with of 22.03.2019 the Board of Directors of NPP Kozloduy considered and approved the implementation of the decision of the Donors Assembly of Kozloduy International Fund's in line with the option accepted by the EBRD for rescheduling of the reimbursement of the funding.

For 2020 a payment was made in the amount of BGN 6,304 thousand. (2019: BGN 6,304 thousand), with which the company's liability to the EBRD totals BGN 12,607 thousand. (31 December 2019: BGN 18,911 thousand).

As of 31 December 2020, the financing in the amount of BGN 43,709 thousand were classified as liabilities held for distribution to owners

31. Retirement employee benefit obligation

According to the Bulgarian labor legislation and the collective agreements of the companies of the Group, the Group is obliged to pay to its employees upon retirement a certain number of gross monthly salaries depending on the length of service in the companies within the Group. The personnel retirement defined benefit plan is not funded.

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Non-current part</td>
<td>256,798</td>
<td>242,221</td>
</tr>
<tr>
<td>Current part</td>
<td>46,148</td>
<td>51,390</td>
</tr>
<tr>
<td>Present value of the retirement employee benefit obligation:</td>
<td><strong>302,946</strong></td>
<td><strong>293,611</strong></td>
</tr>
</tbody>
</table>

Changes in provisions for retirement employee benefits under the Labor Code during the year are presented as follows:

85
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Retirement employee benefit obligations at the beginning of the year</td>
<td>293,611</td>
<td>227,964</td>
</tr>
<tr>
<td>Current service cost</td>
<td>28,783</td>
<td>19,767</td>
</tr>
<tr>
<td>Past service cost</td>
<td>-</td>
<td>31,934</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>1,825</td>
<td>2,299</td>
</tr>
<tr>
<td>Payments made for the period</td>
<td>(34,034)</td>
<td>(29,564)</td>
</tr>
<tr>
<td>Actuarial gains/(losses)</td>
<td>12,761</td>
<td>41,211</td>
</tr>
<tr>
<td>Retirement employee benefit obligations at the end of the year</td>
<td>302,946</td>
<td>293,611</td>
</tr>
</tbody>
</table>

The main assumptions used to determine the retirement benefit obligations are set out below:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Discount rate</td>
<td>0.6% - 1%</td>
<td>0.6% - 1%</td>
</tr>
<tr>
<td>Future pay rises</td>
<td>0% - 9%</td>
<td>0% - 9%</td>
</tr>
<tr>
<td>Staff turnover:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18-30</td>
<td>4% - 36%</td>
<td>4% - 36%</td>
</tr>
<tr>
<td>31-40</td>
<td>3% - 26%</td>
<td>3% - 26%</td>
</tr>
<tr>
<td>41-50</td>
<td>1% - 15%</td>
<td>1% - 15%</td>
</tr>
<tr>
<td>51-60</td>
<td>1% - 6%</td>
<td>1% - 6%</td>
</tr>
<tr>
<td>Over 60</td>
<td>0% - 1%</td>
<td>0% - 1%</td>
</tr>
</tbody>
</table>

The management of the Group has made these assumptions with the help of independent actuaries. These assumptions are used to determine the amount of employee benefit obligations at retirement for the reporting periods and are considered to be the best estimate of management.

The total expense of defined benefit plans of the Group recognized in profit or loss may be presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Current service cost</td>
<td>(28,783)</td>
<td>(19,767)</td>
</tr>
<tr>
<td>Past service cost</td>
<td>-</td>
<td>(31,934)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>(1,825)</td>
<td>(2,299)</td>
</tr>
<tr>
<td>Actuarial gains/(losses)</td>
<td>(22)</td>
<td>314</td>
</tr>
<tr>
<td>Total costs recognized in profit or loss</td>
<td>(30,630)</td>
<td>(53,686)</td>
</tr>
</tbody>
</table>

The total costs of defined benefit plans of the Group recognized in other comprehensive income can be presented as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Revaluation of defined benefit obligations - actuarial loss, including:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss as a result of changes in demographic assumptions</td>
<td>(339)</td>
<td>(12,476)</td>
</tr>
<tr>
<td>Loss as a result of changes in financial assumptions</td>
<td>(8,001)</td>
<td>(9,397)</td>
</tr>
<tr>
<td>Loss of actual experience</td>
<td>(4,399)</td>
<td>(18,342)</td>
</tr>
<tr>
<td>Total costs recognized in other comprehensive income</td>
<td>(12,739)</td>
<td>(40,215)</td>
</tr>
</tbody>
</table>

Significant actuarial assumptions in the definition of defined benefit obligation are related to the discount rate and the expected wage growth rate. The following table presents a sensitivity analysis and summarizes the effects of changes in these actuarial assumptions on the defined benefit obligation as of 31 December 2020:
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Change in interest rate</th>
<th>2020</th>
<th>Increase by 1%</th>
<th>BGN' 000</th>
<th>Decrease by 1%</th>
<th>BGN' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration growth</td>
<td>36,961</td>
<td>(30,864)</td>
<td>37,285</td>
<td>(32,790)</td>
<td></td>
</tr>
</tbody>
</table>

The sensitivity analysis is based on a change in only two of the assumptions. It may differ from the actual change in defined benefit obligations, as changes in assumptions are often interrelated.

The plan exposes the Group to actuarial risks such as interest rate risk, life expectancy risk and inflation risk:
- Interest rate risk - the present value of the defined benefit obligation is calculated at a discount rate determined on the basis of government bond yields. A decline in the market yield of government securities will lead to an increase in liabilities under defined benefit plans of the Group;
- Risk of change in life expectancy - an increase in the expected life expectancy of employees would lead to an increase in defined benefit obligations;
- Inflationary risk - an increase in inflation would lead to an increase in the defined benefit obligations.

32. Provisions

<table>
<thead>
<tr>
<th>Non-current part</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for recultivation</td>
<td>107,570</td>
<td>105,075</td>
</tr>
<tr>
<td>Provisions for environmental protection</td>
<td>74</td>
<td>103</td>
</tr>
<tr>
<td>Other provisions</td>
<td>154,776</td>
<td>152,511</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>262,420</strong></td>
<td><strong>257,689</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Current part</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for exceeding the greenhouse gas emissions allowances</td>
<td>334,724</td>
<td>307,416</td>
</tr>
<tr>
<td>Provisions for environmental protection</td>
<td>541</td>
<td>253</td>
</tr>
<tr>
<td>Provisions for recultivation</td>
<td>949</td>
<td>846</td>
</tr>
<tr>
<td>Provision for spent nuclear fuel</td>
<td>79,720</td>
<td>81,652</td>
</tr>
<tr>
<td>Other provisions</td>
<td>29,282</td>
<td>119,039</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>445,216</strong></td>
<td><strong>509,206</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance as at 31 December 2019</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for environmental protection</td>
<td>432</td>
<td>102,318</td>
<td>5,896</td>
<td>41,775</td>
<td>249,617</td>
<td>400,038</td>
</tr>
<tr>
<td>Provision for recultivation</td>
<td>128</td>
<td>3,650</td>
<td>354,314</td>
<td>40,828</td>
<td>107,852</td>
<td>506,772</td>
</tr>
<tr>
<td>Provision for greenhouse gas emissions</td>
<td>128</td>
<td>(47)</td>
<td>52,794</td>
<td>(951)</td>
<td>(85,919)</td>
<td>(139,915)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>356</strong></td>
<td><strong>105,921</strong></td>
<td><strong>307,416</strong></td>
<td><strong>81,652</strong></td>
<td><strong>271,550</strong></td>
<td><strong>766,895</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Balance as at 31 December 2020</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
<th>BGN’ 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued</td>
<td>428</td>
<td>2,652</td>
<td>334,723</td>
<td>39,860</td>
<td>16,020</td>
<td>393,683</td>
</tr>
<tr>
<td>Utilized</td>
<td>(169)</td>
<td>(54)</td>
<td>(307,415)</td>
<td>(41,792)</td>
<td>(103,512)</td>
<td>(452,942)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>615</strong></td>
<td><strong>108,519</strong></td>
<td><strong>334,724</strong></td>
<td><strong>79,720</strong></td>
<td><strong>184,058</strong></td>
<td><strong>707,636</strong></td>
</tr>
</tbody>
</table>
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Expenses on provisions

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>Cost for purchase of greenhouse gas emissions</td>
<td>(309,736)</td>
<td>(459,647)</td>
</tr>
<tr>
<td>Recognized provisions</td>
<td>(84,252)</td>
<td>6,983</td>
</tr>
<tr>
<td></td>
<td>(393,988)</td>
<td>(452,664)</td>
</tr>
</tbody>
</table>

Provision for transporting, processing and storage of spent nuclear fuel

Under the current Strategy for Management of Spent Fuel and Radioactive Waste by 2030, adopted by decision of the Council of Ministers on 2 September 2015, the Group has a statutory obligation to transport at least 50 tons of heavy metal annually spent nuclear fuel (SNF) for processing and storage in Russia, in the presence of favorable financial and economic conditions.

In 2018, Kozloduy NPP and FSUE PA MAYAK (Federal State Unitary Enterprise “Production Association MAYAK”, Russia, in coordination with the Euratom Supply Agency, Luxembourg) signed a framework Addendum No 19 to the Contract for transportation, temporary technological storage and processing in Russia of 414 spent fuel cassettes from WWER -1000 in the period 2019-2023. In 2019, in coordination with the ESA, Appendix No 19-1 to Appendix No.19 to the Contract for transportation, temporary technological storage and processing of 96 cartridges of spent nuclear fuel from WWER-1000 in period 2019-2020. In view of the long-term nature of the preparatory activities for the removal of spent fuel, including organizational and technical activities, preparation of the necessary documentation, obtaining certificates and permits, a new transport scheme for the transport of spent fuel from WWER-1000 has been developed. The first transport under this scheme took place in December 2020. The costs for its implementation are financed by the provided in 2018 targeted funds for spent fuel management, incl. for the activities for transportation, technological storage and processing of spent fuel, which have not been carried out in previous years.

In order to fulfill the obligations under the "Strategy for Management of radioactive waste and spent nuclear fuel until 2030." for transportation of at least 50 tons of heavy metal per year of SNF and provision of the necessary financing, according to the current accounting policies of NPP Kozloduy EAD and the requirements of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” in the current expenses for 2020 is charged a provision for SNF management worth BGN 39,860 thousand. The calculations are based on the best estimate of the costs of 1 shipment of SNF from WWER-1000 (96 cartridges) required to cover the current liability as of 31 December, 2020.

As at 31 December 2020, the amount of the recognized provision required to cover the current obligation for SNF management, including for the transport of spent fuel from WWER-1000 is BGN 79,720 thousand. (31 December 2019: BGN 81,652 thousand).

Provisions for environmental protection

As of the reporting date a provision for environmental protection expenses is recognized related to estimated expenses incurred for safeguarding of the luminescent and other types of lamps containing mercury, safeguarding and recycling of batteries, deactivation, recycling and replacement of rechargeable batteries, construction waste management.

Provision for recultivation of terrains affected by mining operations

When determining the provision for recultivation of Mini Maritsa Iztok EAD, the current environmental legislation, the land to be seized, the unrecultivated seized land, the value of the recultivation of 1 decare of land and the expected quantities of coal reserves up to 2043, when the coal mining concession granted to Mini Maritsa Iztok EAD expires, have been taken into account.

The amount of accrued allowance as of 31 December 2020 is BGN 102,878 thousand (31 December 2019: BGN 100,226 thousand), calculated on the basis of the following data:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coal extracted (thousands of tons)</td>
<td>20,600</td>
<td>26,372</td>
</tr>
<tr>
<td>Recultivation expense (BGN/ton of production)</td>
<td>0,14</td>
<td>0,14</td>
</tr>
</tbody>
</table>
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

As there is considerable uncertainty about the timing of future land reclamation activities to be performed by the Group, the management is not in a position to determine the present value of reclamation costs, so the provision is presented at its undiscounted value. In the future, the assessment of the reclamation provision could vary to varying degrees depending on changes in environmental legislation and the above-mentioned factors for its calculation.

Provision for rehabilitation of damaged terrains - gypsum (depot) for landfilling of gypsum from FGD facilities

According to Ordinance 26 on the reclamation of disturbed terrains, improvement of low-productive lands, removal and utilization of the humus layer, the Group has the obligation to carry out technological and biological recultivation of the landfill after it is filled with gypsum from FGD facilities. Depending on the capacity of the landfill and the amount of landfill gypsum, the landfill is expected to be filled for 5 years. The value of the technological and biological reclamation under the project amounts to BGN 5,488 thousand. According to IAS 16 Property, Plant and Equipment, item 17 (c), the cost of a property, plant and equipment includes the initial estimate of expected land recovery costs (land reclamation) where the asset was located after it was taken out of use. The liability for these expenses is treated as a provision and is accounted for under the provisions of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The present discounted value of the provision is capitalized at the cost of the facility (gypsum disposal facility) and will be recognized each year as amortization expense. As of 31 December 2013, the present value of the provision was calculated at the amount of BGN 4,607 thousand when using a discount factor of 3.56%. Discount factors are determined at the end of each year against interest rates on long-term government securities. For the purpose of discounting, an effective annual interest rate of 3.56% was used. It is based on the yield on long-term government securities (10-year maturity). The rest of the value of the recultivation amounting to BGN 881 thousand will be shown each year as interest expense, which will increase the provisioning obligation.

As of 31 December 2020, the best estimate of the required provision for landfill recultivation amounts to BGN 5,488 thousand (31 December 2019: BGN 5,488 thousand).

Provision for rehabilitation of damaged terrains for construction of gas transmission system facilities

The Group has an obligation for technical and biological rehabilitation of terrains on which facilities of the gas transmission system are built. In connection with this, in 2019 the Group recognized a provision in the amount of BGN 254 thousand, which is included in the value of the constructed assets to which it relates. The obligation should be settled within the next 5 years on the basis of actually performed rehabilitation activities. For 2020 the released provision amounts to BGN 54 thousand. (2019: BGN 47 thousand).

Provision for greenhouse gas emissions

TPP Maritsa East 2 EAD

As of 31 December 2020 the Group has reported provisions for shortage of greenhouse gas emission allowances in the amount of BGN 4,276,599 t / CO₂, amounting to BGN 334,607 thousand. The amount of shortage represents the difference between the actually issued, verified quantities and the gratuitously provided under the NPI and the others available on the account of the Company in the National Register after the fulfillment of the obligation for 2019. In connection with a decision taken by the Sole owner of the capital of the TPP Maritsa East 2 EAD, BEH EAD by the end of April 2021 purchased part of the required quantity (4,280,000 t/CO2) of the greenhouse gas allowances needed by TPP Maritza East 2 EAD to cover the obligation to the National Register for 2020. The value of the provisions is calculated in accordance with the purchase prices of the allowances achieved by BEH EAD.

As of 31 December 2019 the Company has reported provisions for shortage of greenhouse gas emission allowances in the amount of BGN 7,239,292 t / CO₂, amounting to BGN 304,666 thousand. The quantity shortage represents the difference between the actually issued, verified quantities and the gratuitously provided under the NPI and the others available on the account of TPP Maritza East 2 EAD in the National Register after the fulfillment of the obligation for 2018.

Natsionalna Elektricheska Kompania EAD

The Company recognizes a provision for the cost of greenhouse gas emissions under the terms of the long-term power purchase agreements with AES 3C Maritsa East 1 EOOD and ContourGlobal Maritsa East 3 AD. At the date of the consolidated statement, a provision for greenhouse gas emissions of BGN 117 thousand was recognized (31 December 2019: BGN 2,750 thousand).

Other provisions

Case COMP/B1/AT.39849 - BEH gas

As of 31 December 2020 the Group has recognized provisions for legal obligations amounting to BGN 154,776 thousand (2019: BGN 152,511 thousand) for Case AT.39849 BEH-Gas initiated by the European Commission (EC)
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

in connection with a formal investigation procedure as to whether BEH EAD and its subsidiaries Bulgargaz EAD and Bulgartransgaz EAD violate EU competition rules on the natural gas market in the country.

On 17.12.2018, by virtue of a decision on Case AT39849 BEH-Gas, the European Commission imposed a penalty on Bulgarian Energy Holding EAD (BEH), its subsidiary for gas supply Bulgargaz EAD and its subsidiary for gas infrastructure Bulgartransgaz EAD (BEH Group) in the amount of EUR 77,068 thousand for infringement of the EU antitrust rules, and the parties are jointly and severally liable to the European Commission for the payment of the penalty. The decision was formally received on 19 December 2018, which set the start of the period for its appeal (two months and ten days from notification of the Decision to the Parties) and the deadline for payment of the penalty (three months from the notification of the Decision to the Parties) set therein.

The penalty has to be paid in euro within three months from the date of notification of this Decision (19.12.2018) and it shall be divided equally between the parties involved - Bulgartransgaz EAD, Bulgargaz EAD and Bulgarian Energy Holding EAD. The appeal against the Decision does not delay the payment of the penalty. It should be borne in mind that BEH Group has three options, according to EC rules, to pay the penalty: (i) provisionally pay the penalty; (ii) provide a bank guarantee; or (iii) provisionally pay part of the penalty and provide a bank guarantee for the remainder.

Pursuant to a decision of the National Assembly of 24 November 2017 and a decision of the National Assembly of July 26, 2018 and after the approval of their management bodies, as well as with regard to letter No.C-26-E-07 of 26.02.2019 by the Minister of Energy with instructions for taking actions to implement the Decision of the 44th National Assembly of the Republic of Bulgaria of 24 November 2017 on termination of Case COMP/B1/ AT.39849 BEH-gas, the Parties have decided to appeal the Commission's Decision on Case AT.39849 BEH-gas at the General Court of the European Union.

The appeal against the Decision was brought before the General Court of the European Union on 28 February 2019 by the legal representative White&Case LLP.

On 18 March 2019 two unsecured bank guarantees were issued by ING Bank NV in favor of the EC, for a total amount equal to the total amount of 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 liabilities 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 imposed sanction.

On 4 July, 2019, the Bulgarian state, through the Ministry of Foreign Affairs, filed an application to intervene in the case in support of BEH EAD and its gas subsidiaries. On 26 August, 2019, the European Commission presented its Defense to the General Court in response to the complaint filed 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 period specified by the General Court of the European Union, the Republic of Bulgaria submitted through the Ministry of Foreign Affairs (MFA) the official position of the Republic of Bulgaria in case T-136/19, previously provided by the Ministry of Energy to the Ministry of Foreign Affairs (MFA), whereby the state intervenes in support of Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgartransgaz EAD against the European Commission before the General Court of the European Union. It should be borne in mind that if the General Court decides to open the oral procedure, the Chairman shall set the date of the hearing for the oral hearings, most likely in 2021.

Case №20351 / MNM

On 13 September 2018, the Arbitration Tribunal of the International Chamber of Commerce issued a decision in Case №20351/MHM ordering NEK EAD to pay Worley Parsons Nuclear Services EAD claimed amounts including principal under a contract, escalation, demobilization costs, compensation for contract termination, court fees and interest, amounting to a total of BGN 60,971 thousand, the BGN equivalent of EUR 31,174 thousand. The liability also includes accrued interest from the date of the arbitration award until 31 December 2018. On 12 December 2018, NEK filed an application in the Supreme Court of Cassation for the annulment of the arbitration decision on the grounds of Art. 47, para 1, item 2 of the International Commercial Arbitration Act, due to which the liability is recognized as a provision as of 31 December 2018.

On 26 July 2019, the Supreme Court of Cassation, Chamber of Commerce, Second Division, issued a decision rejecting the claim filed by the Nationalna Elektricheska Kompania EAD, with legal grounds Art. 47, para. 1, item 2 of the LTA for annulment of the decision of the Arbitration Court at the International Chamber of Commerce, Paris of September 6, 2018 in case № 20351/M and the provision has been utilized.

On 4 November 2019, an Agreement was signed for final settlement of the relations, according to the decision on Arbitration Case № 20351/MNM, between NEK EAD and Worley Parsons Nuclear Services EAD and for deferred payment of the obligation until 1 October 2020.

On September 30, 2020, NEK EAD fulfilled its obligation to Worley Parsons Nuclear Services EAD for final payment under the Final Settlement Agreement.

90
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

33. Deferred income

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Deferred income, non-current part</td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
</tbody>
</table>
|                        | 206,152     | 210,265     *
| Deferred income, current part     | 3,490       | 4,272       *
| **Total**               | **209,642** | **214,537** |

Deferred income as of 31 December, comprises:

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Deferred income – long-term, under Regulation 943/2019</td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
</tbody>
</table>
|                        | 202,510     | 206,612     *
| Deferred income – short-term, under Regulation 943/2019 | 2,853       | 2,853       *
| Deferred income – long-term, other                      | 3,642       | 3,653       *
| Deferred income – short-term, other                     | 637         | 1,419       *
| **Total**                                              | **209,642** | **214,537** |

Electricity System Operator EAD

Owing the electricity transmission license and the electricity system assets, ESO EAD is obliged to apply the requirements of Regulation (EC) 943/2019 to the European Parliament and the Council. As required by Article 19 of the Regulation, regarding the purpose and use of all revenues resulting from the allocation of inter-zone capacity, ESO EAD, as an independent transmission operator, aims to achieve the following long-term objectives:

- ensuring the actual availability of the allocated capacity; and/or
- maintaining or increasing cross-zonal capacities through optimisation of the usage of existing interconnectors by means of coordinated remedial actions, or covering costs resulting from network investments that are relevant to reduce interconnector congestion.

In 2020, in the accounting records of ESO EAD, an amount was set aside in the credit of account 755 Special Reserve, according to Regulation 943/2019 in the amount of BGN 46,190 thousand of the revenues for MMFs in 2020. BGN 46,038 thousand were posted on the debit of the same account to cover the costs of reducing the price for access and BGN 1,401 thousand are recognized as income from maintenance (repair) of fixed assets.

In addition, amounts that are the current part of deferred revenues determined in accordance with Regulation No. 943/2019 in the amount of BGN 2,853 thousand are accounted as revenue.

34. Trade and other payables

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Non-current part</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Trade payables         | 1,046,812   | 792         *
| Retained guarantees    | 17,134      | 1,664       *
| Other payables         | 5,780       | 12,741      *
| **Total**              | **1,069,726** | **15,197** |
| Current part           |             |             |
| Trade payables         | 505,997     | 425,546     *
| Deposits received      | 20,337      | 11,208      *
| Retained guarantees    | 49,619      | 43,986      *
| Insurance liabilities  | 9,005       | 7,076       *
| Leasing                | -           | -           *
| Other payables         | 14,199      | 16,750      *
| Financial liabilities  | 599,157     | 504,566     |

91
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (BGN)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advance payables</td>
<td>272</td>
</tr>
<tr>
<td>Liabilities to the Security of the Electricity System Fund</td>
<td>6,879</td>
</tr>
<tr>
<td>Payables to personnel</td>
<td>92,331</td>
</tr>
<tr>
<td>Social security payables</td>
<td>30,123</td>
</tr>
<tr>
<td>Payables to the budget</td>
<td>69,467</td>
</tr>
<tr>
<td>Payables for contributions to Decommissioning of Nuclear Facilities</td>
<td>21,682</td>
</tr>
<tr>
<td>Fund and Radioactive Waste Fund</td>
<td></td>
</tr>
<tr>
<td>Other payables</td>
<td>6,202</td>
</tr>
<tr>
<td>Non-financial liabilities</td>
<td>226,956</td>
</tr>
<tr>
<td></td>
<td>826,113</td>
</tr>
<tr>
<td></td>
<td>764,355</td>
</tr>
</tbody>
</table>

The terms and conditions of the above trade and other payables are as follows:
- Trade payables are not interest-bearing and are usually settled within a ten- to thirty-day period;
- Tax liabilities are not interest-bearing and are settled within the statutory time limits;
- Other payables are not interest-bearing and are usually settled within a ten-day period;
- In accordance with contracts with subcontractors, related to investment projects, the Group retains certain amounts as guarantees for the quality execution of the construction and installation works. The retained amounts are determined as a percentage of the invoiced construction and installation works. The retained amounts are interest-free. The retained amounts should be paid in accordance with the contractual relations with the subcontractors.

NPP Kozloduy EAD

As of 31 December 2020, the other liabilities amount to BGN 12,607 thousand, incl. current - BGN 6,827 thousand and non-current - BGN 5,780 thousand. (31 December 2019: BGN 18,911 thousand, incl. current - BGN 6,304 thousand and non-current - BGN 12,607 thousand) are related to the obligation of NPP Kozloduy EAD to recover financing received.

Bulgartransgaz EAD

As at 31 December 2020, trade liabilities in the amount of BGN 1,245,542 thousand are amounts due to the Arcade Consortium Association, related to the performed activities under the project “Expansion of the gas transmission infrastructure of Bulgartransgaz EAD parallel to the northern (main) gas pipeline to the Bulgarian-Serbian border”, stage “Linear part” with a length of 474 km due. Of this amount, a liability in the amount of BGN 115,616 thousand represents accrued amounts for completed and accepted project activities, which are to be invoiced by the suppliers. According to the terms of the contract, the liabilities will be paid on the basis of a repayment plan in equal monthly installments until January 1, 2031. The annual interest rate is 4.10%. After analysis and review of deliveries and project activities, as well as in accordance with all available documents, management expects that the accrued amount will be close to the final amount subject to invoicing. This assessment of the management is based on the available up-to-date information as of the date of preparation of the financial statement (agreed values, lack of data on non-performance of the contract and availability of legally required documents for commissioning of the site). Accordingly, the amount is included as part of the newly acquired project construction assets in accordance with the requirements of IAS 16. Property, plant and equipment.

35. Related party disclosures

The Group's related parties include the sole shareholder represented by the Ministry of Energy, associates and joint ventures, key management personnel, as well as all public-sector entities under the common control of the Ministries to the Council of Ministers in the Republic of Bulgaria. Information on the name, country of incorporation, shareholding and voting rights of each subsidiary included in the consolidation is presented in Note 1. Information on the name, country of incorporation, shareholding and voting rights of each associate and joint venture is presented in Note 21.

The total amount of related party transactions and outstanding balances for the current and prior reporting periods are presented as follows:
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

<table>
<thead>
<tr>
<th></th>
<th>Sales to related parties, including dividends</th>
<th>Purchases from related parties, including dividends</th>
<th>Trade receivables from related parties</th>
<th>Trade liabilities to related parties</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN '000</td>
<td>BGN '000</td>
<td>BGN '000</td>
<td>BGN '000</td>
</tr>
<tr>
<td><strong>Sole Shareholder</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ministry of Energy</td>
<td>2020 r.</td>
<td>2</td>
<td>7,581</td>
<td>1,003,755</td>
</tr>
<tr>
<td>Ministry of Energy</td>
<td>2019 r.</td>
<td>5</td>
<td>14,451</td>
<td>954,426</td>
</tr>
<tr>
<td><strong>Jointly controlled entities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Associates</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contour Global Maritsa East 3 AD</td>
<td>2020 r.</td>
<td>164,828</td>
<td>723,861</td>
<td>7,056</td>
</tr>
<tr>
<td>Expected credit losses</td>
<td></td>
<td></td>
<td>(81)</td>
<td>39,175</td>
</tr>
<tr>
<td>Contour Global Maritsa East 3 AD</td>
<td>2019 r.</td>
<td>170,317</td>
<td>770,257</td>
<td>16,393</td>
</tr>
<tr>
<td>Expected credit losses</td>
<td></td>
<td></td>
<td></td>
<td>59,165</td>
</tr>
<tr>
<td>Contour Global Operations Bulgaria AD</td>
<td>2020</td>
<td>1,461</td>
<td>-</td>
<td>7</td>
</tr>
<tr>
<td>Contour Global Operations Bulgaria AD</td>
<td>2019</td>
<td>1,388</td>
<td>-</td>
<td>6</td>
</tr>
<tr>
<td>POD Allianz Bulgaria AD</td>
<td>2020 r.</td>
<td>5,569</td>
<td>1,001</td>
<td>84</td>
</tr>
<tr>
<td>POD Allianz Bulgaria AD</td>
<td>2019</td>
<td>5,031</td>
<td>1,011</td>
<td>84</td>
</tr>
<tr>
<td>ZAD Energy</td>
<td>2020</td>
<td>4,413</td>
<td>31,139</td>
<td>669</td>
</tr>
<tr>
<td>ZAD Energy</td>
<td>2019</td>
<td>13,279</td>
<td>37,548</td>
<td>753</td>
</tr>
<tr>
<td>ICGB AD</td>
<td>2020</td>
<td>59,485</td>
<td>-</td>
<td>58,732</td>
</tr>
<tr>
<td>Expected credit losses</td>
<td></td>
<td></td>
<td>(2,932)</td>
<td></td>
</tr>
<tr>
<td>ICGB AD</td>
<td>2019</td>
<td>318</td>
<td>-</td>
<td>256</td>
</tr>
<tr>
<td><strong>Other related parties under common control</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State owned companies under the control of the Council of Ministers of Republic of Bulgaria</td>
<td>2020</td>
<td>181,677</td>
<td>14,255</td>
<td>58,678</td>
</tr>
<tr>
<td>State owned companies under the control of the Council of Ministers of Republic of Bulgaria</td>
<td>2019</td>
<td>103,735</td>
<td>13,873</td>
<td>32,758</td>
</tr>
<tr>
<td><strong>Related party trade receivables/payables</strong></td>
<td>2020</td>
<td>181,677</td>
<td>14,255</td>
<td>58,678</td>
</tr>
<tr>
<td><strong>Related party trade receivables/payables</strong></td>
<td>2019</td>
<td>122,129</td>
<td>1,054,971</td>
<td></td>
</tr>
<tr>
<td><strong>Related party trade receivables/payables</strong></td>
<td>2019</td>
<td>50,120</td>
<td>1,028,888</td>
<td></td>
</tr>
</tbody>
</table>

**Related party transaction terms and conditions**

Sales and purchases from related parties are made under conditions regulated by the sole owner. Unsettled balances at the end of the year are interest-free and settled with cash. Receivables from or liabilities to related parties have not been provided or received guarantees and collaterals. An impairment review is carried out every financial year based on an analysis of the financial condition of the related party and the market in which it operates.

**Disagreement in the estimates with related parties**

As of 31 December 2020 and 31 December 2019 NEK EAD has a disagreement with respect to its payables to Contour Global Maritsa East 3 AD amounting to BGN 23,470 thousand, including a commitment for a capital investment.

In connection with signing of the Agreement amending the PPAs of 2016 between NEK EAD and Contour Global Maritsa East 3 AD (the power plant), a commitment for the recovery of capital investment amounting to EUR 10,000 thousand as of 31.12.2017 (BGN 23,470 thousand including VAT), no agreement was reached on the method of
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

recognition and repayment. This is part of an investment to reduce emissions of sulfur dioxide (SO2) and nitrogen oxides (NOx) in the plant. Since for the recovery of this investment of the plant, according to the Agreement, there is no regulated regulatory mechanism for reimbursement of NEK EAD, this would directly affect the financial position of the Company. In this regard, a number of actions have been taken to inform EWRC and the Ministry of Energy, as well as a number of meetings have been held with representatives of the above institutions, including ContourGlobal Maritsa East 3 AD. Natsionalna Elektricheska Kompania EAD has in its application to the EWRC for the approval of electricity prices for the regulatory periods from 01.07.2020 and 01.07.2021. It should be borne in mind that ContourGlobal Maritsa East 3 AD has filed a complaint against the EWRC’s tacit refusal to rule on the approval of a tariff model. The reasons of the EWRC to the price decision of 01.07.2019 cite the decision of the court, which has set out reasons that as far as in the Agreement amending the Power Purchase Agreement from 07.03.2016, and in Decision No P-236 of 22.04.2016 of the EWRC, there is no legal regulation and procedure for approval of the tariff model, it concerns official proceedings, which begins at the initiative of the EWRC, which can only assess when and in what order should be approved this model. At the moment, the administrative proceedings in this regard have not been completed due to the need for analysis of the model presented by ContourGlobal Maritsa East 3 AD. In Decision C-29/01.07.2020 it is noted that a tariff model from ContourGlobal Maritsa East 3 AD has been submitted to the Commission for approval, as the administrative proceedings in this regard have not ended with an explicit administrative act.

The approval by the EWRC of the price application of NEK EAD with such cost included will provide security for taking actions to make payments to the plant.

In June 2019, NEK EAD received a Notice of Arbitration for the commencement of arbitration proceedings from ContourGlobal Maritsa East 3 AD under Art. 21.5 of the Power Purchase Agreement. The claim is for the purpose of exercising the rights of ContourGlobal Maritsa East 3 AD against NEK EAD in connection with reimbursement of the costs incurred for the modernization of TPP ContourGlobal Maritsa East 3 in accordance with the requirements of European legislation and the Clean Air Act to reduce emissions of nitrogen oxides and sulfur dioxide.

The amounts presented with the Arbitration Notice are as follows:
- BGN 23,470 thousand. (EUR 12,000,000), representing outstanding principal with VAT on an invoice issued on 21.12.2017;
- BGN 1,269 thousand (EUR 648,874.12), representing contractual interest for principal delay as of 01.01.2018 to 04.06.2019 (the date of service of the Notice of Arbitration);
- contractual interest for delay from the date of service of the Arbitration Notice until the final repayment of the obligation;
- all court proceeding costs.

ContourGlobal Maritsa East 3 AD has explicitly stated that it reserves the right to supplement or amend its request for denunciation of NEK EAD.

Obligation to the Ministry of Energy for financial assistance granted

<table>
<thead>
<tr>
<th>Long-term obligations to ME</th>
<th>Nominal value</th>
<th>Carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN‘000</td>
<td>BGN‘000</td>
</tr>
<tr>
<td>31 December 2020</td>
<td>1,176,661</td>
<td>999,926</td>
</tr>
<tr>
<td>31 December 2019</td>
<td>1,176,661</td>
<td>947,124</td>
</tr>
</tbody>
</table>

On 28 September 2016, the Bulgarian Parliament adopted a Law on Assistance for Payment of the Obligations of NEK EAD, following the arbitration case No. ICC Case 18086/GZ/MHM. The law was promulgated in the State Gazette on 30 September 2016 and provided for the Council of Ministers to ensure, pursuant to the procedure of Art. 109, para. 4, item 2 of the Public Finance Act, through the budget of the Ministry of Energy, financial assistance to NEK EAD for the payment of the assigned amounts of ASE.

Pursuant to Art. 3 of the Law on Assistance for the Payment of the Obligations of NEK EAD, on 29 September 2016 a notification was sent to the European Commission pursuant to Article 108, Para. (3) of the Treaty on the Functioning of the European Union. The European Commission's decision is that in the present case there is no state aid, the grounds under Art. 108 of the Treaty on the Functioning of the European Union.

On 5 December 2016 an Agreement was signed for granting financing for consideration between the Ministry of Energy and NEK EAD, according to which:
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

- The Ministry of Energy will provide NEK EAD with financing for consideration amounting to EUR 601,617,133 (BGN 1,176,660,837);
- NEK EAD undertakes to pay by 14 December 2016 the sums awarded under ICC Case 18086/GZ/MHM under the terms and conditions of the Agreement on the Final Settlement of Relations with ASE;
- NEK EAD undertakes to reimburse the received financing to the budget of the Ministry of Energy within 7 (seven) years. The repayment is made once on the maturity of the loan (December 2023);
- NEK EAD will not pay interest on the funding received and will not provide collateral.

Key management remuneration

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
<tr>
<td>Remuneration</td>
<td>3,082</td>
<td>1,450</td>
</tr>
<tr>
<td>Social Security</td>
<td>225</td>
<td>152</td>
</tr>
<tr>
<td>Social costs</td>
<td>110</td>
<td>105</td>
</tr>
<tr>
<td>Termination benefits</td>
<td>20</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,437</strong></td>
<td><strong>1,707</strong></td>
</tr>
</tbody>
</table>

36. Categories of financial assets and liabilities

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

**Financial assets**

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
</tbody>
</table>

Non-current financial assets

Debt instruments at amortized cost including:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>381,916</td>
<td>460,461</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>381,916</strong></td>
<td><strong>460,461</strong></td>
</tr>
</tbody>
</table>

Current financial assets

Debt instruments at amortized cost

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other receivables</td>
<td>2,120,542</td>
<td>2,362,513</td>
</tr>
<tr>
<td>Receivables from related parties</td>
<td>552,234</td>
<td>628,486</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,446,179</td>
<td>1,683,907</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,119,955</strong></td>
<td><strong>4,675,907</strong></td>
</tr>
</tbody>
</table>

Financial assets at fair value through other comprehensive income, including:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity instruments</td>
<td>1,299</td>
<td>1,392</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,299</strong></td>
<td><strong>1,392</strong></td>
</tr>
</tbody>
</table>

**Total**            | **3,121,254** | **4,677,299** |

Financial liabilities measured at amortized cost

<table>
<thead>
<tr>
<th></th>
<th>31 December</th>
<th>31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td></td>
<td>BGN’ 000</td>
<td>BGN’ 000</td>
</tr>
</tbody>
</table>

Non-current financial liabilities, including:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and financial leasing</td>
<td>29</td>
<td>2,046,289</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>34</td>
<td>1,069,726</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>36</td>
<td>1,003,755</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,119,770</strong></td>
<td><strong>3,251,617</strong></td>
</tr>
</tbody>
</table>

Current financial liabilities, including:

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and financial leasing</td>
<td>29</td>
<td>1,273,598</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>34</td>
<td>599,157</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>36</td>
<td>51,216</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,923,971</strong></td>
<td><strong>1,123,252</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th><strong>Total</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>6,043,741</strong></td>
</tr>
</tbody>
</table>

95
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

37. Financial Risk Management Objectives and Policy

The Group has financial assets consisting of trade receivables, cash and short-term deposits that arise directly from the operations.

The financial liabilities of the Group include bond issue, loans and trade payables. The main purpose of the loans is to secure the financing of the Group’s activities.

As of 31 December 2020 and 31 December 2019, the Group does not own or trade with derivative financial instruments.

The main risks arising from the financial instruments of the Group are liquid, currency, credit and regulatory risk. Current risks are identified, measured and monitored with the help of various control mechanisms introduced to determine adequate prices for the services offered by the Group, as well as to adequately assess the market circumstances of the investments made and the forms of maintenance of the free liquid assets, to allow undue concentration of risk and others. Risk management in the Group is currently conducted by the management and the relevant structural units, depending on the type and specificity of the different types of risk to which the Group is exposed in its activities. The policy that the Group’s management applies to managing these risks is summarized below.

37.1. Liquidity risk

Liquidity risk arises if the Group fails to meet its obligations when they become due. The Group applies an approach that provides the necessary liquidity to meet the liabilities under normal or stressful conditions without incurring unacceptable losses.

One of the goals of the parent company is to provide, if necessary, cash resources to subsidiaries to maintain operating activities, as well as to implement strategic projects.

The parent company finances the operating activities of the companies in the group in two ways:

- Internal financing, within the economic group, by redistribution of the free cash resource. Bulgarian Energy Holding EAD acts as an intermediary between the companies, by coordinating the conditions between them and monitors that transactions are carried out at market levels.

- The interest rates on money loans and deposits are based on market levels. The interest rate conditions of cash and currency deposits are tied to a percentage that is the market rate for similar transactions in the transaction period (floating or fixed).

- External financing - in case of shortage of funds in the economic group, Bulgarian Energy Holding EAD may undertake actions on external financing. This is the preferred method to raise funds for the implementation of investment projects. A second bond issue was placed on August 2, 2016 by the parent company again on the Irish Stock Exchange. The issue was at the amount of EUR 550,000 thousand with a five-year maturity (August 2021) and an annual coupon of 4.875%. In 2018 BEH EAD placed a third bond issue in three installments, totaling EUR 600,000 thousand for a period of 7 years and an interest coupon of 3.50%. With part of the funds from the issue, BEH EAD repaid the first bond loan maturing on November 7, 2018. The rest of the funds are used to finance the investment projects of the Group companies and for general corporate purposes.

As of 31 December, the maturity structure of the Group’s financial liabilities based on the agreed undiscounted payments including trade payables, retained guarantees, liabilities to the Nuclear Facilities Decommissioning Fund and the Radioactive Waste Fund and other liabilities is presented as follows:

<table>
<thead>
<tr>
<th>As of December 31, 2020</th>
<th>Carrying amount</th>
<th>Contracted cash flows</th>
<th>6 months or less</th>
<th>6 to 12 months</th>
<th>1 to 5 years</th>
<th>Over 5 years</th>
<th>Upon request (without maturity)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued bonds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BGN' 000</td>
<td>(2,284,928)</td>
<td>BGN' 000</td>
<td>(2,507,005)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BGN' 000</td>
<td>(1,034,959)</td>
<td>BGN' 000</td>
<td>(1,038,487)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>payables</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BGN' 000</td>
<td>(1,668,883)</td>
<td>BGN' 000</td>
<td>(1,669,458)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables to related</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>parties</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BGN' 000</td>
<td>(1,054,971)</td>
<td>BGN' 000</td>
<td>(1,231,706)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(6,043,741)</td>
<td>(6,446,656)</td>
<td>(531,100)</td>
<td>(1,437,954)</td>
<td>(1,723,707)</td>
<td>(2,683,571)</td>
<td>(70,324)</td>
</tr>
</tbody>
</table>
37.2. Interest rate risk

The Group is exposed to risk of change in the market interest rates primarily in terms of its financial assets and liabilities with variable (floating) interest rates.

Within the Group's asset structure, the interest-bearing assets are represented by cash, bank deposits and loans, the majority of which are at fixed rates. The Group also has loans granted with a combined structure of the loan rates, which contains two components – fixed and variable. The borrowed funds of the Group are in the form of long-term and short-term loans and predominantly have a fixed interest rate. This approach minimizes the likelihood of unfavorable changes in the cash flows.

The table below presents the sensitivity of the annual net financial result after tax and equity to the probable change in interest rates on floating rate loans based on EURIBOR of +/-0.1% (for 2019: +/-0.01%) and based on BIR in Bulgaria, at the rate of +/-0.01% (for 2019: +/-0.01%). These changes are considered probable based on observations of current market conditions. The calculations are based on the change in the average market interest rate and the financial instruments held by the Group at the end of the reporting period that are sensitive to interest rate changes. All other parameters are taken as constant. There is no effect on the other components of the Group's equity.

<table>
<thead>
<tr>
<th>As of 31 December 2020</th>
<th>Increase/decrease of the interest rate</th>
<th>Effect on the net financial result</th>
<th>Effect on the equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, denominated in Euro (EURIBOR)</td>
<td>+0.1%</td>
<td>BGN' 000 (9)</td>
<td>BGN' 000 (9)</td>
</tr>
<tr>
<td>Loans, denominated in Euro (EURIBOR)</td>
<td>-0.1%</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>Loans, denominated in BGN (BIR)</td>
<td>+0.1%</td>
<td>BGN' 000 (93)</td>
<td>BGN' 000 (93)</td>
</tr>
<tr>
<td>Loans, denominated in BGN (BIR)</td>
<td>-0.1%</td>
<td>93</td>
<td>93</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of 31 December 2019</th>
<th>Increase/decrease of the interest rate</th>
<th>Effect on the net financial result</th>
<th>Effect on the equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, denominated in Euro (EURIBOR)</td>
<td>+0.1%</td>
<td>BGN' 000 (27)</td>
<td>BGN' 000 (27)</td>
</tr>
<tr>
<td>Loans, denominated in Euro (EURIBOR)</td>
<td>-0.1%</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>Loans, denominated in BGN (BIR)</td>
<td>+0.1%</td>
<td>BGN' 000 (101)</td>
<td>BGN' 000 (101)</td>
</tr>
<tr>
<td>Loans, denominated in BGN (BIR)</td>
<td>-0.1%</td>
<td>101</td>
<td>101</td>
</tr>
</tbody>
</table>

37.3. Currency risk

The Group carries out purchases, sales, lending and loan operations in foreign currencies – Euro, US Dollars, British Pounds, Swiss Francs and Macedonian Denars. The majority of these operations are performed in Euro, US Dollars and Japanese Yen. Since the exchange rate of BGN/EUR is fixed at 1.95583, the currency risk arising from the Group's Euro exposures is minimal. The Group makes payments for construction and installation works and delivers for assets under construction in US Dollars. In this regard, there is a risk of a change in the exchange rate ratios. Therefore,
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

the Group's exposure is exposed to the risk of changes in the US Dollar exchange rate. However, in the event of material fluctuations in the future, the Group may hedge its exposure through derivative instruments, such as foreign exchange swaps.

<table>
<thead>
<tr>
<th>As of 31 December 2020</th>
<th>Increase in the exchange rate of BGN</th>
<th>Decrease in the exchange rate of BGN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net financial result</td>
<td>Equity</td>
</tr>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>USD (+/- 6.5%-6.9%)</td>
<td>21,481</td>
<td>(21,481)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As of 31 December 2019</th>
<th>Increase in the exchange rate of BGN</th>
<th>Decrease in the exchange rate of BGN</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Net financial result</td>
<td>Equity</td>
</tr>
<tr>
<td></td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td>USD (+/-1.9%)</td>
<td>9,739</td>
<td>(9,739)</td>
</tr>
<tr>
<td>Romanian Leu (+/- 0.4%)</td>
<td>5</td>
<td>(5)</td>
</tr>
</tbody>
</table>

37.4. Credit risk

In carrying out its activities, the Group is exposed to credit risk, which is related to the risk that some of the counterparties will not be able to fully meet their obligations in the usual timeframe. Customer credit quality is measured by taking into account financial status, past experience and other factors.

The Group's receivables are presented in the consolidated statement of financial position in net amount after deduction of accrued impairment.

In relation to the credit risk of receivables from counterparties, the Group takes the following precautionary measures:

- for commercial and other receivables that are overdue and were not secured upon their origination, deferred payment arrangements are concluded and a collateral of not less than the initially recognized amount of the claim is negotiated;
- for other contracts that are not previously secured, the following ordinary actions are taken in the event of default by the debtor company - offsetting liabilities to the Group against overdue receivables from the debtor, or if the amount of the liabilities is not large enough to cover the claim, then other out-of-court settlement options are sought.

The Group is currently monitoring and analyzing the servicing of the receivables, the reasons for the defaults and the changes in the financial capacity of the debtor companies and the status and quality of the collaterals received.

The Group has a significant concentration of credit risk in respect of the receivables of Toplofikatsia Sofia EAD, which accounted for over 60% of the total net non-current and current receivables. As of 31 December 2020, the carrying amount of receivables from Toplofikatsia Sofia EAD is BGN 557,668 thousand (2019: BGN 632,416 thousand). (Note 22. 1).

Credit risk arising from other financial assets of the Group, such as cash and other financial assets, is the Group's exposure to credit arising from the possibility of its counterparties not to meet their obligations.

The Group's maximum credit exposure for recognized financial assets amounts to their respective carrying amount in the consolidated statement of financial position at 31 December:
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Debt instruments at amortized cost including:

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2020</th>
<th>31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$BGN' 000</td>
<td>$BGN' 000</td>
</tr>
<tr>
<td></td>
<td>2020</td>
<td>2019</td>
</tr>
<tr>
<td>Receivables from customers</td>
<td>22</td>
<td>784,770</td>
</tr>
<tr>
<td>Trade receivables from related parties</td>
<td>35</td>
<td>122,129</td>
</tr>
<tr>
<td>Litigation and claims</td>
<td>22</td>
<td>21,404</td>
</tr>
<tr>
<td>Other receivables</td>
<td>22</td>
<td>34,933</td>
</tr>
<tr>
<td>Receivables from the Security of the Electricity System Fund</td>
<td>22.2</td>
<td>93,043</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>26</td>
<td>1,446,179</td>
</tr>
<tr>
<td>Equity instruments</td>
<td>25</td>
<td>1,299</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,503,757</strong></td>
<td><strong>2,824,366</strong></td>
</tr>
</tbody>
</table>

Receivables from customers

The following table provides information on age analysis and exposure to credit risk from Group’s third-party customer receivables using the provisions’ matrix for expected credit losses as of 31 December:

<table>
<thead>
<tr>
<th>31 December 2020</th>
<th>Expected credit loss</th>
<th>Gross value of related party receivables</th>
<th>Expected credit loss</th>
<th>Net value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>$BGN' 000</td>
<td>$BGN' 000</td>
<td>$BGN' 000</td>
</tr>
<tr>
<td>Non-matured</td>
<td>28%</td>
<td>779,932</td>
<td>(218,303)</td>
<td>561,629</td>
</tr>
<tr>
<td>Agreements with a financing component</td>
<td>0%</td>
<td>5,278</td>
<td>5,278</td>
<td></td>
</tr>
<tr>
<td>From 0-30 days</td>
<td>3%</td>
<td>88,040</td>
<td>(2,797)</td>
<td>85,243</td>
</tr>
<tr>
<td>From 31 to 60 days</td>
<td>0%</td>
<td>86</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>From 61 to 90 days</td>
<td>36%</td>
<td>4,187</td>
<td>(1,525)</td>
<td></td>
</tr>
<tr>
<td>Over 90 days</td>
<td>65%</td>
<td>368,678</td>
<td>(238,806)</td>
<td>129,872</td>
</tr>
<tr>
<td></td>
<td>37%</td>
<td>1,246,201</td>
<td>(461,431)</td>
<td>784,770</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>31 December 2019</th>
<th>Expected credit loss</th>
<th>Gross value of related party receivables</th>
<th>Expected credit loss</th>
<th>Net value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>$BGN' 000</td>
<td>$BGN' 000</td>
<td>$BGN' 000</td>
</tr>
<tr>
<td>Non-matured</td>
<td>8%</td>
<td>169,500</td>
<td>(12,756)</td>
<td>156,744</td>
</tr>
<tr>
<td>Agreements with a financing component</td>
<td>0%</td>
<td>20,367</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>From 0-30 days</td>
<td>2%</td>
<td>187,199</td>
<td>(4,249)</td>
<td>182,950</td>
</tr>
<tr>
<td>From 31 to 60 days</td>
<td>9%</td>
<td>39,546</td>
<td>(3,705)</td>
<td></td>
</tr>
<tr>
<td>From 61 to 90 days</td>
<td>9%</td>
<td>18,872</td>
<td>(1,750)</td>
<td></td>
</tr>
<tr>
<td>Over 90 days</td>
<td>43%</td>
<td>925,183</td>
<td>(402,403)</td>
<td>522,780</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,360,667</td>
<td>(424,863)</td>
<td>935,804</td>
</tr>
</tbody>
</table>

Trade receivables from related parties

The following table contains information on age analysis and exposure to credit risk arising from receivables from customers affiliated with the Group using the maturity of provisions for expected credit losses as at 31 December:

<table>
<thead>
<tr>
<th>31 December 2020</th>
<th>Expected credit loss</th>
<th>Gross value of related party receivables</th>
<th>Expected credit loss</th>
<th>Net value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%</td>
<td>$BGN' 000</td>
<td>$BGN' 000</td>
<td>$BGN' 000</td>
</tr>
<tr>
<td>Not overdue</td>
<td>2%</td>
<td>125,142</td>
<td>(3,013)</td>
<td>122,129</td>
</tr>
<tr>
<td></td>
<td></td>
<td>125,142</td>
<td>(3,013)</td>
<td>122,129</td>
</tr>
</tbody>
</table>

99
37.5. Market risk

Market risk is related to the fact that a change in market prices, such as foreign currency, interest rates or equity instruments, will affect the Group's income from financial instruments. The objective of market risk management is to control market exposure with acceptable parameters in optimizing returns.

The Group undertakes periodic analyses on the macroeconomic environment in the country and an in-depth analysis of specific macro indicators, including information on interest rates to be presented to the Board of Directors. It is responsible for assessing the future risks faced by the Group. In the event of a deterioration in market conditions, hedging instruments may be used.

37.6. Regulatory risk

Regulatory risk is determined by the specificity of the activity. Pursuant to Art. 21, para. 1, item. 8a, 8b, 8c, Art. 30, para 1 and art.33a of the Energy Act, the following prices are subject to regulation by the EWRC:

- At which the producers, within the limits of the availability set by the Commission under Art. 21, para. 1, item 21 sell electricity to the public supplier;
- At which producers sell heat to the heat transmission plant and to directly connected customers;
- At which the heat transfer company sells heat to customers;
- At which the public supplier sells to the end suppliers the energy purchased on the grounds of Art. 21, para. 1, item 21 of the Energy Act;
- (amended - SG, issue 79 of 2019, effective from 01.01.2020) prices at which the public supplier sells natural gas to the end suppliers of natural gas and to a person to whom a license for production and transmission of thermal energy has been issued;
- At which end suppliers sell natural gas to customers connected to the respective gas distribution networks;
- (amended - SG, issue 57 of 2020, effective from 01.10.2020) at which end suppliers sell electricity to residential and end customers for sites connected to a power distribution network at a low voltage level;
- for access and/or transmission through the transmission grid;
- to connect to the grids;
- for access and transmission of natural gas through transmission and / or distribution networks, except when the Commission, at its discretion, approves a methodology for setting the price for access and transmission over a transmission network;
- for access and/or transmission through electricity distribution networks;
- for access and storage of natural gas in a storage facility;
- for the distribution of traction electric energy on the distribution networks of the railway transport;
- for the provision of services to customers, as determined by the Commission, related to the licensed activity;
- including the price or price component through which all end customers connected to the electricity system, including the transmission system operator and the electricity distribution system operators, participate in the compensation of the costs under Art. 34 and Art. 35.
- determines for each price period a limit value of the costs of the electricity transmission network operator for purchasing availability for additional services by the order of Art. 105, para. 2;
- determines annually by June 30 premiums for electricity from renewable sources and from high-efficiency cogeneration of electricity and heat produced by power plants with a total installed electrical capacity of 500 kW and over 500 kW
- for the pricing objectives shall determine annually by June 30 an estimated market price of the electricity for covering the technological costs of the electricity transmission network operator and of the electricity distribution network operators.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Price regulation has a significant impact on revenue, expense, and hence on the overall economic and financial position of the Group.

37.7. Cash flow risk

The cash flow risk depends on fluctuations in the amount of future cash flows associated with a monetary financial instrument. The Group plans its cash flows and floating rate financial instruments are of a short-term nature of less than 1 year.

37.8. Credit rating

- Rating agency Moody’s

On 18 June 2018, the rating agency Moody's assigned a rating of "Ba1" with a stable outlook for the group of "Bulgarian Energy Holding" EAD and "Ba2" for unsecured bonds issued by the company.

As of 31 December 2020, the assigned long-term credit rating remains unchanged - "Ba1" for the group of Bulgarian Energy Holding EAD and "Ba2" for the company's unsecured bonds maturing in 2021 and 2025.

- Rating agency Fitch Ratings

On 15 February 2018, the rating agency upgraded the long-term credit rating in foreign and local currency and on the unsecured bonds of Bulgarian Energy Holding EAD from "BB-" to "BB" and set a stable outlook. The rating upgrade is a result of an improvement in the company's standalone credit profile due to financial recovery and higher predictability of results, as well as the publication of new rating criteria of state owned enterprises.

38. Fair value measurement

The Group classifies assets and liabilities at fair value into three levels based on the significance of the inputs used in determining the fair value of financial assets and liabilities. The hierarchy of fair value includes the following levels:

- Level 1: quoted prices (unadjusted) on active markets for identical assets or liabilities;
- Level 2: Input other than quoted prices included in Level 1 that can be monitored in respect of an asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Input for an asset or liability that is not based on observable market data.

An asset or liability is classified to the lowest level of significant input used to determine its fair value.

<table>
<thead>
<tr>
<th>In thousands of BGN</th>
<th>Carrying amount</th>
<th>Level 1</th>
<th>Level 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial assets that are measured at fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial assets at fair value through other comprehensive income, including:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity instruments</td>
<td>1,299</td>
<td>692</td>
<td>607</td>
<td>1,299</td>
</tr>
<tr>
<td>Financial assets that are not measured at fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt instruments at amortized cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current trade and other receivables</td>
<td>381,916</td>
<td>-</td>
<td>381,916</td>
<td>381,916</td>
</tr>
<tr>
<td>Current trade and other receivables</td>
<td>552,234</td>
<td>-</td>
<td>552,234</td>
<td>552,234</td>
</tr>
<tr>
<td>Trade receivables from related parties</td>
<td>122,129</td>
<td>-</td>
<td>122,129</td>
<td>122,129</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,446,179</td>
<td>-</td>
<td>1,446,179</td>
<td>1,446,179</td>
</tr>
<tr>
<td>Financial assets</td>
<td>2,503,757</td>
<td>692</td>
<td>2,503,065</td>
<td>2,503,757</td>
</tr>
<tr>
<td>Financial liabilities that are not measured at fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans and financial leasing</td>
<td>(3,319,887)</td>
<td>-</td>
<td>(3,319,887)</td>
<td>(3,319,887)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>(1,668,883)</td>
<td>-</td>
<td>(1,668,883)</td>
<td>(1,668,883)</td>
</tr>
<tr>
<td>Payables to related parties</td>
<td>(1,054,971)</td>
<td>-</td>
<td>(1,054,971)</td>
<td>(1,054,971)</td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>(6,043,741)</td>
<td>-</td>
<td>(6,043,741)</td>
<td>(6,043,741)</td>
</tr>
</tbody>
</table>
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

38.1 Fair value measurement of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the following categories according to the fair value hierarchy. For more information on exchange traded shares, see note 25.

The valuation techniques and techniques used in determining fair value have not changed compared to the previous reporting period. The Group owns 6,041 shares of Transgaz SA, Romania, which are traded on the Romanian Stock Exchange. The investment is classified as a financial asset at fair value in other comprehensive income. The fair values at 31 December 2019 and 31 December 2018 were determined on the basis of published quotes on active market prices.

The Group owns 10,000 units. registered shares of Balkangaz 2000 AD, Botevgrad, with a nominal value of BGN 1 (one) per share. The company has subscribed and paid-in capital in the amount of BGN 903 thousand. Bulgarian Energy Holding EAD (formerly Bulgargaz EAD) has been a shareholder since the establishment of the company in 2000. The investment of Bulgarian Energy Holding EAD in Balkangaz 2000 AD has been impaired and derecognized from the financial statements prepared before 2007 due to the deteriorated financial condition of the company. For 2020 the received dividend amounts to BGN 4 thousand. The investment in the shares of Balkangaz 2000 AD is presented in the financial statements in accordance with IFRS 13 using level 3 of the fair value hierarchy.

In 2019, ESO EAD is a shareholder in the auction office JAO S.A acting as a Single Platform for Allocation (SPA) of Transmission Capabilities under Regulation 2016/1719 for establishing guidelines for the preliminary allocation of transmission capacity. JAO S.A distributes long-term transmission capacities (annual and monthly) at all borders between EU member states. The value of the acquisition of the investment in the capital of JAO S.A amounts to BGN 507 thousand.

In May 2020, ESO together with the transmission operators of Greece, Romania and Italy established the Southeast Electricity Network Coordination Center SEleNe CC based in Thessaloniki, Greece, which will facilitate the efficient management of regional energy systems and will ensure security of electricity supply in the conditions of market mergers and the integration of the Western Balkans. The value of the acquisition of the investment in the capital of SEleNe CC amounts to BGN 98 thousand.

38.2 Fair value measurement of non-financial assets

The following table presents the levels of the non-financial asset hierarchy at 31 December that are periodically measured at fair value:

<table>
<thead>
<tr>
<th>Property, Plant and Equipment</th>
<th>Level 3 2020 BGN' 000</th>
<th>Level 3 2019 BGN' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>12,176,129</td>
<td>10,499,194</td>
</tr>
</tbody>
</table>

The fair value of the Group's main property, plant and equipment is determined on the basis of reports from independent licensed valuers (see note 19). The table presents the carrying amount of the assets for which the fair value model was selected.

39. Capital management policies and procedures

The policy of the Board of Directors is to maintain a strong capital base so as to maintain the trust of customers, creditors and the market as a whole, and to provide the conditions for business development in the future. The objective of the management is to maintain a balance between the higher returns that may be possible with levels of indebtedness and the benefits and security of a strong capital position. The Group's objective is to achieve a return on equity of more than 5%. As of 31 December 2020, the return on equity is 1.34%, (31 December 2019: 3.42%). There were no changes in the management of the Group's capital during the year.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

40. Commitments and contingent liabilities

40.1. Proceedings of the European Commission against Bulgarian Energy Holding EAD and its subsidiaries

Against Bulgarian Energy Holding EAD and its subsidiaries two proceedings were initiated by the European Commission for possible abuse of a dominant position - Case AT.39767 - BEH electricity and Case AT.39849 - BEH gas.

Case COMP/B1/AT.39767 BEH Electricity

The case concerns a possible infringement of Art. 102 of the Treaty on the Functioning of the European Union (TFEU) in connection with the inclusion of territorial restrictions in the supply contracts concluded by subsidiaries of Bulgarian Energy Holding EAD - Natsionalna Elektricheska Kompania EAD, NPP Kozloduy EAD and TPP Maritsa East 2 EAD, on the market for the wholesale supply of electricity in Bulgaria during the period from September 2008 to March 2013.

The proceedings were initiated in 2012 with a view to the adoption of a decision under Chapter 3 (Articles 7 to 10) of Council Regulation 1/2003 of 16 December 2002 on the implementation of the rules on competition laid down in Articles 81 and 82 of the EC Treaty (Articles 101 and 102 TFEU).

By Decision C (2015) 8860 of 10 December 2015 on Case AT.39767 BEH-Electricity, the EC established as legally binding the commitments offered by Bulgarian Energy Holding EAD, Natsionalna Elektricheska Kompania EAD, TPP Maritsa East 2 EAD, NPP Kozloduy EAD, Independent Bulgarian Energy Exchange EAD for a period of five years from the start date of operation on a day-ahead market and terminated the proceedings.

By Decision C (2016) 2246 of the European Commission dated 12 April 2016, the EC approved a Monitoring Trustee - ADVOLIS, to supervise the current management of Independent Bulgarian Energy Exchange EAD and the operation of the day-ahead market platform under the terms and conditions attached to the EC Decision.

On April 22, 2016 between Bulgarian Energy Holding EAD and ADVOLIS was concluded a Mandate for Controlling Manager in accordance with the Commitments under case AT.39767 BEH-electricity for a period of 5 years from the date of launch of the platform. (January 19, 2016).

Pursuant to the Commitments, Bulgarian Energy Holding EAD undertakes to separate the Independent Bulgarian Energy Exchange EAD from its structure and to transfer ownership of the company's capital to the Ministry of Finance. The deadline for the transfer of the ownership of Independent Bulgarian Energy Exchange EAD was extended several times by the EC until 31 January 2018.

In the period from the establishment of Independent Bulgarian Energy Exchange EAD until the moment of transfer of its ownership the company has established itself as a key player in the electricity market in the country. The important role of the electricity exchange, the confidence of the Bulgarian government and market participants in its efficient operation and management have laid the foundation for the reform of liberalization of the electricity market in the country.

The aim is to integrate the Bulgarian "day-ahead" market with the European one as per the Price Coupling of the Regions mechanism, adopted at European level.

At the end of January 2021, the Controlling Manager ADVOLIS submitted to the European Commission a final report on the AT case. 39767 BEH-electricity, which states that the commitments in the case have been met by BEH and its subsidiaries.

The European Commission has accepted the final report of the Supervising Manager without remark and has released ADVOLIS from its duties as Supervising Manager in the case by official letter dated 22 March 2021.

Case COMP/B1/AT.39849 - BEH gas

The case concerns a possible infringement of Art. 102 of the Treaty on the Functioning of the European Union (TFEU) in relation to alleged actions of BEH EAD and its subsidiaries – Bulgargaz EAD and Bulgariantransgaz EAD – aimed at:

- preventing their competitors from gaining access to key gas infrastructure (gas transmission network and natural gas storage facility) in Bulgaria, explicitly or implicitly denying access to third parties or causing delays;
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

• preventing competitors from gaining access to a 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 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 (Bulgtransgaz EAD).

On 24 November 2017, the National Assembly of the Republic of Bulgaria adopted a decision for taking the necessary actions for the termination of Case COMP/B1/AT.39849 - BEH Gas, whereby the National Assembly supported the termination of the case under Art. (7) of Regulation (EC) No 1/2003 without acknowledging the alleged infringements and without assuming responsibility for them, by fulfilling the obligations arising from a possible prohibition decision, including a possible financial sanction. At this time, the European Commission has not taken a formal decision to close the case, including the possible amount of the financial sanction.

On 26 July 2018, a decision was adopted by the 44th National Assembly of the Republic of Bulgaria for taking actions for the termination of Case COMP/B1/AT.39849 - BEH Gas pursuant to Art. 9 of Regulation (EC) No 1/2003 by entering into commitments by the Bulgarian side and reaching an agreement with the European Commission. The second decision of the NA comes as a result of the development of case COMP/B1/AT.39816 between the EC and Gazprom, where on 24 May 2018, the Commission announced that an agreement had been reached and it was closed under Art. 9 of Regulation (EC) No 1/2003 without a financial sanction.

On 17 December 2018, the European Commission notified the adoption of Decision C (2018) 8806 in case AT.39849 BEH-Gas, whereby the European Commission imposed a fine on Bulgarian Energy Holding EAD (BEH), its subsidiary for gas supply Bulgargaz EAD and its subsidiary for gas infrastructure Bulgtransgaz EAD ("BEH Group") in the amount of EUR 77,068,000 for blocking the access of competitors to key gas infrastructure in Bulgaria in violation of EU antitrust rules. The decision was received in the registry offices of the three companies on 19.12.2018, which set the start of the appeal period of the EC Decision (two months and ten days after notification of the Decision to the parties) and payment of the fine (three months after the notification of the Decision to the Parties), set therein. The appeal against the decision does not delay the payment of the fine.

On 18 March 2019 two bank guarantees were issued by ING Bank NV in favor of the EC, for a total amount equal to the total amount of the fine of EUR 77,068,000, as follows:

- Bank guarantee amounting to 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 and

- Bank guarantee in the amount of EUR 25,689 thousand, securing the obligation of Bulgtransgaz EAD on the imposed penalty.

On 4 July, 2019, the Bulgarian state, through the Ministry of Foreign Affairs, filed an application to intervene in the case in support of BEH EAD and its gas subsidiaries.

On 28 June 2019, the General Court of the EU, taking into account the legal interest of Overgas Inc. AD, allowed the company to intervene in case T-136/19 in support of the European Commission.

On 26 August, 2019, the European Commission presented its Defense to the General Court in response to the complaint filed by Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgtransgaz EAD.

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

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

On 20 February 2020 within the specified term by the General Court of the EU Overgas Inc. AD filed its position in case T-136/19, and on 19 June 2020 Bulgarian Energy Holding EAD, Bulgargaz EAD and Bulgtransgaz EAD filed findings against the position of Overgas Inc. AD before the General Court of the EU on the case.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

With the submission of the above written statements of the parties to the case, the written phase of the process ended.

It should be borne in mind that if the General Court decides to open the oral procedure, the Chairman shall set the date of the hearing for the oral hearings, most likely in 2021.

40.2. Capital commitments

**NPP Kozloduy EAD and its subsidiaries**

As of 31 December 2020, the Group has capital commitments for BGN 24,288 thousand (31 December 2019: BGN 70,422 thousand), which are related to the acquisition of property, plant and equipment.

The amount of the nuclear fuel acquisition commitments as of 31 December 2020 is BGN 246,059 thousand (31 December 2019: BGN 211,234 thousand).

**TPP Maritsa East 2 EAD and its subsidiary**

According to the requirements of the European directives, the national norms and the Complex permit, as well as in connection with the implementation of the projects included in the National Investment Plan for the period 2013 - 2020, the Group is obliged to build and put into operation ecological assets.

As of December 31, 2020, the Group has capital commitments in the amount of BGN 110,947 thousand related to Full engineering of low-emission burners and replacement of DRC with inlet and outlet collectors KA-11; Construction of an ignition installation with gas unit 2; Expansion and updating of the existing centralized system (CSM) and revision of old AFES and construction of new AFES and monitoring system for them; Construction of new Automated Fire Alarm Systems (AFAS) and Automated Fire Extinguisher Systems (AFES) in the cable tunnels of units 1, 2, 3 and 4 and in the cable tunnels for connection with the old Central Dispatching Point (CDP) and with the new CDP and flue gas desulfurization units (FGD) for units 7 and 8 and their connection with CSM; Replacement of existing injection nozzles with a new model of modern axial nozzles in Absorbers; Installation of 5th (fifth) nozzle level FGD 7; Production and installation of gas-tight screens of KA 3; Absorber 8 Recovery; medium repairs of units 1 to 6 and 8; overhaul of block 7.

**Electricity System Operator EAD**

In 2020, the Company concluded contracts under the Public Procurement Act, according to which contractual obligations for 2021 in the amount of BGN 634,730 thousand arise.

In 2019, the Company concluded contracts under the Public Procurement Act, according to which contractual obligations for 2020 in the amount of BGN 292,138 thousand arise.

**Bulgargaz EAD**

Directive 2009/29/EC sets out the basic parameters of emissions trading for the period from 2013 to 2020 and no free allowances are to be made for electricity generation and all allowances have to be purchased by installations through auctions. An option to allocate free transitional allowances to installations for the production of electricity is provided only by Art. 10c if the Member State meets certain requirements.

Bulgaria shall take advantage of the possibility of compensating the electricity production under Art. 10c, whereby the "Electricity" sector will gradually move from free allowances to allowances through participation in auctions. In return for the allocation of free allowances, any installation meeting the specified requirements will have to carry out projects at a value equal to the free allowances granted.

In line with the above and in line with the requirements of Directive 2009/29/EC and Commission Communication (2011/C99/03), Guidance document on the applicability of Article 10c of Directive 2003/87/EC, the Ministry of Energy has prepared a National investment plan (NIP) with investment projects included.

**Mini Maritsa Izok EAD**

In connection with the implementation of its investment program as of 31 December 2020, the Company has entered into commitments for contracts for the construction, delivery and installation of plant and equipment ensuring its implementation.

The company has contractual obligations for the purchase of assets co-financed by the Kozloduy Fund and the Innovation and Networks Executive Agency (INEA), Department C - Connecting Europe Facility.

As of 31 December 2020, the Company reports financing of fixed assets under six contracts with contractors:
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

- Contract with Ref. MME / PIU Puree Energy (renamed AFRY Switzerland Ltd after its merger with AF Consult Switzerland Ltd and AF TOSCANO AG) - consultant on the implementation of the framework agreement with the EBRD. The funding is provided at 100% by the EBRD;

- Contract with Ref. No.MEE/C Siemens EOOD for “Rehabilitation of the Main Transformer Stations and Construction of New Mobile Units with the Supplementary Distribution Devices and Connection Equipment for Increasing the Power Supply from 6 kV to 20 kV for mine 2 and 3” for a contract price of EUR 12,557,535.97. The financing is provided by 70% of the European Bank for Reconstruction and Development through the Kozloduy Fund and 30% of the funds of Mini Maritsa Iztok EAD. The contract has expired as of 31.12.2015;

- Contract with Ref. No.MME/A Risk Engineering AD for “Engineering, procurement and installation of facilities and equipment for on-line control of the load of the belt conveyors and excavators at Mini Maritsa-Iztok EAD” for a contract price EUR 4,663,484.95. The financing is provided by 70% of the European Bank for Reconstruction and Development through the Kozloduy Fund and 30% of the funds of Mini Maritsa Iztok EAD. The contract has expired as of 31.12.2016;

- Contract with Ref. No.MME/D (Lot A): “Engineering, procurement and installation of facilities and equipment for compensating the reactive power of the heavy industrial mining equipment of Mini Maritsa Iztok EAD, Bulgaria, with contractor SIEMENS EOOD, Bulgaria” for contract price EUR 951,954.13. The financing is provided by 70% of the European Bank for Reconstruction and Development through the Kozloduy Fund and 30% of the funds of Mini Maritsa Iztok EAD. The contract is completed as of 31.12.2018;

- Contract with Ref. No.MME/D (Lot B): “Rehabilitation (engineering, procurement and installation) of industrial lighting by replacement with LED lights in Mini Maritsa-Iztok EAD, Bulgaria, with contractor ETRALUX, Spain” for a contract price of EUR 2,446,767.04. The financing is provided by 70% of the European Bank for Reconstruction and Development through the Kozloduy Fund and 30% of the funds of Mini Maritsa Iztok EAD. The contract was completed in August 2018;

- Contract with Ref. No.MME / BWE “Engineering, manufacturing, supply, construction and commissioning of a 3Rs 2000 bucket-wheel excavator and a 3Rs 200 bucket-wheel excavator at Mini Maritsa-Iztok EAD, with a Consortium FAMUR - Bulgarian Energy” for contract price EUR 25,848,663. (With amendment 6 to the Contract of 15.07.2020 the price is increases by EUR 208,720.27 and becomes EUR 26,057,383.27). The financing is provided by 50% of the European Bank for Reconstruction and Development through the Kozloduy Fund and 50% of the funds of Mini Maritsa Iztok EAD. The contract was signed on 20.05.2016 and started on 20.09.2016 (effective date for implementation). On 16.03.2020 a certificate for acceptance into operation of the excavator KWK 2000 was issued, and on 6.04.2020 a certificate for acceptance for operation of the excavator KWK 400L was issued, with which the Contract was fulfilled. The assets are recorded in the balance sheet of the Company. Amendment 6 to the Contract of 15.07.2020 provides for the delivery of recommended spare parts in the amount of EUR 208,720.27, due to which the time for implementation of the Contract is extended. At the moment, all recommended spare parts have been delivered and the last payment to the Contractor in the amount of EUR 26,000 is forthcoming.

NEK EAD

Project NPP Belene

In connection with the NPP Belene project, on 29 November 2006 the company signed an agreement for the construction of the NPP Belene with ZAO Atomstroy export as a project contractor and on 31 January 2005 with Worlay Parsons as an architect engineer for the project.

On 29 March 2012, the Government of the Republic of Bulgaria decided to terminate the construction of the Nuclear Power Station on the Belene site. By decision of 27 February 2013, the 41st National Assembly supported the Government’s decision to suspend the construction of a new nuclear power plant at the Belene site and insisted on its final winding-up. By decision of the Board of Directors of BEH EAD dated 03.10.2013 it was found that the contract with Worlay Parsons was rightfully terminated due to termination of the project in 2012 and impossibility for execution had been established.

On 7 June 2018, the National Assembly took a decision for resuming the activities of construction of NPP Belene together with a strategic investor, on a market principle and without granting a state guarantee, by separating the assets and liabilities for the NPP Belene in a separate project company.

The Council of Ministers repealed Decision No.250 of 2012 repealing the Decision No.259 of 2005 for the termination of the construction of the NPP Belene and the designation of the NPP Belene as a site of national importance and Decision No. 260 of the Council of Ministers of 2005 on the construction of a nuclear plant on the Belene site.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

In execution of decisions of the National Assembly of 7 June 2018 and of the Council of Ministers of 29 June 2018, Natsionalna Elektricheska Kompania EAD published a notice for the selection of a strategic investor for the construction of NPP Belene. The notice also gives an opportunity to declare interest in acquiring a minority stake in the future project company as well as/or to purchase electricity from the future power plant. The purpose of the notice is to provide certain information to the parties wishing to participate in the procedure.

Thirteen applicants submitted applications within the announced deadline.

The Ministry of Energy sent letters to the five companies from the "short list" prepared by a working group, in accordance with the provisions of the procedure for selection of a strategic investor for the implementation of NPP Belene to confirm the submission of binding offers for further participation in the procedure.

By 31 January 2020, the Ministry of Energy received letters confirming the submission of binding offers from all five companies.

The indicative deadline for submitting the binding offer was planned as May 31, 2020, but in connection with the current pandemic situation, the deadline for preparing binding offers will start from the date on which the candidates will have physical access to the "information hall" for the project, located in the building of Natsionalna Elektricheska Kompaniya EAD.

The information memorandum for the Belene NPP project was sent to all potential candidates from the short list. These are the China National Nuclear Corporation (CNNC), Atommegropom AD - Rosatom, Korean Hydro-Nuclear Corporation, Framatom SAS (France) and General Electric (USA).

The memorandum contains basic information about the project, the legal framework in the country, as well as an analysis of the market situation in the region. It was sent to the candidates after they signed the confidentiality agreement on the project in April. It is binding on them as well as on all their consultants, bankers, agents and others.

Given the ongoing measures in many countries in relation to the coronavirus pandemic, the information memorandum was sent online. The aspiration of the Bulgarian side is to create optimal conditions for the candidates to prepare their binding offer in the conditions of emergency.

The Company has agreed to report all amounts (paid and accrued) directly related to the terminated NPP Belene project in accordance with the criteria for recognition of IAS 16 Property, Plant and Equipment in compliance with a consistent policy, such as assets of property, plant and equipment under construction, until final decision for the future of the project. At present there is uncertainty about the possible alternatives for the project, respectively the equipment, a significant period of time is required for coordination, negotiations and approval of possible options, which is not fully under the control of the Company's management and is not able to make an assessment on the possible reclassification of reported values under IFRS and on their measurement.

The investment activity plan of NEK EAD is focused mainly on rehabilitation, reconstruction and new construction of hydropower sites and includes the following significant areas and capital sites.

Investment projects of NEK EAD

NEK EAD's investment activity plan is mainly focused on rehabilitation, reconstruction and new construction of hydropower projects and includes the following major directions and capital objects:

1. Project "Yadenitsa"

The project is included in the National Investment Plan (NIP) for the period 2013-2020 by a decision of the Council of Ministers of the Republic of Bulgaria dated 28.09.2011, in connection with the application of the Republic of Bulgaria for a derogation under Article 10c of Directive 2003/87/European Commission (EC). With Decision No. 707 dated 30 August 2012 of the Council of Ministers of the Republic of Bulgaria, Yadenitsa Dam, which is the main facility of the Yadenitsa Project, was declared a “national site” within the meaning of the State Property Act, as well as “a site with national significance” within the meaning of the Spatial Development Act.

The Yadenitsa Project has funding provided for preparatory work (procedures to obtain Building Permit) from the European Union Connecting Europe Facility.

On 24 April 2015, the grant agreement signed between NEK EAD and the Innovation and Networks Executive Agency at the European Commission became effective. According to this agreement, the funds granted to NEK EAD amount to EUR 3,213 thousand. They will cover 50% of the costs for renewal of the EIA, design and obtaining a permit for construction of Yadenitsa Dam. The remaining 50% are the company's own funds.

All necessary preliminary activities needed to obtain a construction permit are awarded under the agreement. As of the date of preparation of the consolidated financial statements, NEK EAD has an EIA decision, an updated detailed
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

design - agreed with the competent authorities, a positive compliance report on construction, financial analysis and risk assessment, technical specifications for the construction contract.

In 2018 the activities for the approval of a detailed development plan (DDP) were completed and a contract for ensuring the publicity of the Yadenitsa site was implemented.

A final technical and financial report was submitted on 25 January 2019, in accordance with the INEA Agreement, reflecting the activities carried out, the costs incurred and the project objectives achieved. The reported expenses amount to EUR 2,536 thousand.

On 22 February 2019, INEA informed NEK EAD that the assessment of the final report presented and the financial statement had been completed, as a result of which all expenses declared by NEK EAD were considered eligible. According to the agreement 50% of the claimed costs of NEK EAD are refundable, for which on 27.02.2019 NEK EAD received EUR 304 thousand which is the difference between the received advance payment and the amount due. INEA considered the action complete, for which no further notices are foreseen.

The guarantee for initial financing issued by Bulgarian Energy Holding EAD on 22 July 2015 for the amount of EUR 963,900 was completely released, as a result of which the INEA returned the original guarantee to the issuing institution.

The preparation of the necessary documents required by the procedure for issuing a construction permit for the construction of the site in accordance with the current regulations is in progress.

NEK has taken the necessary actions for the issuance of a Permit for water abstraction and use of a water body by the East Aegean River Basin Directorate (EARBD). After the termination of the procedure by EARBD, a cassation administrative case No. 88 / 2021 was initiated, SAC. The second instance hearing is scheduled for May 19, 2021.

The issuance of a state property deed (SPD) in the name of the Ministry of Agriculture, Food and Forestry (MAFF) and their subsequent transfer to the Ministry of Energy (ME) is underway. A procedure for granting a compensated right to construction by the Council of Ministers (CoM) is forthcoming at the request of the Ministry of Economy. After receiving the necessary documents NEK EAD will file the documents required by the procedure for issuing a construction permit for the construction of the site in accordance with the current regulations.

2. Rehabilitation of the Belmeken - Sestrimo - Chaira Hydroelectric Complex and rehabilitation of the 110 kv CHP of Vacha - I HPP and part of the HPP systems under common control

The project is funded by the Kozloduy International Decommissioning Support Fund (KIDSF) for decommissioning of units 1-4. There is a signed Grant Agreement - GRANT 049B with the European Bank for Reconstruction and Development (EBRD).

The total budget of the project is EUR 37 million (excluding consulting services), of which 70% is financed by IFC and 30% by NEK EAD. Consulting services worth up to EUR 300,000 are fully funded by the KIDSF.

Three contracts have been signed for the implementation of the various subprojects, the total value currently amounting to EUR 42,487,476, incl. a grant of EUR 26,580,000 and own funds of EUR 15,907,476.

In connection with the force majeure situation that occurred in March 2020 and the impact of the pandemic situation on the deadlines for the implementation of the sites, NEK EAD requested an extension of the deadlines under the individual contracts. Following the KIDSF Donors' Assembly on 8 December 2020, the EBRD issued an "no objection" to their extension.

Contract No. GA049A-2A / 25.04.2019 Rehabilitation of Chaira PSHPP*, with contractor Consortium ABB AG & VOITH HYDRO GmbH & Co. KG. The value of the contract is EUR 17,177,332.60. The approved new deadline of the contract is 31.01.2023. A construction permit has been issued for the site, effective from 25.02.2020. Stage I is being implemented, which affects the rehabilitation of HA4. All dismantling works under the first stage of the contract have been completed. The installation of the turbine is performed and assembly works are performed on all other systems, including the generator.

Contract No. GA049A-3 / 18.05.2018 Rehabilitation of PSHPP Belmeken , HPP Sestrimo and HPP Momina Klisura, with contractor Consortium KONČAR KET - ČKD BLANSKO - RUDIS. The value of the contract is EUR 119,997,642.45. The approved new deadline for the contract is 28 December 2021. Construction permits have been issued for all three power plants, effective from 17 January 2019. The contract is in implementation for the first stage for PSHPP Belmeken and HPP Sestrimo and the second stage for HPP Momina Klisura.

The first stage for HPP Momina Klisura was completed with successful 72-hour tests and warranty tests of HA2, Act 15 was signed and an order for appointment of an admission commission was issued.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

Completed for all construction and installation works HG3 and HG4 in PSHPP Belmeken. Tests are forthcoming. For HPP Sestrimo the assembly works have been completed with the exception of finishing works on the nozzles and the survey of the servomotor to the ball valve.

Contract No: GA049A-4 / 27.08.2019 Rehabilitation of 110kV switchyards at Vacha-1 HPP and other HPP systems under common control, with contractor KONČAR KET Consortium - ČKD BLANSKO for Vacha-1 HPP. The value of the contract is EUR 4,955,557. The approved new deadline of the contract is 20.08.2021. A construction permit has been issued, effective from 28.10.2020. The contract is in the implementation stage.

The equipment has been manufactured and most of it has been delivered to the site. Work on HA2 is carried out at the plant.

40.3. Contingent liabilities

Material Lawsuits and Claims

Natsionalna Elektricheska Kompania EAD

Toplofikatsia Sofia EAD

Toplofikatsia Sofia EAD has filed three claims with a total amount of the principal of BGN 16,5 million. The claims on a contractual and non-contractual basis claim principal, interest for delay, as well as amounts for unjust enrichment for supplied electricity.

NEK EAD filed a counter claim for the amount of BGN 13,864 thousand and default interest on invoices issued between February 2014 and November 2014 for the quantities of electricity generated by turbine generator No 9 which was unlawfully invoiced to NEK EAD. On the basis of the counter-claim, a separate case was initiated in the Sofia City Court, where a decision has been issued, and NEK EAD's claim has been granted. The decision was appealed by Toplofikatsia Sofia EAD before the Sofia Court of Appeal, and by decision of January 2019 the court upheld the decision of the Sofia City Court. The decision of SCA was appealed by Toplofikatsia Sofia EAD at the Supreme Court of Cassation.

The outcome of these legal actions is not expected to have a significant effect on cash outflows and financial results, as a significant portion of the claims are included in the financial statements.

Energy Financial Group AD (EFG)

Energy Financial Group AD (EFG) has filed three lawsuits with a total amount of principal of approximately BGN 5,290 thousand and interest for delay with claims for payment of transferred receivables from WorleyParsons Nuclear Services EAD to EFG on invoices for consultancy services.

In one case the claims were rejected at first instance. The decision was appealed by EFG and the Sofia Court of Appeal overturned the decision of the Sofia City Court and upheld the claims, but the decision was appealed by NEK EAD before the Supreme Court of Cassation.

In the second case with a claim price of BGN 3,063 thousand, of which BGN 2,347 thousand - principal and BGN 716 thousand - interest for delay with a decision of the Sofia City Court of 13.03.2020, the claims were upheld. The decision was upheld by the Sofia Court of Appeal, and NEK EAD filed a cassation appeal with the Supreme Court of Cassation. In view of the security paid by NEK EAD to the account of the Supreme Court of Cassation, the execution of the appellate decision has been suspended.

In the third case with the price of the claim: BGN 3,765 thousand, of which BGN 2,884 thousand - principal and BGN 881 thousand - interest for delay by a decision of the Sofia City Court the claims were rejected as unfounded. The decision of the Sofia City Court was confirmed by a decision of the Sofia Court of Appeal, the latter being appealed by EFG before the Supreme Court of Cassation.

Mechel Carbon AG

Mechel Carbon AG has filed two lawsuits with a total principal amount of approximately BGN 26,544 thousand and interest for delay. The claims are for payment of principal for electricity supplied by Toplofikatsia Ruse EAD, paid by NEK EAD to Toplofikatsia Ruse EAD as a pledgor instead of the depository appointed by Mechel Carbon AG as a pledged depositary creditor upon receipt of a notice of commencement of execution by Mechel Carbon AG under the PPA together with interest and expenses.

In the first case - for a principal of BGN 5,144,760.14 and interest for delay, a decision of the Sofia City Court was issued, by which the claims of Mechel Carbon AG were upheld. The decision of the Sofia City Court was upheld by the Sofia Court of Appeal, the latter being appealed by NEK EAD before the Supreme Court of Cassation.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

In view of the security paid by NEK EAD to the account of the Supreme Court of Cassation, the execution of the appellate decision has been suspended.

In the second case for a principal of BGN 21,400,000 and interest for delay, a decision of the first instance (Sofia City Court) is expected.

Polymeri AD (n)

Polymeri AD (n) has filed a lawsuit before the Sofia City Court against NEK EAD and ESO EAD under the conditions of solidarity with claims for payment of compensation for unjust enrichment in the amount of BGN 8, 307 thousand for the use of ECRU’s own electrical system 110 kV for the period from December 2011 to June 2017.

The case is pending before the Sofia City Court, it has been announced for decision.

Chaos Invest 1 EAD

Chaos Invest 1 EAD has filed a lawsuit before NEK EAD before the Sofia City Court with claims for payment of amounts for purchased electricity in the period January-February 2018 for principal in the amount of BGN 2,117,865.55 including VAT.

Proceedings are at an early stage.

Ritam- 4 - TB OOD and Vidahim AD

Ritam - 4 - TB OOD and Vidahim AD have filed a lawsuit before the Sofia City Court against NEK EAD for compensation for non-fulfillment of a contractual obligation by NEK EAD and a tort claim for compensation for damages suffered on a non-contractual basis under Art. 49, in connection with art. 45 of the Obligations and Contracts Act under the conditions of eventuality. The claims were filed as partial for the amount of BGN 1,000,000 out of a total amount claimed as due by NEK EAD in the amount of BGN 48,000,314.

Proceedings are at an early stage.

As at 31 December 2020, other claims have been filed against the Company with different legal grounds: for payment of amounts for purchased electricity over net specific production produced from RES, for unjust enrichment, for receivables ceded by electricity producers and others. The proceedings on these claims have not ended with final court decisions. Due to this circumstance, the management of the Company has decided not to accrue additional provisions on lawsuits.

NPP Kozloduy EAD and its subsidiaries

Legal claims have been filed against the Group in the amount of BGN 50,736 thousand (31 December 2019: BGN 230 thousand). None of the above claims are set out in detail here so as not to seriously affect the Group's position in resolving disputes.

Mini Maritsa Iztok EAD

By Decision No. 2310 / 06.12.2017 of the Sofia City Court, VI-5 composition of the Commercial Department, a statement for set-off of ent. No. 10330 / 31.10.2014 between receivables of Mini Maritsa Iztok EAD in the amount of EUR 4,256,244.59, arising from the Framework Agreement between CCB AD and Bulgarian Energy Holding EAD and the receivables of CCB AD to Mini Maritsa Iztok EAD under Investment Loan Agreement №318 / 29.09.2010. The receivable of Mini Maritsa Iztok EAD was acquired in accordance with a Cession Agreement concluded on 30.10.2014 between Bulgarian Energy Holding EAD and Mini-Maritsa Iztok EAD.

The decision was appealed within the statutory term before the Court of Appeal - Sofia, and on the appeal a commercial case No.606/2018 was initiated according to the list of the Supreme Court.

With Decision No. 11786 / 04.08.2020 of the Court of Appeal - Sofia, ruled on appellate commercial case No. 606/2018. According to the list of the court the decision of the Sofia City Court was confirmed, in the part with which the filed claim under art. 59, para. 5 of the Bank Insolvency Act.

The decision of the Court of Appeal - Sofia was appealed to the Supreme Court of Cassation. On the filed cassation appeal a commercial case No. 2317 / 2020 was initiated according to the list of the Supreme Court of Cassation.

The company has performed an analysis of the available facts and circumstances. The legal consequences of the decisions of the Sofia City Court and the Court of Appeal - Sofia, which have not yet entered into force:

- with respect to Mini Maritza-Iztok EAD - it is assumed that no set-off of the counter-liabilities has been made and the company should repay (repay) the balance of the investment loan to the account of CCB AD (n) - EUR 4,256,244.59.

- with regard to BEH EAD and the concluded assignment agreement - according to the agreement between the parties, the assignment agreement will be terminated by law, restoring the legal status of the parties before its
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

conclusion, without consequences for them, ie. BEH EAD will have a receivable from CCB AD (n) in the amount of EUR 4,256,244.59 and should be included in the List of Creditors.
Mini Maritsa Iztok EAD are included in the List of creditors of CCB AD (n), and at present the company is allocated to receive monetary amounts totaling BGN 3,573,045.46. This receivable of Mini Maritsa Iztok EAD will be offset by the liability of Mini Maritsa Iztok EAD for the balance of the investment loan. The difference due will be repaid with subsequent payments due or again by offsetting.

Bulgargaz EAD

According to a contract concluded in 2020 with a banking institution, Bulgargaz EAD was provided with a credit product in the form of a bank guarantee. The guarantee is in favor of a natural gas supplier and is an obligation of the Bank to repay liabilities of Bulgargaz EAD in case they arise, which meets the conditions for a contingent asset. To secure the receivables of the Bank, in connection with the provided loan, the Company has established collateral in its favor, which is in a special account of the Company and has the character of a contingent liability.

40.4. Contingent assets

Bulgargaz EAD

Bulgargaz EAD has initiated an international arbitration case №78/2019 of the International Commercial Arbitration Court at the Romanian Chamber of Commerce and Industry, against the National Gas Transmission Company Transgaz SA, Romania. The expected outcome of the case is a full recovery of the amount, which amounts to USD 923 thousand.

40.5. Others

Natsionalna Elektricheska Kompania EAD

Obligations of NEK EAD in relation to the development of the energy sector

In connection with the modernization of Unit 5 and 6 of Kozloduy NPP, on 29.05.2000 a loan agreement was signed between NPP Kozloduy as a Borrower, the Natsionalna Elektricheska Kompania (NEK) EAD as Guarantor and the European Atomic Energy Community EURATOM as Lender for a loan amounting to EUR 212.5 million to finance the Program for the Modernization of the Energy units. Pursuant to the contract, NEK EAD together with the Nuclear Power Plant Kozloduy is responsible as the sole principal debtor. On the same date, a Guarantee Agreement between the Republic of Bulgaria as Guarantor and the European Atomic Energy Community (EURATOM) as a Lender was signed, whereby the state also guarantees the repayment of the loan. The two agreements were ratified by a law by the 38th National Assembly of the Republic of Bulgaria on 29.11.2000. The loan was granted in 8 tranches with variable interest rate of six-month EURIBOR with a surcharge of up to 0.13% and one of the installments with a fixed interest rate of 5.76%. The repayment period of the principal on the loan for each tranche is different. The repayment deadline is 10 May 2021. The loan is fully utilized and is repaid in accordance with the arrangements reached. The repayable portion of the loan granted by EURATOM as of 31 December 2020 amounted to BGN 5,562 thousand (principal).

Long-term power purchase agreements (PPAs)

On 13 June 2001 NEK EAD signed a long-term - 15-year contract with Consolidated Continental Commerce Limited, currently AES-3C Maritsa East 1 EOOD (AES) for the purchase of electricity. The contract enters into force gradually upon the commissioning of the new capacity on June 2, 2011 and upon reaching the full net capacity of 600 MW by TPP AES Galabovo as of December 28, 2011. On 14.08.2015 an agreement was concluded to reduce the availability price by 14%, which is effective from 26.04.2016, after payment of obligations to the plant. Accordingly, NEK EAD has committed not to fall into arrears to the power plant in the future. If this condition is not met by the company, the agreed reduction will not be applied until the overdue amounts are paid by NEK EAD to the power plant.

Pursuant to a special pledge contract dated 30.11.2005 and an amendment to the special pledge contract dated 26.04.2016, NEK EAD has pledged its receivables for sold electricity from EVN Bulgaria Power Supply EAD and Energo-Pro Sales AD as a guarantee against future obligations to buy electricity. The amount of the pledged claims is equal to the expected maximum total payment for purchased electricity for any month of the calendar year.

Pursuant to the long-term power purchase agreement, NEK EAD is obliged to buy a minimum quantity of 3,156,500 MWh of electricity per calendar year (or a proportional quantity for an incomplete calendar year) and the availability agreed with a trade schedule.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

On 13 June 2001, a long-term 15-year power and availability purchase agreement between NEK EAD and Maritza East 3 AD, currently ContourGlobal Maritza East 3 was concluded. The contract entered into force in February 2009 upon completion of the agreed rehabilitation activities for the modernization of the existing TPP Maritza East 3, after which the installed capacity is 808 MW.

Pursuant to a special pledge contract dated 01.02.2002 and the latest agreement for amendment of the special pledge contract dated 26.04.2016, NEK EAD has pledged its receivables for sold electricity from CEZ Electro Bulgaria AD, Energo-Pro Sales AD, as guarantee against future obligations to purchase electricity. The amount of pledged claims is equal to 1.25 times the expected maximum total payment for purchased electricity for any month during the calendar year.

In execution of the power and availability purchase contract, NEK EAD issues annually promissory notes in favor of ContourGlobal Maritza East 3 AD. Pursuant to the long-term power purchase agreement NEK EAD is obliged to buy a minimum quantity of 3,489,000 MWh of electricity per calendar year (or a proportional quantity for an incomplete calendar year) and base availability.

As of 26 April 2016, agreements came into force to reduce the availability price by 15% of ContourGlobal Maritza East 3 and by 14% of AES - 3C Maritza East 1, after payment of the obligations of NEK EAD to both power plants. Accordingly, NEK EAD has committed not to fall into arrears to the power plant in the future.

The table below shows the obligations of NEK EAD regarding the minimum payments for purchased electricity and availability for the remaining term of the long-term contracts for the purchase of energy from thermal power plants.

<table>
<thead>
<tr>
<th>Total minimum due amount</th>
<th>BGN' 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum due payments for purchased availability *</td>
<td>2,586,469</td>
</tr>
<tr>
<td>Minimum due payments for purchased electricity **</td>
<td>4,428,724</td>
</tr>
<tr>
<td>** The amount stated is the minimum amount due under the long-term power purchase agreements and is formed on the basis of fixed pricing elements and fixed escalation items.</td>
<td></td>
</tr>
<tr>
<td>** The amount stated is calculated on the basis of the price for electricity and availability according to submitted price application by NEK EAD to the EWRC for the regulatory period 2021-2022.</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>7,015,193</td>
</tr>
</tbody>
</table>

The minimum payments for purchased availability under each of the long-term power purchase agreements from thermal power plants are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Up to 1 year</th>
<th>From 1 to 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum payments for purchased availability</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
<td>BGN' 000</td>
</tr>
<tr>
<td></td>
<td>626,086</td>
<td>1,805,470</td>
<td>154,913</td>
<td>2,586,469</td>
</tr>
</tbody>
</table>

In 2020, NEK EAD purchased net electricity of 4,115 GWh from ContourGlobal Maritza East 3 AD, which is higher quantity than the minimum contracted 3,489 GWh. under the PPAs.

2,767 GWh of net electricity has been purchased from AES Maritza East 1, which is below the mandatory minimum amount of electricity of 3,156 GWh to be purchased in PPAs.

According to the requirements of the Renewable Energy Act, NEK EAD as a public supplier until 24 July 2015 had the obligation to buy all the electricity produced from renewable or alternative energy sources except for the energy produced by hydropower plants with installed power exceeding 10 MW. With the amendment of Article 31, paragraph 5 of the same Act, the Public supplier or the End Suppliers respectively shall buy out the produced electricity from renewable sources at a preferential price for the quantities of electricity up to the amount of the net specific electricity production on the basis of which preferential prices in the relevant decisions of the EWRC are set. Quantities of electricity over the net specific production shall be purchased at the surplus price of the balancing market or, in accordance with Article 31, para. 12, may be offered on the open market. The mandatory purchase of electricity is made under purchase contracts. Under the Renewable Energy Act, amended on 3 May 2011, the duration of the contracts is 20 years - for electricity produced from geothermal and solar energy and for electricity produced from biomass, 12 years - for electricity produced from wind energy and 15 years - for electricity produced from hydropower plants with installed capacity of up to 10 MW, as well as for electricity produced from other types of renewable energy sources. The periods for mandatory purchase start from the date of commissioning of the energy site, and for energy
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

sites put into operation after 31 December 2015, the period is reduced by the time from that date to the date of commissioning of the energy site.

With the entry into force of the EWRC price decision for the regulatory period 2019 - 2020 as of 01.07.2019 the obligations of NEK EAD for the purchase of electricity have decreased and the company buys electricity only from RES power plants, which have up to 1 MW of installed capacity.

Pursuant to the provision of paragraph 34, para. 8 of the Transitional and Final Provisions of the Law for amendment and supplement of the Energy Act (SG, no. 41 of 21.05.2019) the contracts of the Company with producers of RES with total installed capacity from 1MW to 4 MW are terminated from the date of entry into force of contracts for compensation with a premium to producers with the Electricity System Security Fund.

As of 31 December 2020, the Company has no long-term power purchase agreements.

Balances with Irrigation Systems EAD

NEK EAD and Irrigation Systems EAD carry out activities for maintenance and exploitation of dams, dam walls, hydrotechnical and hydro-meliorative facilities, fulfilling the obligations imposed by the Ministry of Environment and Waters for the provision of water. NEK EAD, through the Dams and Cascades Company, has provided the “water supply” service to Irrigation Systems EAD, and similar kind of service has been provided by Irrigation Systems EAD of NEK EAD.

No agreement has been reached between the company and Irrigation Systems EAD, and no water supply protocols were signed for the period from May 2003 to the date of issuance of these financial statements, which is why additional liabilities may arise to “Irrigation Systems”EAD, which at this time cannot be reliably determined.

In this regard, an agreement has been concluded between NEK EAD and Irrigation Systems EAD, by which both parties have declared that each of them performs the service "water supply" of the other party. The agreement provides for the signing of contracts to regulate the rights and obligations of each party related to the provision of the "water supply" service.

NPP Kozloduy EAD and its subsidiaries

Non-current assets intended for distribution to owners

RAW processing, storage and disposal are RAW management activities which, according to the SUNEA, have to be carried out by the SE RAW to ensure the protection of the interests of the citizens of the Republic of Bulgaria and the responsibility of the Bulgarian State and its competent authorities. (Note 27).

Mini Maritsa Iztok EAD

Concession contract engagements

Under a concession agreement for the development and extraction of coal, the subsidiary Mini Maritsa Iztok EAD is obliged to allocate funds in favor of the Ministry of Energy which can be used only for the purpose for which they are intended (the types of works for the final leaving the concession area) and after explicit permission from the Ministry of Energy. By letter ref. No.E-26-M-258/25 June 2018 a new updated project for leaving the concession area with a total final value of BGN 169,291 thousand was approved. According to this project, Mini Maritsa-Iztok EAD should transfer annually to escrow accounts an amount of BGN 4,385 thousand. The amount has been approved by the Ministry of Energy, and in October 2019 an annex was signed. In February 2020, Mini Maritsa Iztok EAD launched a procedure for servicing banks. As of 31 December 2020, the procedure has not been finalized, as only two of the required four contracts have been concluded with servicing banks. In 2021, on the basis of the current contracts with servicing banks, a procedure for opening accounts for the Leaving Fund will be initiated.

40.6. Insurance

NPP Kozloduy EAD and its subsidiaries

The Law on the Safe Use of Nuclear Energy sets a limit for the operator's liability for damage caused by nuclear accidents. The law limits the operator's liability to BGN 96,000 thousand for each accident. Under the Vienna Convention on Civil Liability for Nuclear Damage, the operator is required to maintain insurance or other financial guarantee for nuclear damage during the lifetime of the nuclear installation. NPP Kozloduy EAD has concluded an insurance policy covering the limits stipulated by law. On 31 July 2018, a new contract Bulgarian National Insurance Pool was concluded with a one-year coverage period from 1 August 2018 to 1 August 2019. The sum insured amounts to BGN 794 thousand, of which BGN 779 thousand is the insurance premium and BGN 15 thousand tax on the premium. On 1 August 2019, a new contract was concluded with a one-year coverage period from 1 August 2019 to
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

1 August 2020. The sum insured amounts to BGN 806 thousand, of which BGN 791 thousand is the insurance premium and BGN 15 thousand tax on the premium. On 1 August 2020, a new contract was concluded with a one-year coverage period from 1 August 2020 to 31 July 2021. The sum insured amounts to BGN 822 thousand, of which BGN 806 thousand is the insurance premium and BGN 16 thousand tax on the premium. The company has a property insurance “Industrial Fire” with a coverage period from 1 January 2016 until 31 December 2020. For the period 1 January 2020 to 31 December 2020 the sum insured amounts to BGN 13,640 thousand. (EUR 6,974 thousand).

40.7. Guarantees

_NPP Kozloduy EAD and its subsidiaries_

Bank guarantees and cash collaterals amounting to BGN 16,254 thousand were opened to the benefit of the Group as of 31 December 2020 (31 December 2019: BGN 95,977 thousand).

As of 31 December 2020, the Group has provided various cash guarantees and collateral in the total amount of BGN 11,591 thousand.

_Bulgarrtransgaz EAD_

To the benefit of the company, bank guarantees were issued by third parties amounting to BGN 54,376 thousand.

On 1 July 2019, a corporate guarantee was issued in favor of the Group under a capacity reservation agreement in the amount of BGN 1,085,313 thousand by a foreign legal entity.

_Natsionalna Elektricheska Kompania EAD_

The balance of the issued bank guarantees under an order of NEK EAD to the benefit of other companies/third parties/ as of 31 December 2020 is in the amount of BGN 100 thousand. It is to related parties of BEH Group - the subsidiary ESO EAD. As at 31 December 2019 it amounts to BGN 225 thousand, including to related parties ESO EAD in the amount of BGN 100 thousand and to Independent Bulgarian Energy Exchange in the amount of BGN 125 thousand.

40.8. Promissory notes

_Natsionalna Elektricheska Kompania EAD_

As at 31 December 2020 NEK EAD has issued promissory notes in the total amount of BGN 100,486 thousand, including to related parties ContourGlobal Maritsa East 3 in the amount of BGN 100,376 thousand, to ESO EAD in the amount of BGN 110 thousand. As of 31 December 2019 NEK EAD had issued promissory notes on investment projects to the benefit of banks providing loans under the contracts for the construction of these sites and other projects in the total amount of BGN 190,855 thousand, including related parties ContourGlobal Maritsa East 3 in the amount of BGN 108,316, to ESO EAD in the amount of BGN 110 thousand and to the Independent Bulgarian Energy Exchange in the amount of BGN 138 thousand.

41. Events after the end of the reporting period

No adjusting events or significant non-adjusting events occurred after the reporting period until the date of approval of the financial statements for issue except for the following:

_Extension of the epidemic emergency situation in connection with the spread of Covid-19_

In connection with the continuing global pandemic of Covid-19, with a Decision of the Council of Ministers No. 72 of January 26, 2021, the term of the emergency epidemic situation in Bulgaria was extended until April 30, 2021.

_Bulgarian Energy Holding EAD_

_Disbursement of a tranche under a Financing Agreement for the construction of an IGB gas pipeline with the European Investment Bank and granting of a second tranche under a Shareholder Loan Agreement with ICGB AD_

On January 18, 2021, the second tranche of the Financing Agreement for the construction of the IGB gas pipeline with the European Investment Bank in the amount of EUR 30 million was disbursed and the amount was provided to ICGB AD under a Shareholder Loan Agreement. The due date for repayment of the amount is 18 January 2046.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

Re-election of the members of the Audit Committee

By a protocol decision of 26 February 2021 of the Minister of Energy, the members of the Audit Committee were re-elected with a new term of three years, as follows:

- Nadezhda Dimitrova Sandolova-Hristova - member
- Vanya Doneva Georgieva - member
- Magdalena Georgieva Lateva - member

Publication of a fourth partial account for distribution of funds from Corporate Commercial Bank AD (н)

On 17 February 2021, a fourth partial account was published for distribution of available amounts among the creditors of Corporate Commercial Bank AD (in bankruptcy). The allocated amount for Bulgarian Energy Holding EAD amounts to BGN 752,153.43 and was received on 5 April 2021.

Adoption of a new Articles of association of Bulgarian Energy Holding EAD

With a protocol decision of 16 April 2021, the Minister of Energy adopted a new Articles of Association of Bulgarian Energy Holding EAD, submitted for announcement in the Commercial Register and the Register of Non-Profit Legal Entities on 20 April 2021.

Change in the management of Bulgarian Energy Holding EAD

By a protocol decision of 19 April 2021, a new composition of the Board of Directors was elected of the Minister of Energy, as follows:

- representatives of the state in the Board of Directors: Stelian Penchev Koev, Ivan Todorov Andreev, Valentin Aleksiev Nikolov
- independent member of the Board of Directors: Dyan Stanimirov Dimitrov;
- Member of the Board of Directors for a period from the date of registration until a new selection procedure: Aleksandar Plamenov Tsarnorechki.

The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 31 May 2021.

Change in credit rating assigned by Fitch Ratings

On 26 February 2021 the rating agency raised the perspective of the long-term credit rating in foreign and local currency of BEH EAD from stable to positive, maintaining the rating at the level of “BB”, and the rating “BB-” of “Bulgarian Energy Holding” EAD of the unsecured foreign currency bonds was confirmed.

On 10 May 2021, the rating agency upgraded the credit rating of the unsecured bonds of Bulgarian Energy Holding EAD to the BB level from BB-.

Natsionalna Elektricheska Kompania EAD

Publication of a fourth partial account for distribution of funds from Corporate Commercial Bank AD (н)

On 17 February 2022 a fourth partial account for distribution of available amounts between the creditors of Corporate Commercial Bank AD (н) was published in the Commercial Register, as the distributed amount in favor of NEK EAD amounted to BGN 767 thousand and the same was received as of the date of issuance of report.

Decision of the Sofia Court of Appeal regarding Energy Financial Group AD

On 15 March 2021, a decision of the Sofia Court of Appeals was issued, which confirmed the decision of the Sofia City Court to uphold a claim filed by Energy Financial Group AD against NEK EAD for principal and interest in the amount of BGN 3,063 thousand. NEK filed a cassation appeal and requested suspension of the execution of the appellate decision and a security was paid to the account of the Supreme Court of Cassation.

Cancellation of collateral on a loan from Bank Austria Creditanstalt

As of 31 December 2019, the loan from Bank Austria Creditanstalt has been fully repaid. In 2020 the activity on cancellation of the loan collateral by Bank Austria Creditanstalt has started and as of 31.12.2020 there is a partial cancellation of collateral, as of 31.03.2021 all collateral on the loan has been completely canceled.
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

TPP Maritsa East 2 EAD
The simultaneous decrease and increase of the capital of Professional Football Club Beroe - Stara Zagora EAD was entered in the Commercial Register on 25.02.2021.
On 10.03.2021, Professional Football Club Beroe - Stara Zagora EAD paid to TPP Maritsa East 2 EAD the interest on commercial loans accrued until 25 February 2021, in the amount of BGN 132,584.16, whereby the liabilities are fully repaid.

Change in the management of "TPP Maritsa East 2" EAD
With a protocol decision of 21 April 2021 of the Board of Directors of Bulgarian Energy Holding EAD, a new composition of the Board of Directors of TPP Maritsa East 2 EAD was elected, as follows:
- representatives of the state in the Board of Directors: Zhivko Dimitrov Dinchev, Ruslan Tanev Germanov, Boyan Ivanov Boev;
- independent members of the Board of Directors: Milan Angelov Milanov, Boncho Ivanov Bonev.
The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 27 April 2021.

NPP Kozloduy EAD

Change in the management of NPP Kozloduy EAD
With a protocol decision of 19 April 2021 of the Board of Directors of Bulgarian Energy Holding EAD, a new composition of the Board of Directors of NPP Kozloduy EAD was elected, as follows:
- representatives of the state in the Board of Directors: Nasko Assenov Mihov, Aleksandar Hristov Nikolov, Vladimir Andreev Uruchev;
- independent members of the Board of Directors: Iliya Todorov Iliev, Iva Eduard Nikolova.
The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 23 April 2021.

Bulgargaz EAD

Agreements with clients of the company
On 25 February 2021, Additional agreements were signed with the last clients, in connection with the refund of funds from Bulgargaz EAD to clients of the company for the period from 05.08.2019 to 31.03.2020, according to the Law for supplementing the Energy Act. The signed Agreements are reflected as adjustment events for 2020.

Termination of a contract of a member of the Board of Directors
The contract for assignment of management services of Bulgargaz EAD to Peto Angelov Ivanov, in his capacity of non-executive member of the Board of Directors and Chairman of the Board of Directors, was terminated as of 11 February 2021, and the termination was entered in the Commercial Register of 1 March 2021.

Mini Maritsa Iztok EAD

Signing of an additional agreement with Brickel EAD
In December 2020, an Additional Agreement to Contract №2-2015 / 09.09.2015 for the supply of lignite coal was concluded with Brickel EAD. The agreement entered into force on 01.01.2021, extending the term of the Contract from 01.01.2021 to 31.12.2021 and agreeing on the quantities of lignite coal that the company will supply to Brickel EAD during this period.

Publication of a fourth partial account for distribution of funds from Corporate Commercial Bank AD (n)
On 17 February 2021, a fourth partial account was published in the Commercial Register for distribution of available amounts among the creditors of Corporate Commercial Bank AD (in bankruptcy). Mini Maritsa-Iztok EAD has been allocated an amount of BGN 927,646.90.

Bulgartransgaz EAD

Shareholding in Gastrade SA
On 28 January 2021, the transaction for acquisition of a shareholding in Gastrade SA in the amount of 20% of its capital from Bulgartransgaz EAD was finalized and on the same date Bulgartransgaz EAD was entered as a
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

shareholder in the book of shareholders of Gastrade S.A. On 19.02.2021, the Management Board of Bulgartransgaz EAD approved an increase in the share capital of Gastrade S.A. with the amount of EUR 2,000 thousand.

Publication of a fourth partial account for distribution of funds from Corporate Commercial Bank AD (n)
On 17 February 2021, a fourth partial account was published in the Commercial Register for distribution of available amounts among the creditors of Corporate Commercial Bank AD (in bankruptcy). An amount of BGN 3,081 thousand has been allocated to Bulgartransgaz EAD.

Gas Hub Balkan EAD license
On 25.03.2021, the Energy and Water Regulatory Commission adopted a Decision for issuing a License for the activity "organization of a natural gas exchange market" according to Art. 39, para. 1, item 6 of the Energy Act to Gas Hub Balkan EAD.

Gas interconnection Bulgaria-Serbia
On 7 April 2021, the Management Board of Bulgartransgaz EAD took a final investment decision for the implementation of the Bulgaria-Serbia Gas Interconnection on Bulgarian territory. The estimated value of the investment is BGN 153,184 thousand.

Election of new members of the Supervisory Board
According to a decision of Bulgarian Energy Holding EAD dated 13.04.2021, new members of the Supervisory Board of Bulgartransgaz EAD have been elected. On 27.04.2021 in the Commercial Register and the Register of Non-Profit Legal Entities the following persons were entered as members of the Supervisory Board of Bulgartransgaz EAD: Kiril Georgiev, Snezhana Yovkova-Markova, Delyan Koynov, Stefan Iliev and Nikolay Stefanov.

Election of new members of the Management Board
According to a decision of the Supervisory Board of Bulgartransgaz EAD dated 14.05.2021, the following members of the Management Board of the Company were elected - Vladimir Malinov, Darina Koleva and Delyan Dimitrov.

Utilization of bank loans
Until the date of preparation of the consolidated statement of Bulgartransgaz EAD, loans in the amount of EUR 175,668 thousand and BGN 113,584 thousand have been utilized from several Bulgarian commercial banks. The funds are intended to finance investment costs.

Accounting of activities under a project for expansion of the gas transmission infrastructure of Bulgartransgaz EAD
Documents were received certifying and confirming that activities under the project "Expansion of the gas transmission infrastructure of Bulgartransgaz EAD parallel to the northern (main) gas pipeline to the Bulgarian-Serbian border" - stage "Linear part" with a length of 474 km were actually carried out to the date of the financial statements. The amount of project costs invoiced in 2021, but relating to 2020 amount to BGN 724,010 thousand. As a result, the management of the company has made a reasonable assessment that the value of the contract should be recognized in its entirety and in accordance with the actual activities performed under the project. In addition, an additional value of BGN 116 million has been accrued, which is expected to be invoiced by one of the project contractors within 2021.

Electricity System Operator EAD

Commitments under case AT.39767
From January 2021, given the deadline for the commitments signed by BEH EAD under case AT.39767 (BEH-Energy) of the European Commission, ESO EAD started purchasing electricity to cover the technological costs of the day-ahead market segment, which will allow effective management of the operator's portfolio, taking into account the nature of technological costs, their connection with the system load. In this regard, ESO EAD will be able to use the new financial mechanism of IBEX EAD for trading in Euro-denominated Bulgarian financial futures for products on a weekly, monthly, quarterly and annual basis. Financial settlement is performed by European Commodity Clearing (ECC) and is based on the achieved day-ahead market price.

The establishment of a subsidiary ESO Engineering EOOD
The establishment of a subsidiary ESO Engineering EOOD with a sole owner of the capital ESO EAD with a share capital of BGN 500,000, which has been paid in full, has been entered in the Commercial Register as of February 18,
Bulgarian Energy Holding EAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2020

2021. The new company has the following activities: “Design, consulting, construction of technologies and projects for energy sites, project management, construction, commercial representation and mediation, domestic and foreign trade, purchase and sale of real estate, transport and forwarding, and any other commercial activity that is not explicitly prohibited by law.” and with registration address Sofia, Stolichna Municipality, Sofia 1404, Triaditsa district, 24 Petko Yu. Todorov Blvd.

EWRC decisions in connection with Regulation 2017/1485

In connection with the requirements of Regulation 2017/1485 for establishing guidelines on the operation of electricity transmission systems, as well as Regulation 2017/2195 on guidelines for electricity balancing, ESO EAD is obliged to maintain operational reserves.

With State Gazette 9/02.02.2021 becomes effective the Law for amending and supplementing the Energy Act, which provides for the elimination of transactions for the purchase of cold reserve, and for the needs of the management of the electricity system will be concluded on a market basis transactions for the purchase of availability for primary frequency containment, automatic secondary containment and manual secondary frequency containment reserves and exchange capacities.

In view of the changes that have become effective, the Energy and Water Regulatory Commission has adopted Decision C-10 of 24.02.2021, which determines the amount of operating reserves that ESO EAD should maintain and for which to pay availability:

- Frequency containment reserve (FCR) - 45 MW.
- Frequency restoration reserve (aFRR) - 155 MW.
- Manual frequency restoration reserve (mFRR) - 100 MW from hydropower plants (HPPs) to cover the impact of electricity production from renewable sources (RES). According to Art. 157, para. 2, p. "D" and "e" of Regulation 2017/1485, the amount of this reserve must not be less than the size of the largest "reference" accident (single generating capacity, consumer or interconnector in the electricity system). For the case of Bulgaria, this is generating capacity of NPP Kozloduy in the amount of 1000 MW net. Pursuant to Decision № ІІ-29 of 01.07.2020 of EWRC, ESO EAD has funds for payment of availability for cold reserve in the amount of 650 MW * h on average per year, which should be transformed into an additional amount of reserve for manual frequency restoration.

The decision of the EWRC only led to a change in the structure of the price-forming elements forming the access prices of the producers, namely: availability costs for reserves for primary frequency regulation, costs for automatic secondary regulation and costs for manual secondary regulation of frequency and exchange capacities, without the need to amend the approved by ESO EAD with Decision №ІІ-29 of 01.07.2020 d. The current prices for access to the electricity transmission network for the producers shall remain at the same level until the expiration of the regulatory period 30.06.2021.

Change in the management of Energy System Operator EAD

With a protocol decision of 20 April 2021 of the Board of Directors of Bulgarian Energy Holding EAD, a new composition of the Supervisory Board of ESO EAD was elected, as follows:

- representatives of the state in the Supervisory Board: Petar Statev Petrov, Evden Todorov Nikolov, Plamen Georgiev Radonov;
- independent members of the Supervisory Board: Aleksandar Aleksandrov Trichkov, Kostadin Ivanov Popov;

The change was entered in the Commercial Register and the Register of Non-Profit Legal Entities on 21 May 2021.

42. Approval of the Consolidated Financial Statements

The Consolidated Financial Statements as of 31 December 2020 (including comparative information) were approved and adopted by the Board of Directors of BEH EAD on 15 June 2021.