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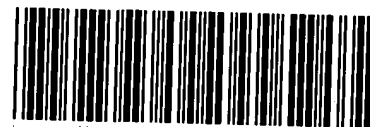
DON'T
STAPLE**OS AA01**Statement of details of parent law and other
information for an overseas company

Companies House

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You may use this form to
accompany your accounts
disclosed under parent law.

☒ What this form is NOT for
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with accounting requirements.

THURSDAY



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COMPANIES HOUSE

Part 1**Corporate company name**

→ Filling in this form

Please complete in typescript or in
bold black capitals.All fields are mandatory unless
specified or indicated by *① This is the name of the company in
its home state.Corporate name of
overseas company ①

BULGARIA AIR AD

UK establishment
number

B R 0 1 3 1 5 7

Part 2**Statement of details of parent law and other
information for an overseas company****A1****Legislation**Please give the legislation under which the accounts have been prepared and
audited.② This means the relevant rules or
legislation which regulates the
preparation of accounts.

Legislation ②

BULGARIAN LAW

A2**Accounting principles**

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box.

☐ No. Go to Section A3.☒ Yes. Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3.③ Please insert the name of the
appropriate accounting organisation
or body.Name of organisation
or body ③INTERNATIONAL
ACCOUNTING STANDARDS/EU

OS AA01

Statement of details of parent law and other information for an overseas company

A3

Audited accounts

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box.

☐ No. Go to Part 3 'Signature'.

☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'.

❶ Please insert the name of the appropriate accounting organisation or body.

Name of organisation or body ❶

INTERNATIONAL ACCOUNTING
STANDARDS / EU

Part 3

Signature

I am signing this form on behalf of the overseas company.

Signature

Signature

X



X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

**Presenter information**

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name
KRISTINA PANAYOTOVACompany name
BULGARIA AIR ADAddress
ROOM 3718 TICKET POD 3**TERMINAL FOUR****HEATHROW AIRPORT**Post town
HOUNSLOWCounty/Region
MIDDLESEXPostcode
TW6 3FB

Country

DX

Telephone
07889664174**Checklist**

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

**Important information**

Please note that all this information will appear on the public record.

**Where to send**

You may return this form to any Companies House address:

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
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Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF.
DX ED235 Edinburgh 1

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Annual Activity Report
Independent Auditor's Report
Financial Statements

BULGARIA AIR AD

31 December 2022

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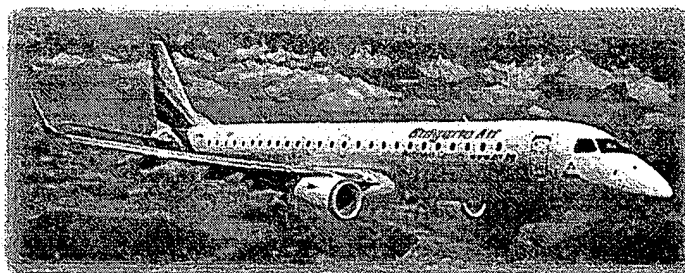
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Annual Activity Report of Bulgaria Air AD for 2022

I. General overview

Bulgaria Air AD airline is a joint stock company registered in 2000 in the Trade Register under UIC 000633828. Until 14 February 2007 the sole owner of the Company is the Republic of Bulgaria, represented by the Ministry of Transport, Information Technologies, and Communications. The Company is registered and domiciled in Sofia, Slatina Municipality, Sofia Airport, 1 Brussels Blvd. The Company does not have any branches.

On 14 February 2007 the Company became privatized. Bulgarian Airways Group EAD becomes the owner of the share capital. One of the shares of the Company is owned by the Bulgarian state.



Bulgaria Air AD is the national carrier of the Republic of Bulgaria. The main activities of the Company comprise providing domestic and international aviation services, transport of passengers, freight, and airmail under scheduled international flights as well as charter flights and other related activities.

Bulgaria Air AD is an aviation company, its main activities being domestic and international aviation transportation of passengers, freight and airmail, using its own or leased aircraft, aircraft rental services /including wet and dry lease/, aircraft technical support and engineering services, tickets reservations and ticket sales, production-technical activities and intermediary services, personnel training and certification, domestic and foreign trade.

As of 31 December 2021, the Company has a Board of Directors (BoD) consisting of:

- Hristo Todorov Todorov – Member of the Board and CEO
- Miroslav Slavchev Petkov – Member of the Board
- Bulgarian Airways Group EAD – Member of the Board, represented by Hristo Todorov Todorov
- Georgi Ivanov Georgiev – Member of the Board.

There are no changes in the management bodies of Bulgaria Air AD in 2022.

In 2022, the Airline company is represented together by Hristo Todorov Todorov – executive director and by Bistra Tsvetkova Marinkova – procurator.

The share capital of the Company is BGN 120 000 000, comprising 120 000 ordinary shares, entitled to voting rights, with par value of BGN 1 000 per share. All shares are entitled to receive dividends and liquidation share and represent one voting right at the General Meeting of Shareholders. The share capital is fully paid by Bulgarian Airways Group EAD.



Bulgaria Air holds an operating license of a Community air carrier and an Air Operator Certificate issued by the Directorate General "Civil Aviation Administration" supervised by the Ministry of Transport, Information Technology and Communications.

Bulgaria Air AD is a member of the International Air Transport Association (IATA), which represents, manages and operates the aviation industry in the world. Bulgaria Air holds a certificate for aviation safety - IOSA (IATA Operational Safety Audit), which confirms that the Airline complies with international safety and quality standards. The safety certificate is part of IOSA program (IATA), which aims to provide and maintain a high standard of safety and quality among airlines. It is given after a thorough audit of the airlines by an international team of specialists in various fields. A total of 424 airlines worldwide have such a certificate. It certifies the successful work of the Company in eight key areas:

- ✓ General level of organization and management,
- ✓ Flight operations,
- ✓ Maintenance,
- ✓ Operational activity,
- ✓ Ground handling,
- ✓ Freight activity
- ✓ Cabin service and
- ✓ Security level.

II. Structure, organization, commercial network and partners

Governance

In compliance with the Articles of Association of Bulgaria Air AD approved by the General Meeting of Shareholders, the main governing bodies of the airline are:

- General Meeting of Shareholders (GMS);
- Board of Directors.

Each of the Air company's governing bodies has the relevant operating rules, which describe in detail the functions, rights and responsibilities of the respective body and its members.

General Meeting of Shareholders

The General Meeting of Shareholders includes all shareholders entered in the share book. They participate in the general meeting in person or through an authorized representative.

General Meeting of Shareholders:

- ☐ amends and supplements the Articles of Association of the Company;
- ☐ increases the equity;
- ☐ reduces the equity;
- ☐ takes decision on share repurchase, as well as on invalidation of shares in cases provided by law;
- ☐ transforms and terminates the Company;
- ☐ takes decision on the issuance of bonds, respectively their conversion into shares;
- ☐ appoints and dismisses registered auditors for performance of independent financial audit of the annual financial statements of the Company;
- ☐ approves for publication the audited annual financial statements;
- ☐ elects and releases from liability the members of the Board of Directors;
- ☐ resolves other issues provided in its competence by law or by the adopted Articles of Association of Bulgaria Air AD.

Board of Directors



The Board of Directors (Board of Directors) is a permanent collective body for governance and representation of the air company.

The Board of Directors:

- ☐ organizes the implementation of the decisions of the General Assembly;
- ☐ determines the organizational structure of the Company and the organizational structure of the staff of the Company;
- ☐ adopts rules for the organization and activity of certain structural units of the Company;
- ☐ approves the operational plans and the budget;
- ☐ prepares an annual accounting report and an activity report;
- ☐ takes decisions for significant organizational and structural changes;
- ☐ takes decisions for long-term cooperation of essential importance for the Company and termination of such cooperation;
- ☐ takes decisions on all other issues in respect of which the General Assembly does not have an exclusive competence;

In performing their tasks, the members of the Board of Directors are guided by the legislation, the regulatory framework applicable to the Company, as well as by the good practices for integrity and competence.

The activities of the airline are carried out in close interaction and cooperation between all structural units in the airline.

The structure of the airline consists of the following main directorates and directions:

- ☐ Flights Operations Directorate
- ☐ Maintenance Directorate
- ☐ Ground Services Directorate
- ☐ Aviation Security Department
- ☐ Administrative Department
- ☐ Domestic Flights Services Directorate
- ☐ Commercial Directorate
- ☐ Finance Directorate
- ☐ General Administration and Human Resources Directorate
- ☐ Safety and Quality Management System Department
- ☐ Controlling Division
- ☐ Data Protection Division
- ☐ Catering Department
- ☐ Legal and Insurance Department

The number of staff of the Company at the end of 2022 is 268 employees, divided into following categories:

Staff category	Number of employees	
	31.12.2022	31.12.2021
Cabin crew	67	47
Commanders and second pilots	36	41
Licensed technical staff	9	9
Other technical staff	6	5
Ticketing specialists	23	25
Other staff	127	123
Total	268	250



Bulgaria Air AD has highly qualified pilots (commanders and second pilots) who have the necessary experience and skills.

The main objective of the airline is to offer its customers the highest quality services on board using new, safe and comfortable aircraft and to continuously improve its product.



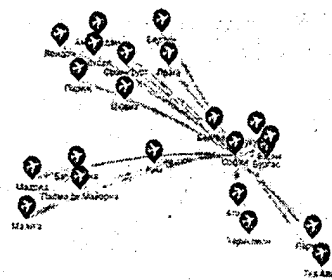
In 2022, Bulgaria Air AD operates with Airbus A 320, Airbus A 319 and Embraer 190 aircraft, expanding its fleet with 4 more Airbus A 320 aircraft put into exploitation in prior year.

Bulgaria Air distributes its product on the Bulgarian market through travel agencies and tour operators, the offices of Central Cooperative Bank, as well as through its Customer Service Center and its own sales offices, incl. online through the website www.air.bg and the mobile application Bulgaria Air. The company works with more than 180 travel agencies and tour operators in the country, as well as numerous representatives of the agency network in Europe, North America and the Middle East. Sales from agents in Bulgaria and abroad for 2022 represent 50.98% of the value of sales in an annual aspect, and from own offices in Bulgaria and abroad - 49.01%.

A management strategy is implementing to grow commercial activity at an accelerated pace and enter new markets by expanding the flight network, increasing operating frequencies and attracting new customers through advantageous offers for direct and transfer flights, depending on the specifics of each one market. The company's market share for 2021 based on passengers carried is 15.9%. In the past year, the national carrier "Bulgaria Air" has introduced additional online services that allow any passenger to add a preferred service to their booking via the website or mobile application.

The best-selling services on scheduled flights of "Bulgaria Air" - choosing a seat on the plane, adding additional checked baggage, transporting sports equipment or a pet, etc., are now available at any time of the day when buying a ticket online or then through the "Booking Check" option.

This is another step that the airline is taking in line with its mission to take care of passengers, offering them the highest quality of service and ensuring a peaceful journey.



Map of Bulgaria Air direct routes

Partnerships with other airlines

Bulgaria Air is constantly striving to increase the number of destinations offered by creating new partnerships with other airlines and expanding the scope of existing ones. A management strategy is implementing to grow commercial activity at an accelerated pace and enter new markets by expanding the flight network, increasing operating frequencies and attracting new customers through advantageous offers for direct and transfer flights, depending on the specifics of each one market.



The various commercial agreements provide flexibility in the booking process and help to increase the quality of service during travel by combining Bulgaria Air flights with flights operated by partners. In that way, "Bulgaria Air" manages to offer its customers a trip not only on 20 direct routes, but also an opportunity to travel to over 400 cities worldwide - Europe, Asia, Africa, Australia, North and South America on the basis of signed commercial partnership agreements with a number of airlines.

A basic prerequisite for the establishment and development of partnerships are the interline agreements that regulate the technical connectivity between the booking systems, the applicable conditions of carriage, and the rules for the accounting of funds from the sale of tickets issued for the partner's flight. Bulgaria Air has entered into interline agreements with 45 airlines which allow for the mutual recognition and reliance on transport documents issued for the flights of these airlines.

Greater opportunities for expanding sales volumes to increase the number of destinations offered at a given point are achieved by signing a special prorate agreement (SPA) between the interline partners. This is one of the major commercial contracts that allows customers to use the flights of two or more airlines on the basis of specially negotiated prices and estimates between partners. Increased demand, network connectivity, convenient connections at the transfer point, etc. are prerequisites for preferential ticketing agreements on certain routes. The benefits of concluding preferential agreements include more flexible pricing, more booking classes, increased service quality, facilitated re-routing in case of irregularity, etc. Bulgaria Air has concluded more than 13 bilateral preferential fare agreements. The best example of flexibility in creating reservation, excellent quality of the service offered and convenient connections at the transfer points is provided by the multilateral contract between Bulgaria Air and Air France/KLM - Royal Dutch Airlines/Delta Airlines, which is preferred by the customers of Bulgaria Air, not only for trans-oceanic travel, but also for travel within Europe. The most commonly used fare agreements are those with Virgin Atlantic, American Airlines, Condor, TAP, Finnair, Icelandair, Emirates and Air Baltic.

In 2022, the airline concluded a new SPA contract with Azerbaijan Airlines, which enabled passengers of both airlines to benefit from preferential prices for air tickets and more affordable booking classes for travel between Sofia and Baku.

Another kind of major commercial agreement is the Codeshare Partnership (CSA). In this case, the operating carrier provides an opportunity for its partner, called marketing carrier, to place its flight code on the airline that carries out the shipment.

This allows the customers of Bulgaria Air to use more flights to a destination under a simplified reservation procedure, both on their own flights and on the flights of the partner on the route. The main Codeshare partners are Air France, KLM, Qatar Airways, Iberia, Aegean, TAROM, Air Serbia.

In 2022, it fixed its long-standing CSA partnership with the French airline Air France. A new step in cooperation is the removal of the quota principle for the carriage of passengers on flights operated by a partner. This provided customers of both airlines with unlimited travel on flights operated by the marketing carrier. Thanks to this, "Bulgaria Air" was able to guarantee the fast and trouble-free transfer of passengers, both between Bulgaria and overseas destinations, and between the country and the interior of France.

In the same year, a new CSA contract was also concluded with the Italian national carrier ITA Airways, through which an increase in the frequency of flights on the Sofia - Rome division was achieved, as well as an expansion of the network of destinations that Bulgaria Air offers to its customers.



Another prestigious CSA cooperation of "Bulgaria Air" is with Qatar Airways, under which joint flights Sofia-Doha-Sofia are offered, with the possibility of departure from Varna. This contract provides the airline's passengers with good connection to multiple destinations in Asia accessible with just one connecting flight.

III. Business performance and position of Bulgaria Air AD

1. Overview of Company's activity

As at 31 December 2022, the Company owns 1 aircraft type E190-LZ-PLO and operates with the following aircraft under an operating lease:

- Airbus, Type A 320 - 5 airplanes with the following registration initials LZ-FBD, LZ-FBG, LZ-FBK, LZ-FBI and LZ-FBH;
- Airbus, Type A 319 - 2 airplanes with the following registration initials, LZ-FBB, LZ-FBA;
- Embraer, Type E 190 - 3 airplanes with the following registration initials LZ-SOF, LZ-VAR, LZ-BUR and LZ-PLO;

The main activities of airline Bulgaria Air are aimed at:

- ✓ Carrying out of regular international flights to more than 20 destinations in Europe and the Middle East including capitals and other major cities in Germany, the UK, Switzerland, Spain, Italy, France, Austria, Belgium, Greece, Czech Republic, the Netherlands, Israel, Lebanon and Cyprus;
- ✓ Carrying in and out of regular domestic flights from Sofia, Varna and Burgas;
- ✓ Transport of cargo and mail – the airline works with all registered logistic companies on the Bulgarian market and with selected partners on the foreign markets;
- ✓ Transport of tourists on request by tour operators to different destinations in Europe, the Middle East and North Africa. There are also ad-hoc charters - single charter flights for corporate and private customers;
- ✓ Lease of airplanes – mainly "wet" and "dry" aircraft are offered to other airlines in Europe and the Middle East.

Customer loyalty programme FlyMore

Bulgaria Air has a developed active customer loyalty programme FlyMore which is gaining more popularity and customers. The program allows our customers to accumulate reward points for direct flights and for travel on partner airlines in cases where the ticket is issued by Bulgaria Air and its number starts with 623. Passengers can exchange their points for various services and privileges such as:

- ✓ bonus tickets for regular Bulgaria Air flights
- ✓ UPGRADE to Business Class with the purchase of an Economy Class ticket (subject to availability)
- ✓ a right to an additional 23kg. luggage to the free norm for the corresponding class (with the exclusion of interline flights carried out by partner airlines) with a golden membership
- ✓ Seat selection in the aircraft
- ✓ airport business lounge vouchers* where complimentary food and beverages are provided
- ✓ attractive discounts when renting a car from Sixt
- ✓

**at gold level of membership only*

All loyalty programme members receive a voucher for 25% off their next direct airline flight as a birthday compliment.



In 2022, following the introduction of additional online services, the option of paid seat selection on all the airline's direct routes was also made available through Fly More loyalty points. In this way, the programme has once again expanded its range of services to maximise the satisfaction and convenience of loyal customers.

The FlyMore programme offers three levels of memberships: Basic Level, Silver Standard Card and Gold Privilege Card.

Bulgaria Air and Central Cooperative Bank created a special contactless co-branded Visa card aimed at those who frequently travel abroad. The co-branded cards are two types and provide different discounts.

In addition, "Bulgaria Air" is a partner of Central Cooperative Bank customers who hold a Visa Platinum card. Special discounts and privileges are available for these cardholders when using our services.

Effects of Covid-19 and the military conflict in Ukraine on the Company's operations

The aviation industry is a useful altimeter for the continuing effect of covid-19. Flights almost stopped in 2020 when virus-induced restrictions forced people to stay home. Since then, it has found its way up as lockdowns have fallen off and passengers who were denied holidays, visits to relatives and business trips are gradually getting back in the sky.

The global disruption caused by the Coronavirus pandemic (Covid-19) on the aviation industry in 2020, continues to negatively impact the Company's operations in 2022. Passengers carried on scheduled flights remain far below the level (by 40%) compared to the same in 2019 before the pandemic occurred. Cancellations of some flights and frequency reductions were also required due to reduced passenger flow. Flights were combined in order to maintain the service offering while reducing costs. Globally, it is forecast that flights are unlikely to reach their pre-covid levels before 2024.

However, Bulgaria Air as a national carrier in 2022 has once again offered its customers year-round access to all airports in Europe to which it operates.

Another challenge for the aviation industry in 2022 is the closure of the skies over Ukraine and southern Russia to civil flights. The aviation network is severely affected and the baseline expectation is that there will be no return to normal routes through Russian or Ukrainian airspace in the foreseeable future. These events have resulted in the loss of aviation markets and Bulgaria Air is extremely affected in this respect. On the one hand, the Company maintained a regular Sofia-Moscow-Sofia route. For its flight program in 2022, Bulgaria Air had planned to continue the proven successful regular route Sofia-Moscow-Sofia. The planned programme was with 4 frequencies per week. Flights to Moscow were carrying out only in the first two months of the year - January and February 2022, and after the escalation of tensions in the international situation and the start of hostilities on the territory of Ukraine they were suspended. As a result of receiving an official NOTAM banning flights from Bulgaria to Russia, Bulgaria Air cancelled its flights from Sofia to Moscow on 26 February 2022. For this reason, all scheduled flights for the months of March to December 2022 have been cancelled. Thus, the year-round Sofia-Moscow-Sofia route is temporarily closed, which reduces the number of passengers carried for the calendar year 2022 and the airline's revenues by cutting the network of destinations accessible by direct flights operated by Bulgaria Air. The ban on flights from Bulgaria to Russia has stopped the launch of the new seasonal Sofia - St Petersburg route with 2 frequencies per week evenly spread over the months of June to October 2022. Until the outbreak of the war in Ukraine, Bulgaria Air had a successful contract with the Russian airline Aeroflot. The two airlines have signed a codeshare agreement, which represents the highest level of cooperation in the aviation sector.



Effective from March 2022, the activities of Bulgaria Air's representative office in Moscow - two offices of the airline - are temporarily suspended, which affected the employees working for the Bulgarian airline located on Russian territory.

On the other hand, the destinations to Russia- Moscow and St. Petersburg- have traditionally ranked on the top when it comes to charter revenues.

A reflection of the above events impacting the Airline's operations in 2022 is the summary of the indicators related to the core business.

Indicator	2022	2021	Change
Flights	3 201	3 019	182
Scheduled flights	2 953	2 749	204
Charter flights	248	270	(22)
Passengers carried	686 412	565 671	120 741
Scheduled flights	632 264	498 866	133 398
Charter flights	54 148	66 805	(12 657)
Block hours	24 050	12 508	11 542
Scheduled flights	11 743	11 057	686
Charter flights	1 221	1 437	(216)
External leasing	11 086	14	11 072
Loading /Regular flights	72%	70%	2%

The performance table shows that there has been a gradual recovery in the aviation market. 182 more flights were carried out than in the previous year, i.e. an increase of 6%. The increase in the number of mainline flights in 2022 is the result of 204 more scheduled flights - a 7.4% increase compared to 2021. In charter activity, there is a decrease of 22 number of flights compared to the previous year. The number of passengers carried out increased by 120,741 passengers, an increase of 21% compared to the 2021 base year and primarily is the result of an increase in scheduled flights as well as a 2% increase in load factor. In order to optimally manage fleet capacity, the airline is moving towards wet-leasing aircraft to other airlines, as evidenced by the increase in block hours flown under the External Leasing activity.

2. Revenues

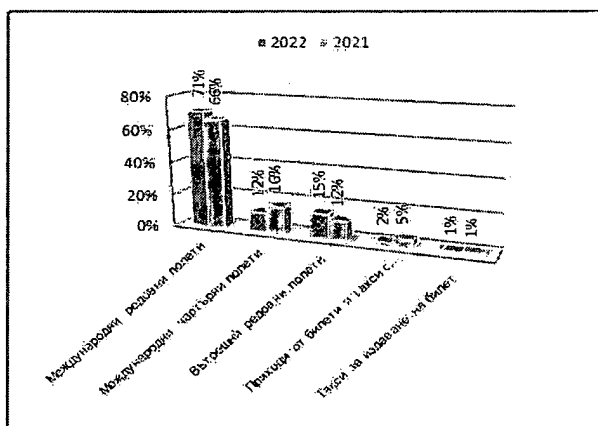
During the reporting period, the revenue generated from traffic flights increased by 31% compared to the previous year 2021, but represented only 58% of the revenue generated before the announcement of the global coronavirus pandemic in 2019 (BGN 266 685 thousand).



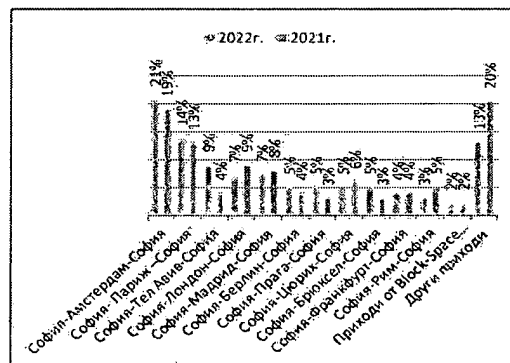
The structure of revenues, generated from flights, carried out during the year, is as follows:

Traffic revenues	Financial statements 2022	Financial statements 2021	Change	Change
	BGN 000	BGN 000	BGN 000	%
International scheduled flights	108 665	77 648	31 017	40%
International charter flights	18 242	19 066	(824)	(4%)
Domestic scheduled flights	22 885	13 595	9 290	68%
Revenues from tickets and fees with expired validity	2 742	5 598	(2 856)	(51%)
Revenues from issuing tickets	1 168	1 245	(77)	(6%)
Total traffic revenues	153 702	117 152	36 550	31%

In the structure of revenues from flights performed during the analyzed period, the highest relative share is accounted by revenues from international scheduled flights - 71%, followed by domestic scheduled flights - 15% and charter flights - 12%. Compared to the previous year, the revenue from scheduled flights increased by BGN 40 307 thousand, which is the result of both more flights performed and the increased number of passengers carried out. Charter flights revenues decreased by BGN 824 thousand (i.e. by 4%) compared to the base year. Revenue from e from tickets and fees with expired validity decreased by 51% compared to the previous reporting period, reflecting a reduction in the number of passengers who did not show up for the flight due to the lifting of restrictions related to the covid pandemic. Revenues from issuing tickets decreased by BGN 77 thousand. The relative share of this item in revenue generation remains insignificant.



The main routes that generate the largest percentage of revenue on the international scheduled flights are traditionally to Amsterdam and Paris. Other destinations with more significant revenue are Tel Aviv, London, Madrid, Berlin, Prague, Zurich. In 2022, the lifting of various restrictions and recommendations on entry of citizens into individual countries during the Coronavirus pandemic has led to an increase in tourist travel to destinations such as Paris, Tel Aviv, Prague. The increase in these destinations is 8 points overall; The distribution of the revenue contribution of the individual lines in 2022 shows that overall the share of business travel has not changed.





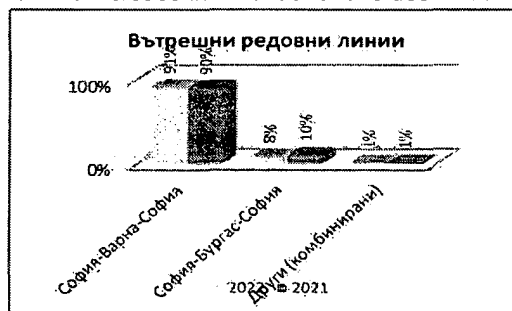
In this respect, there is an increase in the share of revenue on the Sofia - Brussels route (increase in relative share by 2 points) and a decrease on the Sofia - London route (decrease in relative share by 2 points)..

In the case of trips of Bulgarians permanently working abroad and people visiting relatives, there is an increasing trend in the relative share. Such are the destinations to Amsterdam (increase in the relative share by 2 points), to Berlin (increase by 1 point). In the summer period, Bulgaria Air also maintains the destination to Heraklion, which was launched in 2021.

As a result of management's efforts to overcome the negative impact of the coronavirus pandemic and the complicated military situation in Ukraine, revenue on regular international flights for 2022 increased by 40% compared on the previous year. Key ratios such as revenue per passenger-km and revenue per available seat-km (RASK) for the period under analysis increased by 1.47% and 3.15% respectively compared to the same for 2021.

Domestic scheduled flights generate revenue on the Sofia-Varna, Sofia-Varna-Burgas and Sofia-Burgas routes, with a 68% increase in 2022 compared to the previous year. Direct flights to Varna (91%) have traditionally had the largest relative share. The increase in revenue for this destination is 41 %.

An increase in revenue for the reporting period was also observed on the Sofia-Burgas-Sofia route - by 30% compared to the previous year. For the current year, almost 2 times higher revenues were generated on the combined Sofia-Varna-Burgas routes. Revenue per passenger-kilometre and revenue per available seat-kilometre (RASK) in the business increased by 6.90% and 7.15% respectively compared to the 2021 levels achieved.

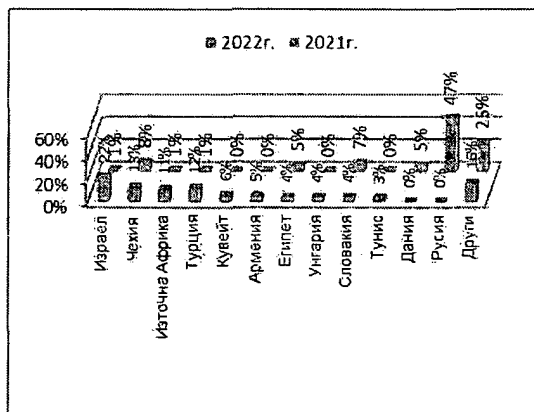


Revenues from charter activity in 2022 are decreased compared to the base year 2021 by 4% (or by BGN 824 thousand).

The statistics on charter activity are particularly indicative of the impact of the hostilities on the territory of Ukraine, which are having a negative impact both in purely human terms and on the aviation business in particular.

In 2022, traditional destinations of Bulgaria Air to Russia do not participate in Charter revenue generation - vs. 47% participation in 2021.

For that reason, in 2022 it will be necessary to look for other markets or expand existing ones. With the lifting of the bans and restrictions on travel to individual countries in the summer of 2022, charter revenues are structurally different from the previous year, as shown in the table below.



Leading the way in revenue generation in the year under review was Israel with a clear market share of 22% (vs. 1% in 2021). Destinations to the Czech Republic, Turkey, East Africa (Djibouti, Zanzibar) accumulated 36% of revenues in the reporting period. Other destinations to Kuwait, Armenia, Hungary, Tunisia, to which Bulgaria Air did not operate in 2021 during the period under



review, contributed 18% to the Charter revenues. Ireland, Italy, Cyprus, Portugal, etc. contribute less than 1% to the revenue in 2022.

3. Other revenues

The Company's other revenues in 2022 amount to BGN 91 892 thousand (2021: BGN 93 072 thousand) and are down by just over 1% compared to the same period in 2021. The largest relative share of these revenues is the revenues from wet-leasing of aircraft - close to 55%.

	2022 BGN '000	2021 BGN '000
Aircraft rental	50 162	2 099
Consulting services	3 600	3 480
Fines and penalties	1 573	1 209
Revenues from sales of goods and materials	516	480
Advertising income	676	600
Commission income	340	344
Consulting, technical, telecommunication and transport services	169	81
Reimbursed amounts on prepaid expenses for repair and maintenance of aircraft (maintenance reserve)	-	6 040
Other rents	1 239	1 147
Revenue from government grants	20 048	3 048
Other income	13 569	74 544
	91 892	93 072

4. Gain on sale of non-current assets

In April 2022, Bulgaria Air has purchased four E190 aircraft from the lessor, three of which were sold in September of the same year. A gain of BGN 28 978 thousand was realized:

	2022 BGN '000	2021 BGN '000
Revenue from sale of non-current tangible assets	108 212	-
Carrying amount of non-current tangible assets sold	(79 234)	-
Gain on sale of non-current tangible assets	28 978	-



5. Expenses

The operating expenses' structure of Bulgaria Air AD is as follows:

Expenses by nature	2022	2021	Change	Change
	BGN'000	BGN'000	BGN'000	%
Hired services expenses	93 652	73 195	20 457	28%
Cost of materials	72 190	34 389	37 801	110%
Employee expenses	9 404	8 786	618	7%
Depreciation and amortization costs of non-financial assets	61 654	73 697	(12 043)	(16%)
Impairment of financial assets	2 045	6 242	(4 197)	(67%)
Other expenses	5 465	5 562	(97)	(2%)
Total expenses	244 410	201 871	42 539	21%

Overall, there is a 21% increase in operating costs in 2022 compared to the previous year 2021 as a result of the increased number of flights. The changes by type of expenditure are as follows:

- In the cost structure of external services, landing, servicing and overflight fees in Bulgaria and abroad account for almost 39%, with a share of 43% in 2021 and an increase of 16% compared to the previous year.
- The largest increase was observed in the cost of materials - by 110%, i.e. more than 2 times. As always, the highest share of material costs (87%) is accounted for by aviation fuel costs. They increase during the period under consideration by 115% compared to 2021, with the biggest contributor to the cost increase being the increase in the price of kerosene by more than 71%.
- In other expenses, the most significant relative share is accounted for by business trip expenses - 56%, which increased by over 74% as a result of more flights in 2022 and wet leasing of aircraft to other airlines;
- Staff costs increased by 7% during the reporting period as a result of increased number of employees in 2022.

6. Financial position of the Company

In 2022, Bulgaria Air AD generated a profit of BGN 116 thousand in 2022 (2021 - loss BGN 17 211 thousand).

A key factor impacting the Company's 2022 result is the lifting of unprecedented travel restrictions and bans in various countries, which has a positive impact on increasing passenger flow in the aviation business.



7. Financial analysis

Key financial indicators for the operations of Bulgaria Air AD are calculated based on the following summarized financial information :

Indicators	2022	2021	Change	
	BGN'000	BGN'000	BGN'000	%
Non-current assets	468 540	508 535	(39 995)	(8%)
Current assets, including	133 808	83 514	50 294	60%
Inventory, including plane spare parts	7 592	6 501	1 091	17%
Short-term receivables	109 062	58 671	50 391	86%
Cash and cash equivalents	17 154	18 342	(1 188)	(6%)
Total assets	602 348	592 049	10 299	2%
Equity	203 232	131 173	72 059	55%
Financial result for the period	116	(17 211)	17 327	101%
Long-term liabilities	243 365	191 810	51 555	27%
Short-term liabilities	155 751	269 066	(113 315)	(42%)
Total liabilities	399 116	460 876	(61 760)	(13%)
Total revenue	332 585	234 740	97 845	41.7%
Operating revenue	274 572	210 224	64 348	30.6%
Total expenses	332 469	251 951	80 518	32.0%
Operating expenses	244 410	201 871	42 539	21.1%

The main ratios characterizing the financial condition of Bulgaria Air AD are:

Financial ratios	2022	2021
Profitability ratios		
Profitability of sales ratio	0.0005	(0.0819)
Efficiency ratios		
Cost efficiency ratio	1.0025	0.9250
Revenue efficiency ratio	0.9975	1.0810
Liquidity ratios		
Current ratio	0.8591	0.3104
Quick ratio	0.8104	0.2862
Immediate liquidity ratio	0.1101	0.0682
Solvency ratios		
Solvency ratio	0.5092	0.2846
Debt ratio	1.9638	3.5135
Load factor for Int. scheduled flights %	72.41%	68.79%
Load factor for Dom. scheduled flights %	77.02%	76.36%
Receivables Turnover	7	16

The above brief analysis shows that as of 31 December 2022 the profitability of the airline is positive, due to the reported profit.

IV. Business related risks. Risk management.



Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close co-operation with the Board of directors and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial markets. The Company does not trade with financial assets for speculative purposes, nor does it issue options.

As a result of the use of financial instruments, the Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

Currency risk

Most of the Company's transactions are carried out in Bulgarian leva (BGN) and EUR. The Company's foreign transactions, initially denominated in US Dollars, Russian Rubbles and British Pounds, are those that expose the Company to currency risk.

The Company has short-term trade payables, related party payables and other liabilities denominated in US-Dollars, British Pounds, Russian Rubbles and Swiss Francs which are related to the operating activity of the Company (landing fees, over-flight fees, lease payments under the operating lease contracts for aircraft, aircraft engines repair works payables, spare parts payables and others).

The Company has short-term trade receivables and other receivables denominated in US-Dollars and British Pounds, which are related to ticket sales from foreign representatives and others. The Company has loans provided denominated in Russian Rubbles. These receivables are classified as loans and receivables.

To reduce currency risk, the Company monitors the cash flows that are not in Bulgarian leva. The Company applies separate risk management procedures for short-term (up to 6 months) cash flows in foreign currency. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. It is also possible to invest in forward contracts that are short-term, within 1 month.

Interest rate risk

The interest rate risk is the risk of changes in the amount of the interest-bearing loans of the Company due to changes in the market interest rates.

Company's policy is to minimize interest rate risk on long-term financing.

As at 31 December 2022, the Company is exposed to interest rate risk on its bank loans, which have a variable interest rate. All other liabilities of the Company have a fixed interest rate.

As at 31 December 2022, the Company has received loans from two commercial banks, which have a variable interest rate. The interest rate on part of the loans includes a variable component, which is formed based on a quarterly EURIBOR and a fixed margin. The interest rate on other loans includes a variable component, which is determined based on a base interest rate (BIR), plus a fixed risk premium.

Credit risk



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

The Company continuously monitors for default on receivables of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. When costs are not too high, external credit ratings and reports on customers and other counterparties are obtained and used. Although for a significant part of the sales payments are received in advance in order to reduce credit risk, the Company reports an increase in credit risk due to the Covid-19 pandemic, which worsened the financial condition and creditworthiness of the most companies operating in the aviation sector. The Company's policy is to deal only with creditworthy counterparties. As an additional measure to mitigate the credit risk, large part of the sales revenue has been received as advance payments thus reducing the credit risk, and the individual clients do not have the opportunity to use the service, before paying their tickets

At the end of each reporting period an impairment test is performed on all loans granted by the Company as well as all receivables of the Company, which are described in note 38.2 of the financial statements. The credit risk for cash and cash equivalents is considered negligible, as the counterparties are well-known reputable banks.

Liquidity risk

The Company manages its liquidity needs by carefully monitoring its cash-outflows in the day-to-day business activities. Liquidity needs are monitored at various times, on a day-to-day and week-to-week basis, as well as based on a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

The Company maintains cash in current bank accounts to meet its liquidity requirements for up to 30-day periods. In Estimating and managing the liquidity risk, the Company considers the expected cash flows from financial instruments, in particular available cash and trade receivables. Available cash resources and trade receivables do not significantly exceed current cash flow needs.

Other price risks

The Company is exposed to a price risk in relation to the supply of aviation fuel, the price of which is determined and influenced by factors outside the control of the Company and whose trend is determined globally. An eventual increase in the price of kerosene would have a negative impact on the profitability of the airline and cash outflows.

As at 31 December 2022, the Company does not hold publicly tradable securities which may result in a risk exposure.



V. Information about the members of the Board of Directors

1. In 2022, the remunerations accrued for the Company's Board of Directors members are short-term and are summarized as follows.

	2022 BGN'000	2021 BGN'000
Short-term remunerations		
- Salaries and compensations	(276)	(276)
- Social security expenses	(8)	(7)
	(284)	(283)

2. Participation of members of the Board of Directors in other companies, as unlimited liability partners, ownership of more than 25% of the share-capital of other entities, as well as participation in the management of other companies as procurators, managers or members of Boards.

As of 31 December 2022, the members of the Board of Directors (BD) have the following participation in other companies:

Bulgaria Air AD board member	Company	Type of participation
Hristo Todorov Todorov as an individual and as a representative of Bulgarian Airways Group EAD	Bulgaria Air Maintenance EAD	Member of the BD and CEO
	Nuance BG AD	Member of the BD and CEO
	Bulgarian Airways Group EAD	Member of the BD and CEO
	Bulgarian Black Sea Alliance	Member of the Management Board
	Airport Services Bulgaria EAD	Member of the BD and CEO
	Swissport Bulgaria AD	Member of the BD and CEO
	Airline Hemus Air EAD	Member of the BD and CEO
	Tiburland EOOD	Manager and Sole owner
	National Association of children summer camps	Member of the Management Board
Georgi Ivanov Georgiev	Bulgaria Air Technic EOOD	Manager
Miroslav Slavchev Petkov	Swissport Bulgaria AD	Procurator
	Fly Lease EOOD	Manager
	Chimexport EOOD	Sole owner

The members of the Board of Directors do not own any shares or bonds of the Company, nor do they have any rights to acquire such shares or bonds. The members of the Board of Directors or their affiliates do not have contracts concluded during the year with the Company that go beyond its normal activity or materially deviate from the market conditions within the meaning of Art. 240 b in Commercial Act.

VI. Strategic objectives

The mission of Bulgaria Air AD as a national carrier is related to the provision of high-quality air passenger services, cargo, and mail services in a large number of destinations around the world that guarantee reliability, comfort and safety.



"Bulgaria Air" strives to meet all the needs of its customers, providing them with the highest quality and speed of service. The development and improvement of all services offered continues to be a priority for the national carrier.

Strategic objectives of Bulgaria Air AD are:

- ✓ Maintaining an optimal price-quality ratio of the service;
- ✓ Achieving an airplane park with a capacity corresponding to the market niche in which the airline operates;
- ✓ Increasing the market share in the aviation service in the country and the region;
- ✓ Strengthening the key role of the airline in aviation service activities;
- ✓ Creation of a strong and competitive national airline, able to withstand the competitive pressure of foreign airlines in a fully liberalized market.

In 2022, the management of Bulgaria Air AD continues the implementation of a program to optimize its activities, aiming to achieve higher efficiency and profitability. The airline has a modern fleet. New software products have been used to manage the company's processes more efficiently, and a new mobile application for ticket purchasing and online check-in has been implemented.

In 2022, the airline Bulgaria Air began the implementation of its ambitious program to expand and optimize its operations. Invests in fleet modernization and latest generation technologies for more efficient management of commercial activity.

The main part of the investments was aimed at expanding the existing aircraft fleet with new aviation equipment of the Airbus concern. This will allow the planning of greater efficiency, environmental friendliness and overall improvement of the services provided.

In addition to having a lighter body, the aircraft chosen by Bulgaria Air are the most environmentally friendly in their segment, which directly reduces fuel costs and the impact on the environment. The configuration of the planes offers more comfort and space for the passengers on the board. The maximum comfort during the flight in combination with the offer of free catering on board increases the quality of the transport service offered and confirms the observance of the highest standards of service in both economy and business class. The aviation technology of the "Airbus" concern, which is used by the airline, allows greater efficiency and generally improves the service provided. Regarding the fleet of Bulgaria Air AD, the goal is to impose operation with only two types of aircraft - Airbus and Embraer.

The Company's efforts are aimed at continuous improvement of the offered services and products. The Company works with Amadeus Reservation System, a modern platform for online sales through the airline's website.

The Company's operations are highly dependent on the conditions of the international aviation market, which directly affects the trade load and the frequency of flights.

Under these conditions, in 2022 Bulgaria Air AD made efforts to optimize its operations. As a result of the actions taken by the management of the Company, at the date of preparation of this report, the following facts and circumstances are present:

- The airline operates a modern airplane fleet;
- Improved efficiency in business management;
- Significantly improved quality of the offered transport service;
- Optimized costs.

The strategic objectives of the airline remain focused on:

- ✓ Maximum use of opportunities to discover new destinations and increase market share;



- ✓ Maintenance of a new, modern aircraft fleet;
- ✓ Maintain flexible pricing policy;
- ✓ Maintaining a highly qualified staff.

The airline has a tendency to increase the efficiency of its operations in providing aviation services. The Company has identified a set of measures that can lead to additional opportunities to optimize fixed costs and increase revenue in the short term.

In 2022 the implementation of two major projects is being finalized:

- replacement of main airline fleet management software.
- implementation of a new software package for repair and maintenance of aircrafts.

The development of new software packages with the aim of optimizing work and reducing costs in various directions and enabling the expansion and improvement of the airline's main product are planned and pending as a task.

VII. Future development of Bulgaria Air AD

In 2022, the travel restrictions caused by the coronavirus pandemic were gradually removed and airline operations began to recover at a very slow pace. A new problem has come to the fore which cannot be underestimated - the ongoing war in Ukraine, the closed skies over Ukraine and southern Russia to civilian flights and the inflation caused by energy costs.

In view of the development of the international situation, it is impossible to optimally plan the flight programme, forecast the expected number of passengers as well as their revenue.

Of great importance for aviation is the price of oil. In June-July 2022, as a result of the deepening conflict between Russia and Ukraine, the oil price peaked at \$139 per barrel, with the highest historical quotation of the commodity in 2008 - \$147 per barrel. Following the recovery of oil supply chains, there has been a downward trend in the price with an expected annual summer increase. If no new stressful non-market circumstances arise, the price is expected to stabilise and fluctuate within market/seasonal demand/ranges.

In this complex and dynamic situation, the efforts of the Company's management are focused on a timely response to the emerging challenges to air transport and are aimed at:

- Business continuity in crisis situations;
- Our priority remains to maintain a high level of flight safety, strictly implementing EASA recommendations for COVID 19 measures
- Revise and continuously update the 2022 Annual Plan and Budget depending on possible developments in the previously unknown environment;
- Cost optimization;
- Change in the complaints handling procedure to reduce processing time and administrative costs
- Signing of ground handling contracts for charter destinations with the actual ground handlers and renegotiation of those on scheduled routes in order to exclude some of the services offered and reduce ground handling costs;
- Renegotiation of the lease terms of the airline's fleet
- Training and motivating the team with non-financial incentives
- Improve the quality of the core service by renewing the fleet.

In 2023, Bulgaria Air expects to add three of the most energy efficient Airbus A220-300 aircraft of the latest generation to its fleet. With the new addition, the Company will increase its efficiency and expand its existing network in terms of number of weekly destinations. Restoration of catering on Bulgaria Air flights with improved food quality. Introduction of additional services such as choice



of seat on the aircraft at the time of booking, choice of fare with/without baggage, change of existing booking via the airline's website.

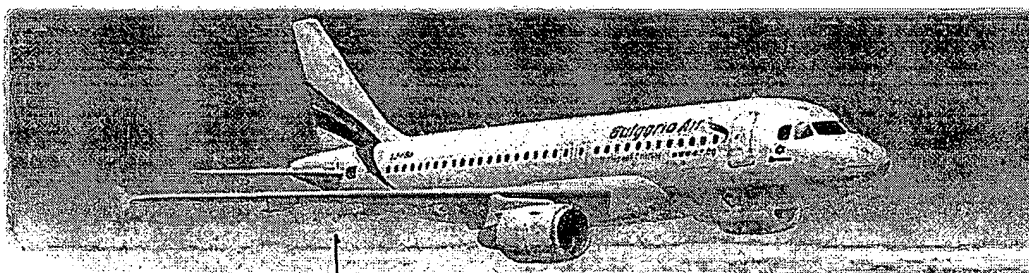
- Expanding the scope of existing partnerships with other airlines and building new partnerships that respond to the changed market conditions

VIII. Research and development activities

In 2022 and 2021, the Company did not carry out any actions in the field of research and development.

IX. Events after the reporting period

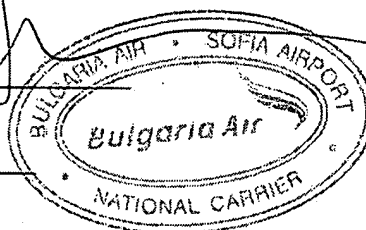
No adjusting events or significant non-adjusting events have occurred between the date of the financial statements and the date of their authorization for issue.



Date: 25.04.2023

Executive director :
/Hristo Todorov/

Procurator:
/Bistra Marinkova/



INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Bulgaria Air AD
1, Brussels Blvd., Sofia

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of **Bulgaria Air AD** (the Company), which comprise the statement of financial position as at 31 December 2022 and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Qualified Opinion

As at 31 December 2022 the Company reports intangible assets with a carrying amount of BGN 93 456 thousand. In performing the annual impairment test, the Company has not identified the need to recognize impairment of intangible assets. In determining the recoverable amount, forecasts were used which are based on expectations of the recovery of the aviation sector following the negative effects of the Covid-19 pandemic, which are largely dependent on external factors outside the Company's control. The judgment used assumptions inherent in the current deteriorated macroeconomic environment. They are also the result of a combination of the residual negative effects of the pandemic, accelerated inflation, rising interest rates and geopolitical risks from the military conflict in Ukraine.

As a result of our audit procedures, we were unable to obtain sufficient and appropriate audit evidence that the assumptions underlying the determination of the recoverable amount of intangible assets are consistent with the current, deteriorated macroeconomic environment. Accordingly, we were not able to determine whether and in what amount additional allowances for impairment losses on intangible assets would be required under the requirements of IAS 36 Impairment of assets as of 31 December 2022 in preparing the Company's accompanying financial statements.

Note 38.2 Credit risk discloses that as at 31 December 2022 the Company has taken into account an increase in credit risk as a result of the military conflict in Ukraine. When applying the expected credit loss model, the factors of the deteriorated economic environment and the effects of military actions in Ukraine, including the sanctions imposed by/against Russia, have been taken into account. It is possible that for exposures with a total carrying amount of BGN 28 210 thousand as at 31.12.2022, which are related to long-term contracts to which the Sofia City Municipality is a party, there may be additional effects due to these events. We are unable to determine whether or to what extent further adjustments to the amounts related to these exposures would be required as of 31 December 2022.

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

Emphasis of Matter

As disclosed in note 2. Basis of preparation of the financial statements, a return to business as usual began in 2022 for companies operating in the airline sector, which was one of the most significantly affected by the Covid-19 pandemic. This process has been set in motion with the commencement of hostilities in Ukraine, which has led to further restrictions on operations; associated with bans on aircraft entering from Russia and the suspension of travel to and from Russia. In addition to geopolitical uncertainty, there has been a deterioration in the overall economic environment, driven by significant price increases in energy, commodities, goods and services, which have further exacerbated inflationary pressures from supply chain disruptions and from the recovery from the Covid-19 pandemic. All these factors are still negatively impacting the pace of recovery in aviation activity.

As the situation is highly dynamic, management is unable to reliably quantify the impact of the war on the Company's future financial position and results of operations in 2023. The event has had a pervasive impact on management's judgments and significant assumptions required in preparing the financial statements, taking into account the most reliable information available at the date of the estimates.

Our opinion is not modified on this matter.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the annual activity report, prepared in accordance with Bulgarian Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not extend to the other information and we do not express any form of assurance conclusion on it, except as explicitly stated in our report and to the extent stated. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, determine whether the other information is materially inconsistent with the financial statements or with our knowledge acquired during the audit or otherwise appears to contain material misstatement. If, based on the work we have performed, we conclude that there is a material misstatement in that other information, we are required to report that fact.

We concluded that the other information contained a material misstatement of the financial indicators and accompanying disclosures included in the Annual activity report due to the impact of the matter described in the Basis for Qualified Opinion section of this report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and Bulgarian Independent Financial Audit Act 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 financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is



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

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

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual activity report, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

- (a) the information in the annual activity report is consistent with the financial statements for the same reporting period, on which we have issued qualified opinion in the section "Report on the Audit of the Financial Statements" above;
- (b) the annual activity report is prepared in accordance with the applicable legal requirements; and
- (c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the annual activity report, except for the effect of the matter described in section "Information Other than the Financial Statements and Auditor's Report Thereon" of "Report on the Audit of the Financial Statements".

Grant Thornton Ltd.
Audit firm


Mariy Apostolov
Managing partner
Registered auditor responsible for the audit


02 May 2023
Bulgaria, Sofia, 26, Cherni Vrah Blvd.



Statement of financial position

	Note	31 December 2022 BGN'000	31 December 2021 BGN'000
Non-current assets			
Aircraft and spare engines	5	29 827	65 285
Property, plant and equipment	6	581	649
Right-of-use assets	7	343 592	343 760
Investment property	8	274	274
Intangible assets	9	93 456	97 757
Investments in subsidiaries	10	628	628
Investments in joint ventures	11	182	182
Non-current assets		468 540	508 535
Current assets			
Aircraft spare parts	13	7 009	6 112
Inventories	14	583	389
Short-term financial assets	15	31 625	33 820
Related party receivables	34.1	5 968	3 879
Trade receivables	16	64 344	14 601
Other receivables	17	7 125	6 371
Cash and cash equivalents	18	17 154	18 342
Current assets		133 808	83 514
Total Assets		602 348	592 049

Prepared by: 
Bistra Marinkova
Chief accountant and Procurator

Executive Director: 
Hristo Todorov

Date: 25.04.2023

Auditor's report issued on 02.05.2023:

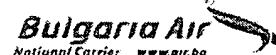
Grant Thornton Ltd
Audit Company

Mariy Apostolov
Registered auditor responsible for the audit
Managing Partner



The accompanying notes on pages from 6 to 67 form an integral part of the financial statements.

Bulgaria Air AD
Financial statements
31 December 2022



Statement of financial position (continued)

	Note	31 December 2022 BGN'000	31 December 2021 BGN'000
Equity and liabilities			
Equity			
Share capital	19.1	120 000	120 000
Reserves	19.2	141 029	69 086
Revaluation reserve	19.3	89 176	89 176
Accumulated loss		(146 973)	(147 089)
Total equity		203 232	131 173
Liabilities			
Non-current liabilities			
Lease liabilities	20	218 185	185 081
Long-term liabilities to related parties	34.2	18 975	1 285
Pension-employee obligations	22.2	577	529
Trade payables	23	1 995	1 995
Deferred tax liabilities	12	3 633	2 920
Non-current liabilities		243 365	191 810
Current liabilities			
Trade payables	23	44 384	71 623
Short-term borrowings	21	17 983	31 994
Short-term related party payables	34.2	29 827	105 666
Lease liabilities	20	34 238	39 696
Pension and other employee obligations	22.2	2 082	1 900
Tax liabilities		499	317
Other liabilities	25	26 738	17 870
Current liabilities		155 751	269 066
Total liabilities		399 116	460 876
Total equity and liabilities		602 348	592 049

Prepared by:

Bistra Marinikova

Chief accountant and Procurator

Date: 25.04.2023

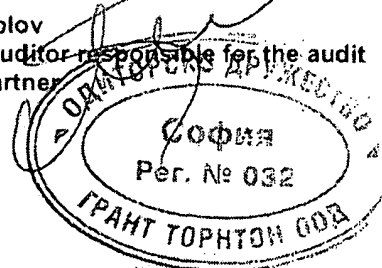
Executive Director:

Hristo Todorov

Auditor's report issued on 02.05.2023:

Grant Thornton Ltd.
Audit Firm

Mariy Apostolov
Registered auditor responsible for the audit
Managing Partner



The accompanying notes on pages from 6 to 67 form an integral part of the financial statements.

Statement of profit or loss and other comprehensive income for the year ended 31 December

	Note	2022 BGN'000	2021 BGN'000
Traffic revenue	26	153 702	117 152
Other income	27	91 892	93 072
Gain on sale of non-current assets	5	28 978	-
Revenue from operating activities		274 572	210 224
Hired services expenses	28	(93 652)	(73 195)
Cost of materials	28	(72 190)	(34 389)
Employee benefits expenses	22.1	(9 404)	(8 786)
Depreciation and amortization of non-financial assets	5,6,7,9	(61 654)	(73 697)
Impairment of financial assets	38.2	(2 045)	(6 242)
Other expenses	30	(5 465)	(5 562)
Operating expenses		(244 410)	(201 871)
Operating profit		30 162	8 353
Finance costs	31	(87 346)	(50 080)
Finance income	31	58 013	23 316
Profit/(loss) before tax		829	(18 411)
Income tax (expense)/income	32	(713)	1 200
Profit/(loss) for the year		116	(17 211)
Other comprehensive income			
Components that are not reclassified to profit or loss:			
Remeasurement of defined benefit obligations	22.2	(57)	36
Other comprehensive (loss)/income for the year, net of taxes		(57)	36
Total comprehensive income/(loss) for the year		59	(17 175)

Prepared by:

Bistra Marinova

Executive Director:

Hristo Todorov

Chief accountant and Procurator

Date: 25.04.2023

Auditor's report issued on 02.05.2023

Grant Thornton Ltd.
Audit Firm

Mariy Apostolov
Registered auditor responsible for the audit
Managing Partner

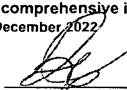


The accompanying notes on pages from 6 to 67 form an integral part of the financial statements.

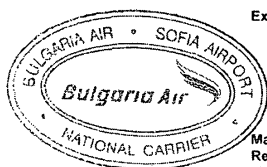
Statement of changes in equity for the year ended 31 December

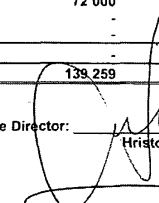
All amounts are presented in BGN'000	Share capital	Legal reserves	Other reserves	Reserve for capital increase	Revaluation reserve	Reserve from remeasurements of defined benefit obligation	Accumulated loss	Total equity
Balance 1 January 2021	120 000	317	642	67 259	89 176	832	(129 878)	148 348
Loss for the year	-	-	-	-	-	-	(17 211)	(17 211)
Remeasurement of defined benefit obligation	-	-	-	-	-	36	-	36
Total other comprehensive loss	-	-	-	-	-	36	(17 211)	(17 175)
Balance 31 December 2021	120 000	317	642	67 259	89 176	868	(147 089)	131 173

All amounts are presented in BGN'000	Share capital	Legal reserves	Other reserves	Reserve for capital increase	Revaluation reserve	Reserve from remeasurements of defined benefit obligation	Accumulated loss	Total equity
Balance 1 January 2022	120 000	317	642	67 259	89 176	868	(147 089)	131 173
Transactions with the owners	-	-	-	-	-	-	-	-
Additional capital contribution	-	-	-	72 000	-	-	-	72 000
Total transactions with the owners	-	-	-	72 000	-	-	-	72 000
Profit for the year	-	-	-	-	-	-	116	116
Revaluations of defined benefit obligations	-	-	-	-	-	(57)	-	(57)
Total other comprehensive income	-	-	-	-	-	(57)	116	59
Balance 31 December 2022	120 000	317	642	139 259	89 176	811	(146 973)	203 232

Prepared by: 
Bistra Marinikova
Chief accountant and Procurator
Date: 25.04.2023

Auditor's report issued on 02.05.2023
Grant Thornton Ltd.
Audit Firm



Executive Director: 
Hristo Todorov

Mariy Apostolov
Registered auditor responsible for the audit
Managing Partner



The accompanying notes on pages from 6 to 67 form an integral part of the financial statements.

Statement of cash flows for the year ended 31 December

	Note	2022 BGN'000	2021 BGN'000
Operating activities			
Cash receipts from customers		228 098	124 348
Cash paid to suppliers		(166 846)	(117 782)
Cash paid for operating lease instalments		(15 829)	(11 984)
Cash paid to employees and social security institutions		(10 229)	(9 549)
Taxes paid, excluding corporate income tax		(2 294)	(1 962)
Funding received from the State	27	19 719	2 852
Other operating cash outflows, net		(2 912)	(1 372)
Net cash flows from operating activities		49 707	(15 449)
Investing activities			
Purchase of property, plant and equipment and aircraft		(64 675)	(189)
Purchase of intangible assets		(74)	(23)
Loans granted		(6 931)	(1 662)
Loan repayments received		8 685	814
Acquisition of right-of-use assets		-	(4 022)
Proceeds from the sale of aircraft		59 538	-
Payments for repairments of leased assets		(3 863)	(3 599)
Net cash flows from investing activities		(7 320)	(8 681)
Financing activities			
Proceeds from borrowings	21.1	28 645	63 858
Repayment of borrowings	21.1	(35 614)	(13 895)
Interest paid	21.1	(717)	(935)
Payments under lease agreements	21.1	(36 616)	(23 887)
Other payments for financing activities	21.1	(235)	(188)
Net cash flows from financing activities		(44 537)	24 953

Net change in cash and cash equivalents		(2 150)	823
Cash and cash equivalents, beginning of year		18 342	16 399
Exchange gains from cash and cash equivalents		962	1 215
Effect of expected credit losses		-	(95)
Cash and cash equivalents, end of year	18	17 154	18 342

Prepared by: Bistra Marinova
Chief accountant and Procurator

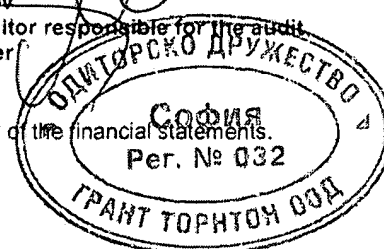
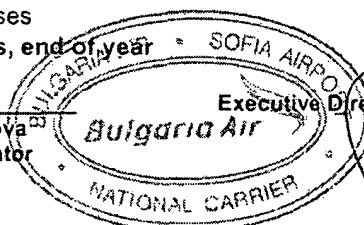
Executive Director: Hristo Todorov

Date: 25.04.2023

Auditor's report issued on 02.05.2023
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Mariy Apostolov
Registered auditor responsible for the audit
Managing partner

The accompanying notes on pages from 6 to 67 form an integral part of the financial statements.



Notes to the financial statements

1 General information

Bulgaria Air AD (Bulgaria Air JSC, the Company) is the national carrier of the Republic of Bulgaria. The main activity of the Company consists in providing aviation services in the country and abroad, transportation of passengers, cargo and mail on international scheduled and charter routes and related activities.

The company was registered in 2000 with UIC 000633828. The registered office and the address of the registered office of the Company is Sofia, Slatina Municipality, 1, Brussels str.

On 14.02.2007 the company was privatized. The owner of the capital is Bulgarian Airways Group EAD, one of the shares is owned by the Bulgarian State.

The Company has a one-tier management system, whose governing bodies are the General Meeting of Shareholders and the Board of Directors. As of 31 December 2022, Bulgaria Air AD is managed and represented by the executive director Hristo Todorov Todorov and the procurator Bistra Tsvetkova Marinkova, only together.

At the date of preparation of the financial statements Bulgaria Air AD is managed and represented by the executive Director Hristo Todorov Todorov and the procurator Bistra Tsvetkova Marinkova, only together.

As at 31 December 2022 and at the date of the preparation of these financial statements, the Company has a Board of Directors (BOD) consisting of

- Hristo Todorov Todorov – Member of the Board and CEO
- Miroslav Slavchev Petkov – Member of the Board
- Georgi Ivanov Georgiev – Member of the Board
- Bulgarian Airways Group EAD – Member of the Board, represented by Hristo Todorov Todorov.

The Company is included in the consolidation of Bulgarian Airways Group EAD, registered in the Republic of Bulgaria, which has bonds issues listed on the Bulgarian Stock Exchange, Sofia. The owner of Bulgarian Airways Group EAD is Chimimport AD, registered in the Republic of Bulgaria, which also prepares consolidated financial statements and whose equity instruments are listed on the Bulgarian Stock Exchange, Sofia.

In 2022 Bulgaria Air AD is one of the founders of a non-profit association - Alliance Bulgarian Black Sea. The association has no capital.

In relation to its main activity, Bulgaria Air AD is a member of the International Air Transport Association (IATA). The organization represents, manages and serves the aviation industry worldwide.

In 2022 Bulgaria Air AD operates the following aircraft types:

- 5 airplanes Airbus A 320,
- 2 airplanes Airbus A 319,
- 4 airplanes Embraer 190

As of 31 December 2022 and 31 December 2021, the airline owns one Embraer 190 aircraft.

As of 31 December 2022, the number of employees of Bulgaria Air AD is 271 and the average annual headcount is 268.

As a result of the coronavirus pandemic (Covid-19), there have been major changes in the business volume of Bulgaria Air AD.

2 Basis for preparation of financial statements

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS as adopted by the EU). For the purposes of paragraph 1(8) of the Additional Provisions of the Accounting Act applicable in Bulgaria, the term "IFRS as adopted by the EU" means International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

The financial statements are presented in Bulgarian lev, which is the Company's functional currency. All amounts are presented in thousands of levs (thousands BGN) (including comparative information for 2021), unless otherwise stated.

Management is responsible for the preparation and fair presentation of the information in these financial statements.

The financial statements are separate as the Company has used the exemption from consolidation in accordance with paragraph 4 of IFRS 10 "Consolidated Financial Statements". Consolidated financial statements meeting the requirements of International Financial Reporting Standards have been prepared for public use by Bulgarian Airways Group EAD and Chimmimport AD. The address at which these consolidated financial statements may be obtained is Sofia, 2, Stefan Karadzhia str. In the Company's financial statements the investments are carried at cost.

Effect of Covid-19 on the entity's financial statements in 2022.

In 2020, the Covid-19 pandemic led to significant disruption in many sectors and a sharp economic downturn in Bulgaria and globally. One of the most affected sectors of the economy was the transport sector, in particular the aviation industry, including supporting and ancillary services, provided in aviation sector. As with any crisis, it is normal for the more cyclical sectors to feel the strain much more quickly and much more strongly than the less cyclical ones. Some of the measures taken to limit the spread of the virus involved travel bans, quarantines, social distancing and the closure of non-essential services. This has caused significant disruption to businesses around the world, leading to economic slowdowns and having a direct negative effect on airline operations, which have limited flights to only those that are urgent or related to cargo and mail delivery. Therefore, one of the most affected sectors turned out to be the transport sector and in particular the aviation industry in which Bulgaria Air AD operates.

A slow recovery in traffic began in 2021 and continued into 2022, but did not reach pre-crisis levels. The Company has begun to report improving operating results. Despite the challenges faced by the airline, management, along with its key personnel, was able to optimise costs where possible, but also ensured and delivered safe operations in the Covid-19 environment. Bulgaria Air was one of the few airlines in Europe that did not experience any disruption to its operations, although at a different volume than normal. Some flights were combined due to reduced passenger numbers and in order to reduce costs, but despite that the travel was still possible during the pandemic. In order to ensure business continuity in the current environment, including mitigation of any possible negative effects, the Company's management has timely performed a detailed analysis of all loss mitigation options and has consistently taken and implemented appropriate measures and actions, the more significant of which relate to:

- ✓ activation of a business continuity plan for crisis situations;
- ✓ ensure physical protection of personnel including cabin crew and passengers who are at direct risk of infection by complying with the relevant regulations of the authorities including strict disinfection of aircraft after each flight;
- ✓ regular (daily and even hourly) meetings between the directorates' departments, control units and management to continuously monitor and be ready to respond to the complex situation;
- ✓ grouping of permanent crews to work on a rotational basis in order to limit the damage to the number of available crews and staff in case of infection and quarantine; - the operations centre continues to operate on a continuous basis so as to ensure flight safety;
- ✓ renegotiation of the terms and conditions of aircraft operating lease contracts by achieving more favourable terms and conditions in the aircraft lease contracts, in terms of payment terms, release of accumulated maintenances reserves, etc.;
- ✓ in the event of flight cancellations, passengers who want to postpone their journey can take advantage of various options offered by the airline;
- ✓ applying for government grant programs for which the Company was eligible;
- ✓ the financial and operational support from the sole owner of the capital - Bulgarian Airways Group EAD continues as well, in order to finance the aviation business and overcome the effects of the pandemic.

Already in early 2022, the waning pandemic of COVID-19 was overtaken by the military conflict between Russia and Ukraine. The invasion caused not only an economic and energy crisis, but also a humanitarian crisis that will inevitably take a long time to overcome. Geographical proximity to the war, dependence on energy imports from Russia, high energy prices, inflationary pressures leading to a reduction in household purchasing power, and higher financing costs are leading not only to slower economic growth, but also to expectations of a recession in the euro area.

Effect of the military conflict between Russia and Ukraine

The military action has received international widespread condemnation and multiple countries have imposed sanctions on assets and operations owned by the Russian state and certain individuals. The invasion caused a

refugee crisis of Ukrainian citizens. Economic sanctions include restricting access of certain Russian banks and companies to primary and secondary capital markets in the EU, banning exports of dual-use goods, restricting Russia's access to certain sensitive technologies and services, excluding certain banks from the international SWIFT system, etc. The Russian ruble (RUB) began to depreciate in the days after 24 February 2022 and went from 95.71 rubles per euro to 117.20 rubles per euro on 1 March 2022, according to the European Central Bank exchange rate. After that date, the Bank stopped publishing a RUB/EUR reference rate.

As a sign of solidarity with Ukraine, Bulgaria introduced a ban on take-off, landing and entry of Russian aircraft into its airspace. All aircraft licensed by the Russian Federation may not enter Bulgaria's sovereign airspace, including the airspace over its territorial waters. The ban entered into force at 00.00 on 26 February 2022.

The geopolitical uncertainty arising from the war in Ukraine, as well as the travel bans imposed, had a direct impact on the Company's operations as a part of its revenue for 2021 was generated from passengers arriving from or departing to the Russian Federation. In 2022, the Company's revenues from this destination remain insignificant in amount and were realized before the war. The Russian Federation has traditionally been a strong sales market for Bulgaria Air. For the first two months of 2022, 38 flights were operated on the Sofia-Moscow-Sofia route, carrying out a total of 8,202 passengers, and total revenues from the route amounted to BGN 1,819 thousand. The number of planned flights to Moscow for 2022 was 170, which remain unfulfilled for the year. The year-round regular Sofia - Moscow - Sofia routes were temporarily closed, which reduced the number of passengers carried for 2022. In comparison, in 2021 the number of scheduled direct flights on the Sofia - Moscow - Sofia route is 92, total passengers carried out is 15,263, and revenue is BGN 4,617 thousand.

Until the start of the war in Ukraine, Bulgaria Air AD had a contract with the Russian airline Aeroflot. Both airlines have signed a codeshare agreement, which represents the highest level of cooperation in the aviation sector and guarantees pre-agreed rates for flights operated on the Sofia - Moscow - Sofia route and the issuance of tickets on the own letterhead for flights operated by the partner. As of March 2022, the operations of Bulgaria Air's representative office in Moscow was also temporarily suspended: two offices of the airline - one in the centre of the Russian capital and one at Sheremetyevo Airport (SVO), Moscow. This has an impact on the employees working for the Bulgarian airline located on Russian territory. Some of them have been temporarily relieved of their jobs and others have been relocated to the airline's head office.

For 2021, the sales generated by the representative office in Moscow amount to BGN 820 thousand. Charter flights in the pre-war and pre-pandemic years operated between Bulgaria and the largest Russian cities - Moscow and St. Petersburg have a strong seasonal trend. For this reason charter flights from Russia to Bulgaria are traditionally operated to the two airports located in the largest cities of the Bulgarian Black Sea coast - Varna and Burgas. The total number of charter flights for 2021 between the Bulgarian Black Sea cities and the Russian cities - Moscow and St. Petersburg is 96 with a revenue of BGN 8 955 thousand. This is the minimum quantitative effect of missed benefits expected by the Company also for 2022.

The Company has reviewed the activities, counterparties and economic relationships that could be exposed to significant credit risk. It was identified that the total carrying amount of loans receivable and trade receivables from Russian counterparties amounted to BGN 10 210 thousand. The Company has an investment in equity instruments of a company operating in Russia with a carrying amount of BGN 18 000 thousand as at 31 December 2022. In addition to the travel restrictions and sanctions imposed, the military conflict has had a significant impact on the global economy in various ways, mainly related to energy prices. The negative effects on the Bulgarian economy were mainly related to the loss of energy suppliers, loss of certain markets, inflationary pressures and other.

Deteriorated macroeconomic environment

The shocks caused by Russia's military conflict against Ukraine has affected demand and increased inflationary pressures globally. The EU, and Bulgaria in particular, are among the most at-risk economies due to their geographical proximity to the war and heavy reliance on gas imports from Russia. The energy crisis has seriously reduced household purchasing power and had a negative impact on production. Economic sentiment has deteriorated significantly. As a consequence, although growth in 2022 was expected to be better than initially forecast, the outlook for growth in 2023 has deteriorated significantly and inflation is higher than in previous economic forecasts. In 2021 CPI in Bulgaria recorded a sharp increase and ended the year at 7.8%. The increase was even higher in the previous year 2022. At the end of December, the value of the annual average CPI was 15.3%.

According to BNB data, the acceleration of inflation compared to the end of 2021 is mainly driven by a substantial increase in firms' production costs in the context of significant year-on-year growth in euro prices of basic food and energy commodities (electricity, natural gas and oil) on international markets.

Other factors with a significant pro-inflationary impact are the predicted strong increase in labour costs per unit of production, as well as the acceleration of the annual growth in the prices of imports of finished industrial products due to inflationary processes in Bulgaria's main trading partners. In the conditions of greater uncertainty, the pressure of high energy prices, the reduction of household purchasing power, the weaker external environment and tighter financing conditions are expected to cause the EU and Bulgaria in particular, a recession in 2023.

The military conflict between Russia and Ukraine, as well as the subsequent effects of Covid-19, caused high volatility of the US dollar against the Bulgarian lev. This had a material negative impact on the Company, which reported a foreign exchange loss of BGN 13 072 thousand for 2022 (2021: BGN 16 729 thousand).

The circumstances relating to the deteriorated economic environment in which the Company operates and the prospects for an extended period of time for recovery indicate the existence of uncertainties that may cast doubt on the Company's ability to continue as a going concern without the support of the sole owner and other sources of funding.

As of 31 December 2022, current liabilities exceed current assets by BGN 21 943 thousand, but other indicators show relative stability and good liquidity, especially compared to the previous reporting period. The measures taken both by the government authorities to support the sectors affected by the existing crises and by the management have had some positive impact, but have not been able to eliminate or lead to a rapid and normal operation of the flight activity within two reporting periods. Management believes that based on the forecasts made for the future development of the Company and the measures taken, as well as due to the continued financial support from the owner, the Company will be able to continue its operations and repay its obligations without the need to sell any of its own assets and without undertaking any material changes to its operations. As a result of these analyses and judgments, the management believes that the financial statements have been prepared in accordance with the going concern principle, taking into account the possible effects of the worsened macroeconomic environment and the residual impact of the Covid-19 pandemic.

3 Changes in accounting policy

3.1 New standards, amendments and interpretation to IFRSs effective from 1 January 2022

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and endorsed by the EU, which are relevant and effective for the Company's financial statements for the annual period beginning 1 January 2022 but do not have a significant impact on the Company's financial results or positions:

- Amendments IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022 adopted by the EU
- Annual Improvements 2018-2020 effective from 1 January 2022 adopted by the EU.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Company

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2022 and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on those expected to be relevant to the Company's financial statements is provided below.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023, adopted by the EU

The Company is required to disclose its material accounting policy information instead of its significant accounting policies, the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial. The amendments clarify that accounting policy information is material if users of a Company's financial statements would need it to understand other material information in the financial statements and if the Company discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates effective from 1 January 2023, adopted by the EU

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments will help companies:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and
- distinguish changes in accounting estimates from changes in accounting policies.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective not earlier than 1 January 2024 not yet adopted by the EU

The amendments in Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the consolidated statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024 not yet adopted by the EU

Amendments to IFRS 16 requires a Company seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS 16 do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

The changes related to the following standards are not expected to have an effect on the Company's financial statements:

- IFRS 17 "Insurance Contracts" effective from 1 January 2023, adopted by the EU;
- Amendments to IFRS 17 "Insurance contracts" effective from 1 January 2023 adopted by the EU;
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 adopted by the EU;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective from not earlier than 1 January 2024 not yet adopted by the EU;
- IFRS 14 "Regulatory deferral accounts" effective from 1 January 2016, not adopted by the EU.

4 Accounting policy

4.1 Overall considerations

The significant accounting policies that have been used in the preparation of these financial statements are summarized below.

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used for the preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2 Presentations of financial statements

The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company has elected to present the statement of profit or loss and other comprehensive income as a single statement.

The statement of financial position presents two comparative periods when the Company applies accounting policy retrospectively, recalculates retrospectively items in the financial statements or reclassifies items in the financial statements and this has a significant effect on the information in the statement of financial position at the beginning of the previous period.

In order to achieve presentation in the financial statements, giving more relevant information about the effect of operations and other events or conditions on the financial condition of the Company, some of the elements are presented differently compared to the financial statements for 2021. The change concerns only the manner of presentation of elements of the Statement of profit or loss and other comprehensive income and the Statement of financial position for 2021 and does not relate to the manner of their assessment.

4.3 Foreign currency translation

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

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

4.4 Revenue

The Company's main source of revenue is flight revenue – internal, international and charter.

Recognition and measurement of customer contracts revenue

In order to establish how to account for the revenue, the Company uses the following 5 steps:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to
5. Recognising revenue when/as performance obligation(s) are satisfied.

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

The control is transferred to the client when (or as) the performance obligation is fulfilled, under the contract by transferring the promised product or service to the client. An asset (good or service) is transferred when (or as) the client has control over this asset.

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

The Company recognises revenue for every separate performance obligation at the level of an individual contract with a client by analysing the type, term and conditions for each particular contract. For contracts with similar characteristics, revenues are recognised on a portfolio basis only if their grouping in a portfolio would not have a significantly different effect on the financial statements.

Usually, Company's contracts with clients consist of one performance obligation.

When a transaction is partly within the scope of IFRS 15 and is partly within the scope of other standards the Company applies the separation and/or initial measurement requirements set out in those standards, if the other standards specify how to separate and/or initially measure one or more parts of the contract. The Company excludes the cost of the portion (or portions) of the contract that was initially measured in accordance with the other standards from the transaction price and applies the requirements of IFRS 15 to allocate the remaining cost of the transaction price.

If the other standards do not specify how to separate and/or initially measure one or more portions of the contract, the Company applies IFRS 15 for the separation and/or initial measurement of the portion (or portions) of the contract.

Measurement

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

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

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

When (or as) the performance obligation is fulfilled the Company recognises as revenue the transaction cost (which excludes estimates of variable consideration containing limitations) that is attributable to the performance obligation.

The Company examines whether there are other promises in the contract that are separate performance obligations for which part of the transaction price must be allocated.

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

Performance obligation and main types of revenue under contracts with clients' recognition approach

Traffic revenue

The main activity of the Company is related to the provision of aviation services both on the territory of the country and abroad.

Traffic revenue include the provision of international and domestic scheduled flights, international charter flights and other flight-related services. The Company transfers the control over the services over time and therefore fulfils the performance obligation and recognises revenue over time. Traffic revenue is recognized after the actual flight.

The price of the flight services may be defined as fixed consideration. The airline ticket price includes the price of transport of both the passenger and the different amount of luggage depending on the applicable tariff, on-board food, insurance, airport charges and fuel charges. Allocation of the transaction price to the performance obligations is made based on unit prices.

The Company measures its progress towards a full settlement of the performance obligation, fulfilled over time by a flight confirmation and actual transportation of the passengers.

In the cases where clients have purchased tickets, but the usage options and/or the validity of the tickets are expired and they have not been used by the client, the Company recognises income from tickets with expired validity. The portion of the consideration, which related to airport charges, which the Company usually collects from clients as an agent is also recognises as income from tickets with expired validity, they are non-refundable and cannot be used.

Revenues from the sale of airline tickets when using bonus points under loyalty programmes

The Company has ongoing customer loyalty programs where customers can collect bonus points (award credits), which can be exchanged for free tickets for flights of Bulgaria Air AD.

In the cases where the client can take advantage independently of the goods or services, regardless of the use of the transport service, it is considered as a separate performance obligation, if it gives a substantial right.

Rights such as free extra luggage, business class transportation when purchased economy class tickets, airport business vouchers, Sixt rent-a-car discounts and other similar loyalty rewards are not considered as separate performance obligations.

In the cases where customer loyalty programs and the award credits grant significant rights and are considered as a separate performance obligation, the airline recognizes them as a separately identifiable performance obligation related to the sale in which the incentives are given. The fair value of the received remuneration or receivable in respect of the initial sale is distributed among the bonus points (award credits) and other components of the sale. The remuneration allocated to the bonus points is measured by reference to their fair value, i.e. amount for which the award credits could be sold separately. The company by itself provides the incentives for loyal customers and

recognizes the remunerations allocated to the incentives as revenue when these incentives in the form of bonus points are redeemed and the Company implements its obligation of delivery. The amount of the recognized revenue is based on the number of award credits that are exchanged for prizes in proportion to the total number that is expected to be exchanged.

In analysing the customers loyalty program, the Company has concluded that significant portion of the award credits cannot be considered as a separate performance obligation or are related to non-aviation supplies from other partners where the airline acts as an agent. Therefore, the revenue from award credits is reported as part of the revenue for sale of the ticket and in the cases where they entitle them to trade with trade partners – as a commission fee.

Other income in the scope of IFRS 15

The Company also reports other income, which is in the scope of IFRS 15 but is not classified as revenue, other than the flight revenue. They are mainly related to the sale of goods and other services.

Revenue from the sale of goods is recognised when the company transfers to the buyer the significant benefits and risks of ownership of the provided goods. It is considered that significant risks and benefits are transferred to the buyer when the client has accepted the goods without objection.

Revenue from other services is recognised in the reporting period in which the services are provided. The Company transfers the control of the services over time and therefore this fulfils the performance obligation and recognise revenue over time. If at the end of the reporting period the service is not fully provided, the revenue is recognised based on the actual service, provided by the end of the reporting period as a proportional part of the total services to be provided, because the client receives and consumes the benefits simultaneously. This is determined based on the actual time spent or reported time for work, compared to the total expected time of service.

The following table provides information on the applied by the Company accounting policy for recognising revenue and the timing of fulfilling the performance obligation for the execution of contracts with clients under IFRS 15.

Type of good/service	Nature and timing for fulfilling of the performance obligation, incl. significant payment conditions	Recognition of income under IFRS 15
Flights and other auxiliary services	Deliveries of air freight service are carried out throughout the year. The client receives and consumes the benefits at the same time, the Company transfers control over the service when the flight is actually performed. Airline ticket sales do not have a financing component, since sales are paid in a period of 7 to 15 days via the BSP system of the IATA international organization, which is compliance with market practice. 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 flights is recognized over time.
Revenues from ticket issuance charges	The charge is payable at the time of ticket sales. The charge for issuing a ticket is an integral part of the remuneration for the flight performed.	Revenue is recognized after the flight has been made (over time).
Revenue from ticket sale with expired validity	The expiration of the period of validity for each airplane ticket is a condition for revenue recognition.	At the moment when the period of validity of the tickets has expired and there are no other options to exercise the rights of the issued tickets by the customer, the Company recognizes the revenue from tickets and expired fees.
Revenues from fines and penalties	The fine and / or penalty shall be considered as a distinct service. A right to additional remuneration for the Company in case of non-performance of the client's obligations arises.	Revenue is recognized when the condition of non-performance of the obligation or the customer's refusal to use the service

Type of good/service	Nature and timing for fulfilling of the performance obligation, incl. significant payment conditions	Recognition of income under IFRS 15
Sale of goods	Delivery occurs when the goods have been shipped to the customer, the risks of potential losses are transferred, and they have accepted the goods.	Revenue from sales of goods is recognized when the control of the assets sold is transferred.
Provision of services other than air transport	<p>If at the end of the reporting period the service in the contract is not fully realized, 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 client receives and consumes the benefits simultaneously. This is determined on the basis of actual time spent or reported time for work, relative to the total expected time of service.</p> <p>The client pays the services provided on the basis of the clauses stipulated in the specific contract.</p>	Revenue from provision of services is recognized in the accounting period in which the services are rendered. The company transfers the control over the services over time satisfying the performance obligation and recognizes revenue over time. If the services provided by the company exceed the payment, a contract asset is recognized. If payments exceed the services provided, a contract liability is recognized.

Principal vs. agent

When third party is involved in providing goods or services to a customer, the Company shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for the other party to provide those goods or services (i.e. the entity is an agent).

An entity is a principal if the entity controls a promised good or service before the entity transfers the good or service to a customer. However, an entity is not necessarily acting as a principal if the entity obtains legal title of a product only momentarily before legal title is transferred to a customer.

An entity is an agent if the entity's performance obligation is to arrange for the provision of goods or services by another party. When an entity that is an agent satisfies a performance obligation, the entity recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the other party to provide its goods or services. An entity's fee or commission might be the net amount of consideration that the entity retains after paying the other party the consideration received in exchange for the goods or services to be provided by that party.

Bulgaria Air has signed interline agreements with over 30 airlines. Under these agreements, Bulgaria Air acts as an agent in the ticket issuance for the sectors on which interline partners operate.

Trade receivables and contract assets

A receivable is an entity's right to consideration that is unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

A contract asset is an entity's right to consideration in exchange for goods or services that the entity has transferred to a customer. If an entity performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, the entity shall present the contract as a contract asset for the actual performed consideration. Contract assets are reclassified as trade receivables when the right for consideration becomes unconditional.

Contract liabilities

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

Contract liabilities include the liabilities on sold tickets for which at the date of the financial statement the service has not yet been performed, i.e. the transportation has not occurred.

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

After initial recognition, trade receivables and contract assets are reviewed for impairment in accordance with IFRS 9 Financial Instruments.

Other income outside the scope of IFRS 15

The following table provides background information and related policies for recognition of other income outside the scope of IFRS 15:

Other income	Recognition approach
Rental income including airplanes and premises	Rental income from operating leases is recognized as income on a straight-line basis over the lease term, except when the management of the Company considers that another systematic basis reflects better the timing model under which usage the benefit leased asset is reduced.
Income from sale of property, plant and equipment and intangible assets	Gains or losses arising on the disposal 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 at the time the control is transferred to the underlying asset.
Income from insurance claims	Revenue is recognized when the company's right to receive payment is recognized as a form of compensation.
Income from writing off liabilities	Income from written off liabilities is recognized after the expiration period of the liability obligation has ended, liquidation of the counterparty, the creditor waives his rights or other.

Interest and dividend income

Interest income is accounted for using the effective interest method.

Dividend income is recognized when the right to receive payment is incurred.

4.5 Contract assets and liabilities

The Company recognises contract assets and/ or liabilities when one of the parties in the contract has fulfilled its obligations depending on the relationship between the business of the company and the payment by the client. The Company presents separately any unconditional right to remuneration as a receivable. The receivable is the unconditional right of the company to receive remuneration.

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the entity performing by transferring the related good or service to the customer.

The Company recognises contract assets when performance obligations are satisfied, and payment is not due on behalf of the client. A contract asset is the right of a company to receive remuneration in exchange for the goods or services that the company has transferred to a customer.

Subsequent the Company measures a contract asset in accordance with IFRS 9 Financial Instruments.

4.6 Operating expenses

Operating expenses are recognized in profit or loss when using the services or on the date of their occurrence.

The Company recognizes two types of costs related to the execution of the service delivery contracts with clients: contract costs and contract performance costs. When costs are not eligible for deferral under IFRS 15, they are recognized as current at the time they are incurred, for instance, they are not expected to be recovered, or the deferral period is up to one year.

The following operating costs are always reflected as current expense when they occur:

- General and administration costs (unless charged to the client);
- Expenses for waste of materials;
- Expenses related to the performance of the obligation;
- Costs for which an entity cannot determine whether it is related to a satisfied or unsatisfied performance obligation.

Warranty costs are recognized and deducted from the related provisions when recognizing the related revenue. Regarding the costs associated with non-adjustments and / or other compensation payable to customers, the airline has retained its current reporting approach as a current expense. IFRS 15 does not provide explicit guidance for reporting this type of benefit. The Company considers that there is no provision for a separate good or service against which this benefit will be reduced.

4.7 Interest expenses and borrowing costs

Interest expenses are reported on an accrual basis using the effective interest method.

Borrowing costs primarily comprise interest on the Company's borrowings. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in 'Finance costs'.

4.8 Income tax

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

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

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

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

Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. For management's assessment of the probability of future taxable income to utilize against deferred tax assets, see note 4.23.

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

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

4.9 Investments in subsidiaries

Subsidiaries are firms under the control of the Company. The Company controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In the financial statements of the Company investment in subsidiaries is accounted at cost of the investment.

The Company recognises a dividend from a subsidiary in profit or loss in its separate financial statements when its right to receive the dividend is established.

4.10 Investments in joint ventures

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

The Company determine the type of joint venture in which it participates. The classification of the joint venture as a jointly controlled operation or jointly controlled asset depends on the rights and obligations of the parties to the venture.

A joint operation is a joint venture in which the parties (joint managers) who have joint control of the entity are entitled to the assets and liabilities of the entity.

A jointly controlled asset is a joint venture through which the parties (joint venture partners) who have joint control of the entity are entitled to the entity's net assets.

The joint venture recognizes its interest in the jointly controlled asset as an investment and accounts for that investment using the equity method in accordance with IAS 28 Investments in associates and joint ventures, unless the entity is exempt from applying the equity method.

The Company reports its shareholding in a joint venture at cost.

4.11 Aircraft, engines and other property, plant and equipment

An item of aircraft, engines and property, plant and equipment are initially recognized at cost, which comprises its purchase price and any directly attributable costs to preparing the asset for its intended use.

Subsequent measurement of **property, plant and equipment** is at cost less any accumulated depreciation and any accumulated impairment losses. Impairment losses are recognized in the statement of profit or loss and other comprehensive income in the respective period.

Subsequent expenditure relating to an item of aircraft, engines and other property, plant and equipment is added to the carrying amount of the asset when it is probable that future economic benefits will flow to the entity, which are in excess of the originally assessed effectiveness of the existing asset. All other subsequent expenditure is recognized as an expense in the period in which it is incurred.

Estimates about the residual value and the useful life of all items of aircraft, engines and other property, plant and equipment are assessed by the management at each reporting date.

Subsequently, this group of assets are measured at cost less any accumulated depreciation and any accumulated impairment losses. Impairment losses are recognized in the respective period in the statement of profit or loss and other comprehensive income.

Subsequent measurement of the **aircraft assets, including right of use assets classified in the same group**, is at fair value at the date of revaluation less depreciation and impairment losses. Revaluations are presented in the statement of comprehensive income and are reported at the expense of equity (revaluation reserve), if they are not preceded by previously accrued expenses. Upon sale or write-off of the revalued asset, the remaining revaluation reserve is recorded on the account of retained earnings.

The revalued amount represents the fair value of the asset at the date of revaluation, less subsequent depreciation and accumulated impairment losses.

The fair value of aircraft is determined on the basis of market evidence presented in a report prepared by an independent licensed appraiser. Revaluation of aircraft is performed every 3 years. When fair values change significantly over a shorter period, revaluations may be made more frequently.

Depreciation of an item of aircraft, engines and other property, plant and equipment are calculated using the straight-line method over the estimated useful life of individual assets as follows:

• aircraft	20 years
• engines	12 years
• buildings and roads	25 years
• machines	3 years
• motor vehicles	4 years
• office equipment	7 years
• computers	2 years
• others	7 years

Right of use assets related to aircraft lease agreements (and spare engines) are divided into components based on their value and technical characteristics. The useful life of the components of the assets that constitute the maintenance condition of the aircraft and its key components will continue until the relevant component of the aircraft no longer meets the return conditions set out in the lease agreement. The useful life of the residual asset component (which is not related to the maintenance status of the underlying asset) is the lease term.

Maintenance reserve costs

Amounts related to aircraft maintenance (maintenance reserves) are recognized either as current expenses for the period or as part of the value of the respective asset depending on the nature of the repair / maintenance.

Gain or losses arising on the disposal of tangible assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognized in the statement of profit or loss and other comprehensive income within "Gain/Loss from sale of non-current assets".

The recognition threshold, adopted by the Company for aircraft, engines and other property, plant and equipment amount to BGN 700.

4.12 Intangible assets

Intangible assets include right of ownership, software, licenses, certificates and expenditure on intangibles' acquisition. They are accounted for using the cost model. The cost comprises its purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable expenditure on preparing the asset for its intended use.

Subsequently, an intangible asset is measured at its cost less any accumulated amortization and any accumulated impairment losses. Impairment losses are recognized as an expense in the statement of profit or loss and other comprehensive income for the respective period.

Subsequent expenditure after initial recognition of the intangible assets is recognized in the statement of profit or loss and other comprehensive income when incurred unless it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured reliably and attributed to the asset. If these two conditions are met, the subsequent expenditure is added to the carrying amount of the intangible asset.

Residual values and useful lives are reviewed at each reporting date.

Amortization is calculated using the straight-line method over the estimated useful life of individual assets as follows:

- | | |
|----------------------|-------------------------|
| • software | 2 years |
| • licenses | 7 years |
| • right of ownership | for the term of the use |

Amortization has been included within 'Depreciation and amortization of non-financial assets' in the statement of profit or loss and other comprehensive income.

The gain or loss arising on the disposal of an intangible asset is determined as the difference between the proceeds and the carrying amount of the asset, and is recognized in the statement of profit or loss and other comprehensive income within "Gain on sale of non-current assets".

The recognition threshold adopted by the Company for the intangible assets amounts to BGN 700.

4.13 Investment property

The investment property of the Company includes buildings held to generate rental income and/or for capital appreciation.

The investment property is initially measured at cost, which comprises the purchase price and any directly attributable expenses, e. g. legal fees, property transfer taxes and other transaction costs.

Revaluation of the investment property is carried out on an annual basis and is included in the statement of financial position at its market value. Market values are determined by independent appraisers with professional qualification and solid experience depending on the nature and location of the investment property, based on evidence of market conditions.

Any gain or loss arising from changes in fair value or from the sale of an investment property is recognized immediately in profit or loss within "Changes in fair value of investment property".

Subsequent expenditure relating to investment property, which is already recognized in the Company's financial statements, is added to the carrying amount of the investment property when it is probable that this expenditure will enable the existing investment property to generate future economic benefits in excess of its originally assessed value. All other subsequent expenditure is recognized as incurred.

The investment property is derecognized upon its sale or permanent withdrawal from use in case that no future economic benefits are expected from its disposal. Gains or losses arising from the disposal of investment

properties are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income.

Rental income and operating expenses from investment property are reported within 'Other income' and 'Other expenses' respectively, and are recognized as described in note 4.4.

4.14 Leases

4.14.1 The Company as a lessee

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Company has the right to direct the use of the identified asset throughout the period of use.

The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

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

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

The company uses a different incremental interest rate for leased aircraft and leased real estate.

To determine the incremental interest rate for a lease obligation on leased real estate, the Company:

- uses, where possible, the applicable interest rate of the last third-party financing, adjusted to reflect changes in the financing conditions that have occurred since that last financing;

In order to determine the incremental interest rate for a lease obligation on leased aircraft, the Company:

- uses, where possible, the applicable interest rate on recent third-party financing, adjusted to reflect changes in financing conditions that have occurred since that last financing and a mark-up reflecting the additional risk associated with the asset itself, currency risk and liquidity risk related with the longer term of leases than the term of financing.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

After initial measurement, the liability is reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

In the statement of financial position, right-of-use assets and lease liabilities are presented as a separate line item.

Rent discount on lease contracts

The Company has applied the amendment to IFRS 16 for leases under which there is a reduction in leases as a result of Covid-19. The Company applies the reporting simplification, which allows it not to assess whether the allowable discounts on leases that are a direct consequence of the Covid-19 pandemic are modifications to the lease. The Company applies the reporting facility consistently in contracts with similar characteristics and in similar circumstances. For lease discounts on lease agreements for which the Company decides not to apply the facility or which do not meet the requirements for application of the facility in IFRS 16, the Company applies a modification to the lease agreement.

4.14.2 The Company as a lessor

As a lessor the Company classifies its leases as either 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 classified as an operating lease if it does not.

The assets under operating leases are represented in the statement of financial position and are amortised in accordance with the amortisation policy for similar assets and the requirements of IAS 16 Property, plant and equipment or IAS 38 Intangible assets. The Company receives revenue from renting its investment property under operating leases. Rent revenue is recognised on a straight line basis over the period of the lease contract.

4.15 Impairment tests of non-financial assets

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

All assets and cash-generating units are tested for impairment at least once a year. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

Impairment losses for cash-generating units reduce the carrying amount of the assets allocated to that cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

4.16 Financial instruments

4.16.1 Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

4.16.2 Classification and initial measurement of financial assets

Financial assets are initially measured at fair value, adjusted for transaction costs, except for financial assets at fair value through profit or loss and trade receivables that do not contain a significant financial component. The initial measurement of financial assets at fair value through profit or loss is not adjusted with transaction costs that are reported as current expenses. The initial measurement of trade receivables that do not contain a significant financial component represents the transaction price in accordance with IFRS 15.

Depending on the method of subsequent measurement, financial assets are classified into the following categories:

- Debt instruments at amortised cost;
- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI) with or without reclassification in profit or loss, depending on whether they are debt or equity instruments.

The classification is determined by both:

- the entity's business model for managing the financial asset;
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses in the statement of profit or loss/ statement of profit or loss and other comprehensive income.

4.16.3 Subsequent measurement of financial assets

Financial debt instruments at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions and are not designated as FVTPL:

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

This category includes non-derivative financial assets like loans and receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Company classifies in this category cash and cash equivalents, trade and other receivables, related party receivables.

Trade receivables

Trade receivables are amounts due from customers for goods or services sold in the ordinary course of business. Typically, they are due to be settled within a short timeframe and are therefore classified as current. Trade receivables are initially recognized at amortized cost unless they contain significant financial components. The Company holds trade receivables for the purpose of collecting the contractual cash flows and therefore measures them at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Receivables from related parties arising outside the ordinary course of business of the Company are measured at amortized cost using the effective interest method. Depending on the arrangements, they can be classified as short-term and/or long-term.

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at FVOCI include:

- Equity securities that are not held for trading and which at initial recognition the company irrevocably has chosen to recognize in this category. These are strategic investments and the company considers this classification to be more relevant.
- Debt securities where the contractual cash flows are solely payments of principal and interest and the purpose of the company's business model is achieved both by collecting contractual cash flows and by selling the financial assets.

On disposal of equity instruments of this category, any amount recognized in the revaluation reserve is reclassified to retained earnings.

On disposal of debt instruments of this category, any amount recognized in the revaluation reserve is reclassified to profit or loss for the period.

Significant increase in credit risk

IFRS 9 does not define what is a significant increase in credit risk. When determining if there has been a significant increase in credit risk, the Company takes into account both qualitative and quantitative supporting future information, which relates to unfavourable changes in the debtor's economic and financial situation and which may affect his ability to fulfil his obligations and his operating results.

4.16.4 Impairment of financial assets

IFRS 9 impairment requirements use more forward-looking information to recognise expected credit losses – the "expected credit loss" (ECL) model.

Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost/ FVOCI, trade and other receivables and related party receivables.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

Under this forward looking approach, there is a distinction between:

- Financial instruments whose credit score has not been significantly deteriorated in comparison to their initial recognition or have a low credit risk (Stage 1) and
- Financial instruments whose credit score has significantly deteriorated in comparison to their initial recognition or whose credit risk is not low (Stage 2)
- Stage 3 encompasses financial assets for which there is objective evidence of impairment as of the reporting date. The Company does not hold assets in this category.

12-month expected credit losses are recognized for the first category, while expected losses for the entire term of the financial instruments are recognized for the second category. Expected credit losses are defined as the difference between all contractual cash flows due to the Company and the cash flows it actually expects to receive ("cash shortage"). This difference is discounted at the original effective interest rate (or with the loan-adjusted effective interest rate).

The calculation of expected credit losses is determined on the basis of the probabilistic weighted estimate of credit losses over the expected maturity of financial instruments.

Trade and other receivables, related party receivables

The Company makes use of a simplified approach in accounting for trade and other receivables as well as related party receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses.

Trade receivables comprise a large number of clients in a few number of industries. To calculate expected credit loss the Company groups the clients by their industry and age structure of the receivables, using the provision matrix.

Other receivables and related party receivables comprise of few in number of clients and therefore an individual approach is applied.

The Company prepares an analysis of the expected shortfall in the contracted cash flows, taking into account the possibility of default on related party receivables. The Company's judgment is based both on historical information and on long-term expectations. Receivables are tested on an individual basis and are divided into two groups:

- Receivables from shareholders
- Receivables from other related parties

For shareholders' receivables (with agreed maturity and interest rate), the expected credit losses are calculated by discounting the receivables over the term of the contract with an effective interest rate based on the agreed interest rate and further adjusted to reflect future expectations. The following factors shall be taken into account when determining the value of the adjustments:

- Expectations and probability of early collection of the receivable
- The owners guarantee and finance the Company in case of shortage of funds in the course of its operations

- The probability of default of the agreed cash flows is minimal
- Effects of military conflict over the owners' operations

For receivables for which no interest is agreed, the effective interest rate is applied for similarly timed and featured financial instruments.

Expected credit losses on receivables from other related parties are calculated by discounting the effective interest rate based on the agreed interest rate and additional adjustments. For receivables for which no interest is agreed, the effective interest rate is applied for similarly timed and featured financial instruments. Factors to be taken into account in determining the effective interest rate are:

- expectations for early collection of the receivable;
- the effective receipts on the specific receivable;
- the probability of default of the agreed cash flows;
- the existence of historical experience with the particular connected person;
- the type of company's connectivity;
- effects of military conflict over related parties' operations;
- collateral;

Financial assets at fair value through other comprehensive income

The Company recognises 12-month expected credit losses for financial assets at FVOCI.

The Company considers other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Company recognises for this instrument or class of instruments the lifetime ECL.

4.16.5 Classification and measurement of financial liabilities

The Company's financial liabilities include borrowings, trade and other financial liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

4.17 Inventory

Inventories include spare parts, raw materials 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. Financing costs are not included in the cost of the inventories. At the end of the reporting period, inventories are carried at the lower of cost and net realizable value. The amount of each impairment of inventories up to their net realizable value is recognized as an expense for the period of impairment.

Net realizable value is the estimated selling price of the inventories less any applicable selling expenses. In case inventories have already been impaired to their net realizable value and in the following period the impairment conditions are no longer present, than the new net realizable value is adopted. The reversal amount can only be up to the carrying amount of the inventories prior to their impairment. The reversal of the impairment is accounted for as decrease in inventory expenses for the period in which the reversal takes place. The Company determines the cost of inventories by using the weighted average cost.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

4.18 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, current bank accounts, demand deposits together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash of the Company are deposits under contracts for operating lease of aircraft which are assumed to be released when definite circumstances and conditions are met according to the agreements signed.

4.19 Equity

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

The Company's reserves are comprised of:

- Common and other reserves comprise amounts, formed under the requirements set forth by the commercial legislation as in force;
- Additional capital contributions – sums received as additional cash contributions from the majority owner;
- Reserves from remeasurement defined benefit plan obligations – includes actuarial profit or loss from changes in the demographic or financial assumptions and returns on the defined benefit plan's assets;

The revaluation reserve of non-financial assets includes gain or loss from revaluation of non-financial assets.

The accumulated loss includes the current period result from the statement of profit or loss and other comprehensive income and the retained profits and uncovered losses from prior periods.
All transactions with owners of the Company are recorded separately within equity.

4.20 Pension and other employee obligations

The Company provides post-employment benefits through defined benefit plans as well as various defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into state plans in accordance with the Bulgarian labour legislation. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. Contributions to the plans are recognized as an expense in the period that relevant employee services are received.

The defined benefit plan sponsored by the Company defines the amount of pension benefit that an employee will receive on retirement by reference to length of service and final salary. The legal obligation for any benefits remains with the Company.

The liability recognized in the statement of financial position for defined benefit plans is the present value of the defined benefit obligation (DBO) at the reporting date.

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

Actuarial gains and losses are recognized in the other comprehensive income.

Interest expense related to pension obligations is included in the statement of profit or loss and other comprehensive income in the line "Finance costs". All other expenses related to employee retirement benefits are included in the line "Employee benefits expenses".

The Company reports short-term payables relating to unutilized paid leaves, which shall be compensated in case it is expected the leaves to occur within 12 months after the end of the reporting period during which the employees have performed the work related to those leaves. The short-term payables to personnel include wages, salaries and related social security payments. Short-term employee benefits, including holiday entitlement, are current liabilities included in 'pension and other employee obligations', measured at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

4.21 Government grants

Grants provided by the state (government grants) are assistance from the government in the form of transfer of resources to the Company in exchange for past or future compliance with certain conditions regarding the operational activities of the Company. They exclude those forms of government assistance that cannot reasonably be valued and transactions with the government that cannot be distinguished from the Company's normal commercial transactions.

Government grants, including non-monetary grants at fair value, are not recognized unless there is reasonable assurance that:

- The company will meet the conditions related to them; and
- Donations will be received.
- The Company recognizes government grants as revenue over the periods necessary to compare them with the related costs they are intended to offset, using a systematic basis.

Government grants related to depreciable assets are recognized as revenue over the useful life of the asset over which the depreciation is charged. Government grants related to expenses are recognized in the statement of financial position when the related expense is reported.

The grants provided by the State to the Company relate to amounts in respect of government funding pursuant to DCM No. 151/03/07/2020 as a measure to maintain the employment of employees after the period of the state of emergency caused by the COVID-19 pandemic for the period from July to September 2020 and its continuation for the following three months, namely from October to December 2021 - /added and amended by DCM No. 278/12/10/2020. The measure continues in 2021, supplemented and amended by DCM No 416/30.12.2020 and by DCM No 213 of 01.07.2021 and DCM No 482/30.12.2021.

In 2022, there was also an extension of the measure as follows by DCM 482/30.12.2021. for the period January - February 2022 and by DCM No. 40 dated 31.03.2022. for the period March - June 2022. The Company has met the conditions and requirements for payment of compensation under the abovementioned measures to maintain employment.

On the basis of Order № RD -08-199 of 05.05.2022, issued by the Minister of Transport and Communications, the provision of a grant of BGN 18 566 thousand is approved of the Company as a support measure to deal with the consequences of the Covid-19 pandemic.

Revenue from government grants is recognized in the statement of profit or loss and other comprehensive income under "Other revenue". Receivables from the state under the employment retention program are recognized in the statement of financial position under "Trade and other receivables".

4.22 Provisions, contingent liabilities and contingent assets

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material.

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

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized. The Company does not recognize contingent assets in the financial statements as if a contingent asset is recognized this may result in the recognition of income that may never be realized.

4.23 Significant management judgements in applying the accounting policy

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements. Critical estimation uncertainties are described in note 4.24.

4.23.1 Revenue from ticket sales with expired validity

The company mainly provides passenger transport services, which are recognized over time and during the period for which the air ticket is issued. Revenue from the passenger transport service is recognized when the performance obligation is met, i.e. the transport is actually performed. In the cases when the clients have purchased tickets, but the period of validity of the air tickets has expired and they cannot be used by the client, the Company



writes off the value of the recognized liability under the contract as other income. The corresponding proportion of airport charges attributable to the value of airline tickets sold for which the carriage was not performed due to the expiry of its period of validity is also written off from liabilities and recognized as other income. The reporting of expired ticket revenues and airport charges is based on statistical information extracted from the registers and databases maintained by the airline. It is the Management's judgement to decide whether the expiration of the validity for each ticket when not being used, gives grounds for recognition of revenue. The value of revenue from expired tickets over the reporting period is presented in note 26.

4.23.2 Revenue from ticket sales when the flights have been interrupted and/or rerouted

As a member of the International Air Transport Association – IATA, the Company should follow the rules for air transportation set forth by IATA. According to IATA resolutions 735d and 735e, in cases of involuntary rerouting and/or flight interruptions, the airline company is obliged to issue a document called FIM (Flight Interruption Manifest). The FIM is valid for a certain flight of the agent airline company that is different from the airline company that has initially issued the original flight ticket.

Since the beginning of 2019, there have been changes in IATA Resolution 735d, one of which is the abolition of the FIM (Flight Interruption Manifest) as a document with which involuntary re-routing and / or flight interruption is performed. This is done only with an electronic ticket. The reason is that FIM is a paper document on which no alternative electronic has been created. Therefore, IATA Resolution 735e has been dropped, and airlines may use FIM and other paper documents such as excess baggage receipts.

The change in the IATA resolutions resulted in new texts in the RAM (Revenue Accounting Manual). Chapter A2, paragraph 2.6 no longer specifies the accounting rules for FIM, but those for planned scheduled change.

Due to the bilateral agreement between the airlines for the use of FIM, the practice remained, after receiving the FIM invoice, the receiving airline (performing the flight) within four months from the date of issuance of the invoice according to the rules of Chapter A10, item 4.1. of RAM to re-debit based on the prorated value. Upon receipt of the re-debit invoice, the incurred settlement is closed. After the expiration of the four-month period for objections / re-debits /, the unsubmitted amounts are recognized as income. In 2021 on the Airline's flights there was only one FIM issued by Air France on which a re-debit invoice was received.

The revenue recognition is based on past experience and the management considers that 95% of the value of all issued and undisputed FIMs gives basis for the recognition of revenue based on actual services performed.

For the current 2022 year as well as for the prior periods, approximately 5% of the value of all issued FIMs has been recognized as revenue and the rest has been presented within other liabilities.

4.23.3 Revenue from ticket sales when customer loyalty incentives are used

The Company has ongoing customer loyalty programs where customers can collect bonus points (award credits), which can be exchanged for free tickets for flights of Bulgaria Air AD.

In cases where the customer can take advantage of the goods or service independently, regardless of the use of the shipment service, it is considered as a separate enforcement obligation if it gives a substantial right.

Rights such as free transportation of additional luggage, flight in business class with a ticket for economy class, vouchers for the business lounge at the airport, competitive discounts when renting vehicles from Sixt and other incentives for loyal customers, are not considered separate performance obligations.

In cases where loyalty programs and loyalty credits grant substantial rights and are considered as a separate performance obligation, the airline recognizes them as a separately identifiable performance obligation in relation to the sale in which the incentives are given. The fair value of contribution received in respect to the initial sale is distributed between bonus points (award credits) and other sale components. The Company distributes the transaction price between the substantive law and the other performance obligations specified in the contract, based on their relatively independent selling price. The Company only provides the incentives for loyal customers and recognizes the reward allocated to the incentives as revenue when these incentives in the form of bonus points are replaced and the Company fulfils its obligation to deliver them. The amount of recognized revenue is based on the number of loyalty credits that have been replaced for rewards in proportion to the total number expected to be redeemed. Revenue from substantive law is recognized on the earlier of the date on which the customers have used the points and the date on which they expire.

The recognition of loyalty credits is based on an estimate of the management's probability that they will be used within their lifetime. Therefore, the amount of reported bonuses and discounts and related earnings may differ from actual results. On the other hand, the loyalty program is not an essential element of the Company's financial

statements. The value of prize credits is not material and is included in the amount of payables for sold tickets in note 25.

4.23.4 Allowance for trading greenhouse gas emissions

According to the requirements of the Directive 2003/87 / EC of the European Parliament and of the Council regulating the scheme for trading greenhouse gas emissions under the Community, aviation activities are included in a single European trading scheme for greenhouse gases (EU ETS). For periods after January 1, 2012 air-companies participate in this mechanism to reduce the harmful environmental impact.

Companies have been granted part of their quotas for emission of greenhouse gases. By 30 April of next year, air carriers must provide the number of allowances for greenhouse gas emissions used in the current year to the EU ETS register.

Due to the absence of an accounting standard or interpretation under IFRS that specifically address the accounting for transactions relating to the emission of greenhouse gases (CO₂ emissions), the Company's management has developed accounting policies considered most relevant and reliable for the purposes of the users of financial information. The Company adopted the "net liability approach" in regard to the accounting treatment of the greenhouse gas emission rights. According to this approach, the Company does not recognize an asset or revenue for the emissions granted by the Executive Environment Agency.

The allowances for greenhouse gas emissions (CO₂ emissions), granted by state, are not recognized in the balance sheet, but are recorded off-balance. When annual greenhouse gas emissions exceed the available allowances, the obligation for the excess is measured at the fair value of greenhouse gas emission allowances by the end of the reporting period and a provision obligation is recognized.

Provision is recognized only if the actual quantity of greenhouse gas emissions exceeds the quantity of emissions granted. The provision is accounted for other operating expense in the Statement of profit and loss and other comprehensive income. Greenhouse gas emission rights acquired and exceeding the emissions granted should be recognized as an asset at cost.

Total quantity of quotas is verified by a report issued by an independent accredited body. The carrying amount of the greenhouse gas emission quotas is presented in note 24.

4.23.5 Deferred tax assets

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

4.23.6 Term of lease contracts

In determining the lease term, management takes into account all the facts and circumstances that create an economic incentive to exercise the option of extension or not to exercise the option of termination. Extension options (or periods after termination options) are included in the lease term only if it is reasonably certain that the lease is extended (or not terminated).

Most options for extending office and vehicle contracts are not included in the lease obligations, as the company can replace the assets without significant costs or changes in business.

Some aircraft leases contain extension options. For these contracts, management considers the following factors as most appropriate:

- Significant penalties for termination (or non-renewal), usually the company is certain that it will extend (or not terminate).
- If improvements to leases are expected to have a significant residual value, the company will normally extend the term of the contract with reasonable certainty (or will not terminate the termination).
- In other cases, the Company reviews other factors, including the historical duration of the lease and the costs and changes in operations required to replace the leased asset.

The lease term is revalued if the option is actually exercised (or not exercised) or the Company undertakes to exercise it (or does not exercise it). The reasonable assurance assessment is reviewed only if a significant event or significant change in circumstances occurs that affects that assessment and is under the control of the lessee. During the current financial year the management of the Company has not established a financial effect from the revision of the leasing conditions.

4.24 Estimation uncertainty

When preparing the financial statements management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The actual results may differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

4.24.1 Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable discount factor in order to calculate the present value of those cash flows (see note 4.15). In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

At the end of the reporting period, the Company has carried out the annual test to determine whether the recoverable amount of non-financial assets exceeds their carrying amount taking into account the slowing pace in the aviation sector due to the passing covid pandemic, inflationary pressures, rising interest rates, forecasts of slowdown in economic growth and even recession. Despite the aviation industry's gradually recovery from the covid pandemic in 2021 and continued into 2022, as well as the improvement in airline performance compared to 2021, air traffic levels are still below those they were before the pandemic began. All these factors still affect the growth rate of aviation revenues and related cash flows, which is also in line with the forecasts of a gradual and smooth recovery of traffic within 3 to 5 years of international aviation regulators.

In addition, the geopolitical uncertainty arising from the war in Ukraine, the bans on aircraft entering from Russia and the termination of travel to and from Russia had a direct impact on the company's activities as part of the revenues were generated by flights, passengers, services arriving and departing from/to the Russian Federation.

The management also has taken into account the effects of the measures taken in response to the deteriorating economic situation (high inflation, rising prices of goods, services, raw materials, etc.), the effects of hostilities in Ukraine and sanctions imposed by many countries against Russia, as well as sanctions imposed by Russia against "hostile countries".

The test results show that the recoverable amount of the non-financial assets exceeds their carrying amount and therefore no impairment losses were recognized during the reporting period. The conclusions of the management are also supported by estimates of an independent external appraiser based on a combination of the net asset value method and the estimated cash flow method with a discount factor of 13.90%. In determining the applicable discount factor, an adjustment was made in relation to market risk, the uncertain business environment and risk factors that are specific to individual companies - cash-generating units.

4.24.2 Calculation of expected credit losses

Credit losses are the difference between all contractual cash flows payable to the Company and all cash flows that the Company expects to receive.

Expected credit losses are a probability-weighted estimate of credit losses that require the Company's judgment.

Expected credit losses are discounted at the original effective interest rate (or the effective interest rate corrected in respect of the loan for purchased or initially created financial assets with credit impairment).

4.24.3 Useful life of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. At 31 December 2022 management assesses that the useful lives represent the expected utility of the assets to the Company. The carrying amounts are analysed in note 5,6,7 and 9. Actual results, however, may vary due to technical obsolescence, particularly relating to aircraft and engines, software and IT equipment. The useful life of right-of-use assets is determined on the basis of the Company's accounting policies for own assets. If ownership of the right-of-use asset is transferred to the Company as lessee under a lease by the end of the lease term, or if the exercise of a purchase option by the lessee is reflected, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. In other cases, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the right-of-use asset or until the lease expires, whichever is the earlier.

4.24.4 Recognition of maintenance reserve expenses

For aircraft held under leases, minimum necessary inherent maintenance costs are provided for from specific future obligations under the leases when those obligations become certain. The amount of the estimated maintenances costs are based on estimates of the costs that will be required for the significant repairs and maintenance (heavy maintenance) that will be required to meet the obligation. The amount of these costs is expensed as an ongoing expense when the need for the service arises and the service is actually performed, if not previously included in the amount of the right-of-use asset. The amount of the estimated cost is reviewed on an annual basis on a contract-by-contract basis.

4.24.5 Inventory

Inventories are measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's core business is subject to technology changes which may cause selling prices of spare parts for aircrafts to change rapidly. Moreover, future realization of the carrying amounts of inventory assets – spare parts for aircraft, BGN 7 009 thousand (2021: BGN 6 112 thousand) is affected by use and type of the aircraft park.

4.24.6 Defined benefit obligation

Management estimates the defined benefit obligation annually with the assistance of independent actuary. However, the actual outcome may vary due to estimation uncertainties. The estimate of its defined benefit obligation of BGN 737 thousand (2021: BGN 616 thousand) is based on standard rates of inflation, medical cost trends and mortality. It also takes into account the Company's specific anticipation of future salary increases. Discount factors are determined close to each year-end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Estimation uncertainties exist particularly with regard to both medical cost trends and expected rate of return, which may vary significantly in future appraisals of the Company's defined benefit obligations.

4.24.7 Fair value measurement

Management uses valuation techniques in measuring the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date (see note 39).

Management uses reports from independent licensed appraisers to determine the fair value of non-financial and financial assets. They are based on market data and assumptions that market participants would accept in the valuation of an asset, which are adjusted for the specific features of the Company's assets. The extent and direction of this adjustment depends on the number and characteristics of the observed market transactions with similar assets that have been used for valuation purposes. Although the data is a subjective judgment, management believes that the final estimate would not be significantly affected by other possible assumptions at the current reporting date. In the context of a passing Covid-19 pandemic, the military conflict in Ukraine and the high

inflationary pressures, these estimates may differ from the actual prices that would be determined in a fair market transaction between informed and willing parties at the end of the reporting period.

4.24.8 Lease contracts – determining the appropriate discount rate for valuation of leasing liabilities

When the Company cannot easily determine the interest rate included in the lease, it uses its differential interest rate (IBR) to determine the value of the lease obligations. IBR is the interest rate that the Company would have to pay to borrow for a similar period and with a similar guarantee in order to obtain the funds necessary to acquire an asset with a similar value and characteristics of the asset in a similar economic environment. Therefore, the IBR reflects what the Company "should pay", which requires an estimate when no observable interest rates are available (for example, for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the term and the terms of the lease. The Company assesses IBR using, where possible, the applicable interest rate on recent third-party financing, adjusted to reflect changes in financing conditions that have occurred since the last financing, and a margin reflecting additional risk associated with the asset itself; currency risk and liquidity risk related to the longer term of the lease agreements as compared to the term of the financing.

4.24.9 Provisions

Provision on allowances for trading greenhouse gas emissions (CO₂)

The Company recognizes provision for greenhouse gas emissions when the actual quantity of greenhouse gas emissions exceeds the quantity of emissions granted. The provision amount is based on the price quotes of the resellers as at the end of the reporting period. Further details are provided in note 24.

Legal provisions

As at the end of the reporting period, the Company is currently defending certain lawsuits where the actual outcome may vary from the amount recognized in the financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Company's position in the related disputes.

4.24.10 Other liabilities

The amount recognized as a deferred revenue from services amounting to BGN 4 224 thousand (2021: BGN 443 thousand) has been estimated by management after overall review of the rent airplanes and chartered flights services that have been rendered and detailed consideration of all contractual agreements for charter services. However, the actual outcome may vary due to unexpected changes in the pattern of services provided.

Other company's liabilities include the obligation to render transportation services to passengers, cargo and mail, for which the contractual term or period the ticket was issued for, have not occurred yet. Based on past experience, the Company's management believes that not all sold tickets will be flown and therefore part of the cost of obligations for the implementation of the services will be reported as revenue from scheduled flights, while others - as other revenues. Detailed description of the significant estimates of the Company is presented in note 4.23.

Estimates and assumptions have been made in regard to the accruals of the Company's trade payables related to the supply of fuel and all other services received in relation to landing and ground handling for December of each calendar year. It takes time to receive invoices for all deliveries, which leads to estimated accruals for these expenses. As of 31 December 2022 there are no deliveries of fuel as well as landing fees, flying and attendance services that have not been invoiced (2021: BGN 0 thousand).

5 Aircraft and spare engines

The carrying amount of aircraft, engines and aircraft equipment is presented in the statement of financial position as of 31 December 2022 as follows:

	Engines BGN'000	Aircraft and improvements BGN'000	Equipment for aircraft BGN'000	Assets under construction BGN'000	Total BGN'000
Gross carrying amount					
Balance at 1 January 2022	3 531	73	1 180	64 230	69 014
Additions	20 215	96 453	-	50 425	167 093
Disposals	(12 985)	(71 303)	-	(114 655)	(198 943)
Balance at 31 December 2022	10 761	25 223	1 180	-	37 164
Depreciation					
Balance at 1 January 2021	(2 834)	(72)	(823)	-	(3 729)
Disposals	1 785	3 268	-	-	5 053
Depreciation charges	(3 615)	(4 933)	(113)	-	(8 661)
Balance at 31 December 2021	(4 664)	(1 737)	(936)	-	(7 337)
Balance at 31 December 2022	6 097	23 486	244	-	29 827
	Engines BGN'000	Improvements for aircraft BGN'000	Equipment for aircraft BGN'000	Assets under construction BGN'000	Total BGN'000
Gross carrying amount					
Balance at 1 January 2021	3 531	73	1 180	-	4 784
Additions	-	-	-	64 230	64 230
Balance at 31 December 2021	3 531	73	1 180	64 230	69 014
Depreciation					
Balance at 1 January 2021	(2 517)	(71)	(714)	-	(3 302)
Depreciation charges	(317)	(1)	(109)	-	(427)
Balance at 31 December 2021	(2 834)	(72)	(823)	-	(3 729)
Balance at 31 December 2021	697	1	357	64 230	65 285

All depreciation charges are included within 'Depreciation and amortization of non-financial assets' in the Statement of profit or loss and other comprehensive income.

The Company has no aircraft and engines pledged as security for its borrowings as of 31 December 2022.

The Company has no other commitments to acquire assets from its own aircraft group.

As of 31 December 2022, the Company's management has reviewed the carrying values, recoverable amounts and useful lives of the aircraft. It has been determined that as at the valuation date, there is no variance of more than the 5% allowed under the Company's accounting policy.

In 2021, the Company signed an agreement for the acquisition of 4 Embraer aircraft, which were operated by the Company under an operating lease agreement until the date of the agreement.

Pursuant to the agreements entered into between the Company and the lessor, and in accordance with the practices and specifics of the airline industry, it has been agreed that the amounts accrued as a paid-up maintenances reserve by the lessee for the respective aircraft up to the date of purchase shall be considered as part of the purchase price. The accumulated Maintenances Reserve as of 31 December 2021, determined as the economic closing date for the transaction, amounts to \$35 million. The amount has been recognised as part of the purchase price of the aircraft respectively aircraft acquisition costs until final settlement of the transaction in 2022. The accumulated Maintenances Reserve relinquished at the time of the initial signing of the agreement essentially represents a refund to the Company, as the acquirer, of amounts accumulated to that point. Accordingly, the amount of the reversed Maintenance Reserve is recognized as income (reversed expense) presented in Other income.

In 2022, the purchase was finalized and the Company recognized the 4 units of Embraer aircraft for BGN 110,948 thousand. In 2022, 3 units of the Embraer type aircraft were sold to an unrelated party. In accordance with the purchase contracts signed on 15 September 2022 the Company has realised gain on sale as follows:

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	31.12.2022 BGN'000	31.12.2021 BGN'000
Revenue from sale	108 212	-
Carrying amount of non-current assets sold	(79 234)	-
Gain on sale of non-current assets	28 978	-

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6 Property, plant and equipment

The Company's property, plant and equipment comprise of buildings, machines and equipment, IT equipment, vehicles, office furniture and equipment, acquisition expenditures and improvement of leased assets. The carrying amount can be analysed as follows:

	Buildings BGN'000	Machines, equipment, IT equipment BGN'000	Vehicles BGN'000	Office equipment BGN'000	Acquisition expenditure BGN'000	Improvements on leased assets BGN'000	Total BGN'000
Gross carrying amount							
Balance at 1 January 2022	280	2 263	615	737	175	1 894	5 964
Additions	-	179	-	2	117	-	298
Disposals	-	-	-	(1)	(179)	-	(180)
Balance at 31 December 2022	280	2 442	615	738	113	1 894	6 082
Depreciation							
Balance at 1 January 2022	(127)	(1 973)	(615)	(706)	-	(1 894)	(5 315)
Depreciation charges	(11)	(165)	-	(11)	-	-	(187)
Disposals	-	-	-	1	-	-	1
Balance at 31 December 2022	(138)	(2 138)	(615)	(716)	-	(1 894)	(5 501)
Balance at 31 December 2022	142	304	-	22	113	-	581
	Buildings BGN'000	Machines, equipment, IT equipment BGN'000	Vehicles BGN'000	Office equipment BGN'000	Acquisition expenditure BGN'000	Improvements on leased assets BGN'000	Total BGN'000
Gross carrying amount							
Balance at 1 January 2021	280	1 963	661	739	28	1 894	5 565
Additions	-	-	-	-	471	-	471
Transfers	-	324	-	-	(324)	-	-
Disposals	-	(24)	(46)	(2)	-	-	(72)
Balance at 31 December 2021	280	2 263	615	737	175	1 894	5 964
Depreciation							
Balance at 1 January 2021	(116)	(1 916)	(661)	(697)	-	(1 894)	(5 284)
Depreciation charges	(11)	(81)	-	(11)	-	-	(103)
Disposals	-	24	46	2	-	-	72
Balance at 31 December 2021	(127)	(1 973)	(615)	(706)	-	(1 894)	(5 315)
Balance at 31 December 2021	153	290	-	31	175	-	649

The Company does not have material contractual commitment for purchasing property, plant and equipment which has to be paid out in 2023.

As at 31 December 2022, the Company has not pledged as security for its borrowings any property, plant or equipment items.

All depreciation charges are included in the statement of profit or loss and other comprehensive income within line "Depreciation and amortization of non-financial assets".

7 Right-of-use assets

Right-of-use assets include aircraft, buildings, vehicles, improvements on leased assets and initial costs related to leased assets. The carrying amount can be analysed as follows:

	Aircraft	Vehicles	Buildings	Acquisition expenditure for leased assets	Improvements on leased assets	Total right-of-use assets
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance at 1 January 2022	398 961	380	2 585	1 611	54 783	458 320
Additions	68 386	-	37	20 825	6 702	95 950
Disposal	(75 963)	-	(50)	(22 360)	(18 837)	(117 210)
Balance at 31 December 2022	391 384	380	2 572	76	42 648	437 060
Depreciation						
Balance at 1 January 2022	(83 213)	(95)	(1 429)	-	(29 823)	(114 560)
Depreciation charges	(38 661)	(99)	(576)	-	(9 077)	(48 413)
Disposal	50 660	-	8	-	18 837	69 505
Balance at 31 December 2022	(71 214)	(194)	(1 997)	-	(20 063)	(93 468)
Carrying amount at 31 December 2022	320 170	186	575	76	22 585	343 592

	Aircraft	Vehicles	Buildings	Acquisition expenditure for leased assets	Improvements on leased assets	Total right-of-use assets
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance at 1 January 2021	367 193	403	2 452	578	68 294	438 920
Additions	53 465	55	500	1 033	13 525	68 578
Disposal	(21 697)	(78)	(367)	-	(27 036)	(49 178)
Balance at 31 December 2021	398 961	380	2 585	1 611	54 783	458 320
Depreciation						
Balance at 1 January 2021	(65 848)	(53)	(1 208)	-	(27 796)	(94 905)
Depreciation charges	(39 062)	(92)	(588)	-	(29 063)	(68 805)
Disposal	21 697	50	367	-	27 036	49 150
Balance at 31 December 2021	(83 213)	(95)	(1 429)	-	(29 823)	(114 560)
Carrying amount at 31 December 2021	315 748	285	1 156	1 611	24 960	343 760

The Company's aircraft group assets have been revalued as at the end of reporting period by an independent valuer. Refer to note 39.2 about information on the determination of the fair value of the assets in the Aircraft group. If the acquisition cost model had been applied, the carrying amount of the revalued assets of the Aircraft group would have amounted to BGN 216 664 thousand. (2021: BGN 202 261 thousand). The revalued amount includes a revaluation reserve before taxes in the amount of BGN 99 084 thousand, which is not subject to distribution to the owners of the Company.

As at 31 December 2022, the Company's management has reviewed the carrying amounts, recoverable amounts and useful lives of the assets. It has been determined that as at the valuation date, there is no variance of more than the 5% allowed under the Company's accounting policy.

Pursuant to a pledge agreement, the option to acquire the three aircraft was granted as security for the Company's obligations to the owner.

In 2021, the Company has acquired an Airbus, A-320 aircraft under a finance lease agreement. The value of the acquired aircraft is BGN 53 million.

In 2022, the Company has acquired 3 Embraer aircraft under operating lease agreements. The value of the acquired aircraft is BGN 58 million.

As at 31 December 2022, the Company has commitments to purchase 7 Airbus, 220 aircraft under finance lease agreements with a purchase option at the end of the lease term, as four of the aircraft to be delivered in 2023 and the other three in 2024. The Company has transferred deposits for these aircraft to the lessor totaling USD 3 150 thousand.

The Company has contractual obligations to purchase one Airbus, A-320 aircraft under an operating lease with an option to purchase the aircraft at the end of the contract term.

All depreciation expense is included in the statement of profit or loss and other comprehensive income on the line "Depreciation expense on non-financial assets".

Initial expenditures related to leased assets of BGN 76 thousand as at 31 December 2022 (2021: BGN 1 611 thousand), represent expenditures incurred for major repairs, inspections and maintenance of leased aircraft and/or engines and other aircraft parts covering aircraft life cycles longer than one year.

Leasehold improvements include repairs to leased aircraft and/or aircraft engines and other parts performed in prior reporting periods.

Lease liabilities corresponding to right-of-use assets are presented in Note 20 Lease liabilities.

The Company has performed the annual impairment test of non-financial assets including right-of-use assets taking into account the effects of the passing pandemic of Covid-19, the ongoing military conflict in Ukraine, as well as high inflationary pressures. The results show that at 31.12.2022 the carrying amount of the assets does not exceed their recoverable amount.

8 Investment property

Investment property of the Company includes service buildings, which are located in the area of Sofia airport and are owned for investment purposes only. The fair value of investment properties at the end of each reporting period is a reasonable approximation of their fair value. This assessment of the management is based on the appraisal by licensed appraisers and subsequent market research and consultations both with an internal expert and an external independent appraiser. Information on determining the fair value of investment property is presented in note 39.2.

The carrying amount of investment property presented in the statement of financial position is as follows:

	Investment property BGN'000
Carrying amount as at 1 January 2021	274
Carrying amount as at 31 December 2021	274
Carrying amount as at 31 December 2022	274

Rental income from investment property amounts to BGN 250 thousand (2021: BGN 250 thousand), included within 'Rental income' in 'Other income' in the Statement of profit or loss and other comprehensive income. The direct operating expenses amounting to BGN 3 thousand. (2021: BGN 3 thousand), are related to garbage fees accounted on behalf of the lessee. No contingent rents have been recognized.

The Company has not pledged as security for its borrowings, investment property.

The Company does not have a contractual agreement to acquire investment properties which has to be settled in 2023.

9 Intangible assets

Intangible assets of the Company include acquired software licenses, licenses and certificates, right of ownership and expenditures on acquisition of intangible assets. The carrying amounts for the reporting periods can be analysed as follows:

	Software BGN'000	Licenses BGN'000	Right of ownership BGN'000	Acquisition expenditure BGN'000	Total BGN'000
Gross carrying amount					
Balance at 1 January 2022	3 451	1 405	127 121	67	132 044
Additions	-	1	-	91	92
Transfers	74	8	-	(82)	-
Balance at 31 December 2022	3 525	1 414	127 121	76	132 136
Amortization					
Balance at 1 January 2022	(3 315)	(1 379)	(29 593)	-	(34 287)
Amortization charges	(144)	(11)	(4 238)	-	(4 393)
Balance at 31 December 2022	(3 459)	(1 390)	(33 831)	-	(38 680)
Carrying amount at 31 December 2022	66	24	93 290	76	93 456
	Software BGN'000	Licenses BGN'000	Right of ownership BGN'000	Acquisition expenditure BGN'000	Total BGN'000
Gross carrying amount					
Balance at 1 January 2021	3 391	1 405	127 121	3	131 920
Additions	21	-	-	103	124
Transfers	39	-	-	(39)	-
Balance at 31 December 2021	3 451	1 405	127 121	67	132 044
Amortization					
Balance at 1 January 2021	(3 196)	(1 374)	(25 355)	-	(29 925)
Amortization charges	(119)	(5)	(4 238)	-	(4 362)
Balance at 31 December 2021	(3 315)	(1 379)	(29 593)	-	(34 287)
Carrying amount at 31 December 2021	136	26	97 528	67	97 757

All amortization charges are included in the Statement of profit or loss and other comprehensive income within "Depreciation and amortization of non-financial assets".

No intangible assets have been pledged as security for liabilities.

The Company's rights were formed as part of the consolidation process of the Group's aviation business to which it belongs. In performing the annual review for any indication of impairment of intangible assets, the Company's management determines the value in use based on the expected future cash flows for each cash generating unit. These calculations are based on significant judgments by the Company's management under a number of assumptions and future events. Actual results may differ and require significant adjustments to the Company's assets in subsequent reporting periods.

Rights with a carrying amount of BGN 93 290 thousand (2021: BGN 97 528 thousand) represent ownership rights recognised under a sale and purchase agreement of a whole entity in a prior reporting period. According to the valuation made for acquisition, the income capitalisation method was applied to the intangible assets recognised, which amortises the future income expected to be generated as a result of the acquired entity.

The Company's most significant software products are related to flight planning and management systems (Netline), flight load management system (Amadeus Altea Inventory), revenue management system (Amadeus Revenue Management), reservation system (Amadeus Reservation).

As disclosed in note 4.24.1 and 4.15, the Company has performed the annual impairment test of intangible assets taking into account the uncertainties caused by the passing Covid-19 pandemic, the ongoing military conflict in Ukraine, high inflationary pressures. The results indicate that the recoverable amount of the intangible assets is close to their carrying amount and no impairment charge has been recognised in the period.

10 Investments in subsidiaries

The Company has an investment in a subsidiary, Bulgaria Air Technic EOOD, which is incorporated in the country and whose business is aircraft maintenance and repair.

Name of the subsidiary	31.12.2022 BGN'000	share %	31.12.2021 BGN'000	share %
Bulgaria Air Technic EOOD	628	100%	628	100%
	628		628	

The investment in the subsidiary is presented in the financial statements at cost.

Bulgaria Air AD did not receive any dividends in 2021 and 2022.

The Company has no contingent liabilities or other commitments related to the investment in the subsidiary.

11 Investments in joint ventures

The Company has an investment in three joint ventures - consortia, which have been established for the purpose of pooling efforts and activities for the provision of air passenger ticketing services and whose object consists in the preparation of tenders and participation in procurement procedures.

The Company holds voting rights in three consortia: Bulgaria Air - Posoka DZPD, Bulgaria Air - Posoka Com DZPD and Bulgaria Air and Posoka DZPD. The joint ventures were established in Bulgaria together with Posoka Com Ltd. The investments are carried at cost. The date of the financial statements of the joint ventures is 31 December. The financial information of the joint ventures can be summarised as follows:

Name of joint venture	31.12.2022 Investment amount BGN'000	Share %	2022 Revenue BGN'000	2022 Financial result of the period BGN'000	31.12.2022 Net assets BGN'000
Bulgaria Air – Posoka DZZD	-	90	5 162	22	977
Bulgaria Air and Posoka DZZD	182	70	4 259	12	630
	182				
Name of joint venture	31.12.2021 Investment amount BGN'000	Share %	2021 Revenue BGN'000	2021 Financial result of the period BGN'000	31.12.2021 Net assets BGN'000
Bulgaria Air – Posoka DZZD	-	90	2 529	7	163
Bulgaria Air – Posoka Com DZZD	-	90	-	-	-
Bulgaria Air and Posoka DZZD	182	70	1 765	5	83
	182				

Bulgaria Air AD did not receive any dividends from the joint ventures in 2022 (2021: BGN 12 thousand)

While Bulgaria Air - Posoka DZZD does not operate, as the Consortium was established with the purpose of participating in a specific public procurement that has already expired.

The Company has no contingent liabilities or other commitments related to the investments.

12 Deferred tax assets and liabilities

Deferred taxes arise as a result of temporary differences and can be presented as follows:

Deferred tax assets and liabilities	1 January 2022	Recognized in profit and loss	31.12.2022
	BGN'000	BGN'000	BGN'000
Non-current assets			
Depreciation and revaluation of non-financial assets	8 207	(315)	7 892
Current assets			
Impairment of trade receivables	(819)	(173)	(992)
Non-current liabilities			
Pension employee obligations	(73)	-	(73)
Current liabilities			
Trade payables	(19)	1	(18)
Pension employee obligations	(9)	(6)	(15)
Other employee obligations	(77)	(1)	(78)
Tax loss	(4 290)	1 207	(3 083)
	2 920	713	3 633
Recognized as:			
Deferred tax asset	(5 287)		(4 259)
Deferred tax liability	8 207		7 892
Deferred tax liabilities	2 920		3 633

Deferred taxes for the 2021 comparative period can be summarised as follows:

Deferred tax assets and liabilities	1 January 2021	Recognized in profit and loss	31.12.2021
	BGN'000	BGN'000	BGN'000
Non-current assets			
Depreciation and revaluation of non-financial assets	9 663	(1 456)	8 207
Current assets			
Impairment of trade receivables	(201)	(618)	(819)
Non-current liabilities			
Pension employee obligations	(73)	-	(73)
Current liabilities			
Trade payables	(82)	63	(19)
Pension employee obligations	(4)	(5)	(9)
Other employee obligations	(69)	(8)	(77)
Tax loss	(5 114)	824	(4 290)
	4 120	(1 200)	2 920
Recognized as:			
Deferred tax asset	(5 543)		(5 287)
Deferred tax liability	9 663		8 207
Deferred tax liabilities	4 120		2 920

All deferred taxes have been accounted for using the passive method, using the applicable effective tax rate of 10%, which rate is expected to continue to apply at the time the deferred taxes reverse. Note 32 provides additional information in relation to the Company's tax expense.

All deferred tax assets (including tax losses and other tax credits) are included in the statement of financial position.

As at 31.12.2022, the Company's tax losses amount to BGN 30 817 thousand. Utilization of the deferred tax asset depends on the realization of future taxable profits.

The period in which the Company is entitled to deduct the tax losses is within the next 5 financial years.

13 Aircraft spare parts

Spare parts for aircraft worth BGN 7 009 thousand (2021: BGN 6 112 thousand) include units, blocks, signalling devices, manifolds, cylinders, compensators, sensors, contactors and the like.

As a result of the annual review of the net realisable value of inventories, including aircraft spare parts, based on external and internal sources of information, the Company's management has made a judgement that there are no facts and circumstances to indicate that the cost of such inventories exceeds their net realisable value. This judgement is based on the analysis of fluctuations in selling prices of inventories with similar uses.

Spare parts are not pledged as collateral for the Company's obligations.

14 Inventories

	31.12.2022 BGN'000	31.12.2021 BGN'000
Goods	154	140
Catering utensils	113	87
Catering other	72	46
Airplane fuel	110	79
Fuel and lubricant materials	69	21
Other	65	16
	583	389

As of 31 December 2022, the Company has not identified any indication of impairment of its inventories from external or internal sources of information. Therefore, no impairment of inventories has been recorded. In determining the net selling price of inventories, management used the most reliable information available at the time the judgment was made.

The Company's goods with a carrying value at 31 December 2021 of BGN 148 thousand (2021: BGN 137 thousand) have been pledged as collateral for a working capital loan received from Teximbank AD.

15 Short-term financial assets

Current financial assets during the periods presented are classified into the following categories:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Equity instruments at fair value through other comprehensive income		
Non-traded equity instruments	18 000	18 000
Debt instruments at amortised cost		
Loans granted	13 625	15 820
	31 625	33 820

15.1 Financial assets at fair value through other comprehensive income

The amounts recognised in the statement of financial position relate to the following categories of financial assets:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Financial assets at fair value through other comprehensive income	18 000	18 000
In 2016, the Company acquired shares of a foreign legal entity but without the power to exercise control over the management of the Company's operations. Bulgaria Air AD has no rights to the variable return on the investment and it is classified as a financial asset at fair value through other comprehensive income on initial application of IFRS 9. The acquired shares are denominated in Bulgarian lev and are not traded on a public stock exchange.		

An independent licensed appraiser has assessed the fair value of the share of Bulgaria Air AD in equity of the foreign legal entity as of the end of each reporting period. The results show that the fair value is a close approximation of the carrying amount of the investment as at 31.12.2021, which is its acquisition cost. The investment is held with a strategic objective that is tied to a long-term relationship with the Sofia City Municipality as a result the Company has invested its own resources.

15.2 Debt instruments at amortised cost

	31.12.2022 BGN'000	31.12.2021 BGN'000
Carrying amount (amortised cost):		
Granted loans	20 897	21 055
Impairment loss	(7 272)	(5 235)
Net carrying amount	13 625	15 820

Short-term loans are provided at annual interest rates ranging from 2% to 9%. Loans are denominated in BGN, EUR, USD and RUB and repayments are made in the same currency. The loans are unsecured and mature in 2023.

The fair value of the loans granted has not been determined individually as management considers the carrying amount to be consistent with their fair value.

	2022 BGN'000	2021 BGN'000
Allowance for expected credit loss		
Balance at 1 January	(5 235)	(997)
Impairment charged during the period	(2 037)	(4 238)
Balance as at 31 December	(7 272)	(5 235)

16 Trade receivables

	31.12.2022 BGN'000	31.12.2021 BGN'000
Trade receivables, gross	65 413	15 662
Impairment loss	(1 069)	(1 061)
Trade receivables, net	64 334	14 601

Trade receivables are short-term. The carrying amount of trade receivables is considered to be a reasonable approximation of their fair value.

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

The change in impairment of trade receivables can be presented as follows:

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	2022 BGN'000	2021 BGN'000
Allowance for expected credit loss		
Balance at 1 January	(1 061)	(1 006)
Impairment charged during the period	(8)	(55)
Balance as at 31 December	(1 069)	(1 061)

Trade receivables at 31 December are as follows:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Financial assets		
Receivables on sales of non-current assets	48 851	-
Receivables from sales of airplane tickets by representative offices and BSP agents abroad	2 231	2 137
Direct sales of airplane tickets in the country and abroad	1 438	789
Sales of cargo and mail	162	107
Charter flights receivables	267	88
Other trade receivables	8 104	6 832
Receivables on operating lease of airplanes	50	2 967
Total financial receivables	61 103	12 920
Non-financial receivables		
Advances on spare parts purchases	2 544	1 279
Advances for landing and maintenance fees	697	402
Total non-financial receivables	3 241	1 681
Total trade receivables	64 334	14 601

Trade receivables are due within 60 days and do not contain effective interest. All trade receivables are exposed to credit risk, but the material portion is not considered to be high. As a member of IATA, the Company also uses the Billing and Settlement Plan (BSP) system for agent and airline payments. This is a centralised system designed to ensure the flow of information and resources between tour operators and agents and airlines. The system is maintained by IATA.

Receivables from sales of air tickets by travel agents and collected by IATA through the BSP system arise in respect of tickets sold by agents and representatives within the relevant country for which payment is not due at the financial statement date.

Receivables on sale of non-current assets in the amount of BGN 48 851 thousand arose under contracts for sale of 3 Embraer aircraft and are to be settled in 2023.

In the reporting years 2020 and 2021, the specific credit risk is mainly related to the distressed financial situation of all companies operating in aviation industry and related services.

17 Other receivables

	31.12.2022 BGN'000	31.12.2021 BGN'000
Financial assets:		
Awarded and court receivables	263	263
Guarantees	1 917	1 800
Grant funding receivables	-	196
Other financial receivables	5 511	5 215
Impairment losses	(2 868)	(2 868)
Other financial receivables	4 823	4 606
Non-financial Assets:		
Prepaid expenses	2 280	1 763
Other	22	2
Other non-financial receivables	2 302	1 765
Total other receivables	7 125	6 371

Prepaid expenses at the end of each reporting period mainly represent aircraft insurance premiums paid, technical documentation costs and commissions.

Other financial receivables in the amount of BGN 5 511 thousand (2021: BGN 5 215 thousand) represent receivables for re-invoiced costs, receivables for identified shortfalls and accounts payable, claims and other.

Grant funding receivables of BGN 196 thousand as at 31 December 2021 (2020: BGN 544 thousand) relate to government programmes to help businesses recover from the negative impacts of the Covid-19 pandemic. From mid-2020 the Company has applied for "Measure 60/40" under DCM No. 151 dated 03.07.2020 to assist employers in maintaining the employment of employees during the state of emergency. Compensation by the State amounts to 60 % of the amount of social security income and contributions at the expense of the employer. These grants amounting to BGN 544 thousand were received in 2021 and the 2021 grants amounting to BGN 196 thousand were received in 2022. As of 31 December 2022, the Company has no receivables under grant funding programs.

The Company's other financial receivables have been reviewed for events of default and a simplified approach has been applied to determine the expected credit losses at period end. Certain receivables have been impaired on an individual basis and the corresponding impairment of BGN 1 926 thousand has been recognised in 2021 in the statement of profit or loss and other comprehensive income in the line 'Impairment of financial assets'. There was no indication of impairment in 2022 and accordingly no impairment was recognised. The impaired receivables are from counterparties with whom the Company has litigation.

The change in impairment of other financial receivables can be presented as follows:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Allowance for expected credit losses for other financial receivables		
Balance at 1 January	2 868	942
Allowance for expected credit losses from impairment of other financial receivables	-	1 926
Balance as at 31 December	2 868	2 868

18 Cash and cash equivalents

	31.12.2022 BGN'000	31.12.2021 BGN'000
Cash at banks	1 723	673
Cash in hand	90	198
Restricted cash	15 436	17 566
Impairment	(95)	(95)
	17 154	18 342

The significant portion of restricted cash amounting to BGN 13 347 thousand (2021: BGN 15 577 thousand) is denominated in US dollars, which represents guarantees paid under aircraft operating lease contracts that expire in subsequent reporting periods. The remainder of the blocked cash represents collateral for letters of credit and bank guarantees issued.

An analysis of cash on hand and in bank accounts, excluding blocked cash, by currency type can be presented as follows:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Cash at in hand and in bank accounts:		
- Euro	675	412
- US dollars	23	66
- Bulgarian leva	886	111
- Russian rubble	4	111
- British pound	122	65
- Other	8	11
Cash at in hand and in bank accounts	1 718	776
- Bulgarian leva	73	80
- US dollars	15 179	17 302
- Euro	184	184
Restricted cash	15 436	17 566
Total cash and cash equivalents	17 154	18 342

The total value of blocked cash used as collateral for trade payables or bank borrowings amounts to EUR 94 thousand, USD 999 thousand and BGN 73 thousand.

The Company has estimated expected credit losses on cash and cash equivalents. In 2021, the Company has accrued expected credit losses of BGN 23 thousand in respect of cash at banks. No impairment has been charged in 2022 as no indications of impairment have been identified.

19 Equity

19.1 Share capital

The share capital of the Company is BGN 120 000 thousand, distributed in 120 000 registered shares with a nominal value of BGN 1 000 each. All shares are entitled to receive dividend and liquidation share and represent one vote of the Company's General Meeting of Shareholders. The capital is fully paid up by Bulgarian Airways Group EAD.

No new shares were issued during the reporting periods, nor were there any share cancellations.

19.2 Reserves

Company reserves are as follows:

	Legal reserves	Other reserves	Reserves for capital increase	Reserve from remeasurements of defined benefit obligations	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Balance as at 1 January 2022	317	642	67 259	868	69 086
Additional capital contribution	-	-	72 000	-	72 000
Revaluations of defined benefit plans	-	-	-	(57)	(57)
Balance as at 31 December 2022	317	642	139 259	811	141 029
Balance as at 01 January 2021	317	642	67 259	832	69 050
Revaluations of defined benefit plans	-	-	-	36	36
Balance as at 01 January 2021	317	642	67 259	868	69 086

Legal reserves amounting to BGN 317 thousand and other reserves amounting to BGN 642 thousand have been formed as deductions from the financial result in accordance with the current Commercial Law.

The reserves for capital increase of BGN 139 259 thousand (2021: BGN 67 259 thousand) represent additional cash contributions from the majority shareholder. In 2022, a loan payable of BGN 72 000 thousand from Bulgaria Air AD to Bulgarian Airways Group EAD was transformed into a reserve for capital increase.

19.3 Revaluation reserve

The Company's aircraft group assets (aircraft) are subsequently carried at revalued amounts. The reserve formed as at 31.12.2022 is BGN 89 176 thousand (2021: BGN 89 176 thousand). The revalued amount of the aircraft as at the previous reporting periods is as close as possible to their carrying amount.

20 Lease liabilities

	31.12.2022 BGN	31.12.2021 BGN
Lease liabilities – non-current portion	218 185	185 081
Lease liabilities – current portion	34 238	39 696
Lease liabilities	252 423	224 777

The airline's principal activity is carried out through aircraft that are leased under operating lease agreements. All contracts have been reviewed in the light of IFRS 16 and the related right-of-use assets and related lease liabilities have been recognized. Detailed information on the right-of-use asset groups is presented in note 7.

With the exception of short-term leases and leases of low-value assets, each lease is presented in the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments that are not dependent on index or variable rates are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that the right-of-use asset may only be used by the Company unless the Company has a contractual right to sublease the asset to a third party. Leases either cannot be cancelled or can only be cancelled upon payment of significant early termination penalties. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging leased assets as collateral.

Under aircraft, premises, and vehicles leases, the Company is required to maintain the leased assets in good condition and return them in their original condition or as agreed upon at the expiration of the lease. The Company is required to insure the leased assets and pay maintenance charges in accordance with the lease agreements.

Future minimum lease payments as of 31 December 2022 are as follows:

	Minimum lease payments due						Total BGN'000.
	Within 1 year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	After 5 Years	
	BGN'000.	BGN'000.	BGN'000.	BGN'000.	BGN'000.	BGN'000.	
31 December 2022							
Lease payments	45 881	45 208	44 899	37 244	28 937	182 624	384 793
Finance charge	(11 643)	(9 978)	(8 170)	(6 656)	(5 325)	(90 598)	(132 370)
Net present value	34 238	35 230	36 729	30 588	23 612	92 026	252 423

	Minimum lease payments due						Total BGN'000.
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	4-5 Years	After 5 Years	
	BGN'000.	BGN'000.	BGN'000.	BGN'000.	BGN'000.	BGN'000.	
31 December 2021							
Lease payments	50 101	40 232	31 089	30 790	26 006	172 699	350 917
Finance charges	(10 405)	(8 497)	(7 179)	(5 951)	(4 785)	(89 323)	(126 140)
Net present value	39 696	31 735	23 910	24 839	21 221	83 376	224 777

Lease payments not recognised as a liability

The Company has elected not to recognise a liability under leases if they are short-term (leases with an expected term of 12 months or less) or if they are for the rental of low value assets. Payments made under these leases are recognised as an expense on a straight-line basis. In addition, certain variable lease payments cannot be recognised as lease liabilities and are recognised as an expense as incurred.

Lease payments that do not qualify for liability recognition are recognised in profit or loss for the period and presented in note 28 Hired services expenses.

Variable lease payments not recognised as lease obligations include rent and maintenances costs based on quantitative non-financial indicators of the use of the underlying asset.

Interest expense on leases included in finance costs for the year ending 31 December 2022 is BGN 12 494 thousand (2021: BGN 7 448 thousand).

The total cash outflow for leases for the year ending 31 December 2022 is BGN 36 616 thousand (2021: BGN 23 887 thousand).

21 Borrowings

Loans include the following financial liabilities carried at amortised cost:

	Short-term	
	31.12.2022 BGN'000.	31.12.2021 BGN'000.
Bank loans	11 340	20 932
Trade loans	6 643	11 062
Total carrying amount	17 983	31 994

Bank loans

By 31.12.2022. The Company has entered into the following bank loan agreements:

Bank loan-overdraft agreement concluded on 01.08.2018 for working capital with the repayment term of 20.08.2024. The annual interest rate is 4.2% bank base rate plus 12 months Euribor. The loan is secured by a

pledge of receivables on current accounts with the lender bank and a specific pledge on goods destined for duty-free currency trading on board aircraft and/or in the specialty store. The total value of the goods is up to BGN 148 thousand.

The Company is a party to a bank overdraft agreement concluded on 25.09.2020 for working capital with a repayment term of 20.09.2023. The annual interest rate is 3.8% of the bank's base rate plus 12 months Euribor. The loan is secured by a Special Pledge Agreement on all current and future receivables on the accounts of Bulgaria Air AD opened with the lender bank.

The Company has one bank loan agreement active as of 31.12.2022 for working capital purposes with a maturity date of 31.12.2023. Annual interest rate is 4% plus 3 months Euribor, but not less than a 4%. The loan is secured by a pledge of receivables under procurement contracts for the provision of airline tickets, receivables under BSP proceeds, receivables under third-party contracts, as well as a surety agreement signed with Chimimport AD.

Trade loans

In 2020, the Company has received a loan from a third, unrelated party in the amount of BGN 14 million. The loan is unsecured, bears interest at market rate and matures on 31.12.2022. In 2022 the maturity date was prolonged until 31.12.2023. As of 31.12.2022, the loan liability amounted to BGN 5 978 thousand (2021: BGN 10 419 thousand), of which BGN 558 thousand (2021: BGN 349 thousand) was interest payable.

21.1 Reconciliation of liabilities, arising from financial activity

Changes in the Company's liabilities arising from a financial activity may be classified as follows:

	Short-term borrowings BGN'000.	Long-term loans from related party BGN'000	Short-term loans from related parties BGN'000.	Lease liabilities BGN'000.	Total BGN'000.
1 January 2022	31 994	-	96 334	224 777	353 105
Cash flows:					
Principal repayments	(14 245)	(4 331)	(17 038)	-	(35 614)
Interest repayments	(715)	-	(2)	-	(717)
Payments under lease agreements	-	-	-	(36 616)	(36 616)
Proceeds	3	3 333	25 309	-	28 645
Other payments for financial activity	(235)	-	-	-	(235)
Net cash flow from financing activities	(15 192)	(998)	8 269	(36 616)	(44 537)
Non-cash:					
Interest accrued	946	376	717	12 494	14 533
Charged fees and commissions	235	-	-	-	235
Reclassification	-	19 597	(19 597)	-	-
Currency exchange rates	-	-	-	14 147	14 147
New lease obligations	-	-	-	68 357	68 357
Offsetting liability against receivables	-	-	-	(30 736)	(30 736)
Received loan against settlement of liabilities	-	-	4 423	-	4 423
Transformation of a loan into a capital increase reserve	-	-	(72 000)	-	(72 000)
Total non cash changes	1 181	19 973	(86 457)	64 262	(1 041)
31 December 2022	17 983	18 975	18 146	252 423	307 527

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	Short-term borrowings BGN'000	Lease liabilities BGN'000	Short-term loans from related parties BGN'000.	Total BGN'000.
1 January 2021	32 972	43 345	195 422	271 739
Cash flows:				
Principal repayments	(5 717)	(8 178)	-	(13 895)
Interest repayments	(923)	(12)	-	(935)
Other payments for financial activity	(188)	-	-	(188)
Lease payments	-	-	(23 887)	(23 887)
Proceeds	3 784	60 074	-	63 858
Net cash flow from financial activity	(3 044)	51 884	(23 887)	24 953
Non cash:				
Accrued interest	1 258	679	7 448	9 385
Charged fees and commissions	188	-	-	188
Currency exchange rates	-	-	17 081	17 081
New lease obligations	-	-	53 094	53 094
Received loan against settlement of liabilities	620	419	-	1 039
Offsetting liability against receivables	-	7	(24 381)	(24 374)
Total non-cash changes	2 066	1 105	53 242	56 413
31 December 2021	31 994	96 334	224 777	353 105

22 Employee remuneration

22.1 Employee benefit expenses

Expenses recognized for employee benefits include:

	2022 BGN'000.	2021 BGN'000.
Salaries	(7 648)	(7 117)
Social security contributions	(1 467)	(1 383)
Compensation in compliance with Labour code	(222)	(165)
Unused compensated leaves	(12)	(81)
Pension provisions	(55)	(40)
	(9 404)	(8 786)

22.2 Pension and other employee obligations

The liabilities for pension and other employee obligations recognized in the statement of financial position consist of the following amounts:

	31.12.2022 BGN'000.	31.12.2021 BGN'000.
Long-term		
Pension provisions	577	529
Long-term pensions	577	529
Short-term		
Salaries	729	651
Unused compensated leaves	668	657
Social security expenses	525	505
Pension provisions	160	87
Short-term pensions and other employee benefits	2 082	1 900

The short-term portion of payables to personnel represents payables to the Company's employees and social security contributions, which are due to be settled in 2023.

In accordance with the requirements of the Labour Code, upon termination of employment, once the employee has become entitled to a retirement pension, the Company is obliged to pay him a severance payment of up to six gross salaries.

In accordance with the requirements of IAS 19 "Employee Benefits" and the applicable labor code in the country, the Company has accrued provisions for the pensions of its employees. The provision has been calculated by an external actuary and reflects factors such as the retirement age for the relevant category of employees, the remuneration of the relevant employees as of 31 December 2022, the expected number of years to retirement age, and others.

The changes in the provision for retirement benefits under the Labor Code during the year are presented as follows:

	2022 BGN'000	2021 BGN'000.
Provision for retirement at the beginning of the period	616	607
Increase in pension provisions due to retirement age occurrence	127	36
Discount	9	6
Compensations paid to personnel	(15)	(33)
	737	616

Provisions have been accrued in anticipation that the employees will continue to be employees of the Company at the time they reach the relevant retirement age. Depending on the timing of the obligation to pay the pension provisions, they are divided into a short-term portion (up to 1 year) and a long-term portion (over 1 year).

The Company's defined benefit obligations can be reconciled to the amounts presented in the statement of financial position for each of the reporting periods considered as follows:

	2022 BGN'000.	2021 BGN'000.
Defined benefit obligations at 1 January	616	607
Current service cost	70	72
Interest cost	9	6
Actuarial gain/(losses)	57	(36)
Benefits payment	(15)	(33)
Defined benefit obligation as of 31 December	737	616

The following actuarial assumptions were used when pension obligation was calculated::

	2022	2021
Discount rate	1,5%	1%
Expected percentage of salary increase	2%	1%

The Company's management has made these assumptions in consultation with an independent actuary. These assumptions have been used in determining the amount of the defined benefit obligation for the reporting periods and are considered to be management's best estimate. However, actual results may differ from the assumptions made.

The total expense of the Company's defined benefit plans recognized in profit or loss can be presented as follows:

	2022 BGN'000.	2021 BGN'000.
Current service costs	(70)	(72)
Interest expenses	(9)	(6)
Total expenses recognised in profit or loss	(79)	(78)

The current service costs are included in "Employee benefits expenses". Interest expense is included in the statement of profit or loss and other comprehensive income in the line 'Finance costs' (see note 31).

The total cost of the Company's defined benefit plans recognised in other comprehensive income can be presented as follows:

	2022 BGN'000.	2021 BGN'000.
Actuarial (gains)/losses from changes in demographic assumptions	57	(36)
Total expenses recognised in other comprehensive income	57	(36)

Based on past experience, the Company expects to pay defined benefit plan contributions for 2023 of BGN 160 thousand.

The weighted average duration of the defined benefit obligation on 31 December 2022 is 5 years (2021: 5 years).

The significant actuarial assumptions in determining the defined benefit obligation related to the discount rate, the expected rate of salary increases, and the average life expectancy. The following table presents a sensitivity analysis and summarises the effects of changes in these actuarial assumptions on the defined benefit obligation as of 31 December 2022:

Changes in significant actuarial assumptions	Increased by	Increased by
Discount rate	0.25 %	0.25 %
Increase/(Decrease) in defined benefit obligations in thousands BGN.	(12)	11
Salary growth rate	1%	1%
Increase/(Decrease) in defined benefit obligations in thousands BGN.	(44)	49
Average life expectancies	1 year	1 year
Increase / (decrease) in the defined benefit liability (BGN '000)	(5)	5
Turnover (%) of employees	1%	1%
Increase/(Decrease) in defined benefit obligations in thousands BGN.	44	(45)

The sensitivity analysis is based on a change in only one of the assumptions. It may differ from the actual change in the defined benefit obligation because changes in assumptions are often interrelated.

23 Trade payables

	31.12.2022 BGN'000.	31.12.2021 BGN'000.
Long-term		
Payables to suppliers and other creditors	1 995	1 995
Total long-term trade payables	1 995	1 995
Shor-term		
Payables to suppliers and other creditors	43 789	70 979
Advances received	595	644
Total short-term trade payables	44 384	71 623
Total trade payables	46 379	73 618

Current trade payables by type at 31 December are presented as follows:

	31.12.2022 BGN'000.	31.12.2021 BGN'000.
Liabilities under leases and short-term operating leases, matured	7 550	27 706
Payables related to landing and maintenance	18 348	26 339
Airplane fuel payables	5 118	4 661

	31.12.2022 BGN'000.	31.12.2021 BGN'000.
Other services payables	5 174	5 882
Air navigation services liabilities	1 668	1 802
Spare parts supplies	1 647	1 624
Catering, supplies and services	366	420
Received advances from customers for tickets sale	595	644
Other trade payables	5 913	4 540
	46 379	73 618

Fair values have not been presented for current trade and other payables due to their short-term nature. Company's management believes that the amounts at which they are presented in the statement of financial position reflect their fair value.

24 Provision

In accordance with the requirements of Directive 2008/101/EC of the European Parliament and of the Council, the Company, as an aviation operator, is obliged to set aside provisions in relation to the reduction of the harmful impact on the environment resulting from the aviation activities performed.

The Company's obligation to purchase greenhouse gas emission allowances within the Community in the single European greenhouse gas emission trading scheme (ETS) amounts to BGN 0 thousand as at 31 December 2022 (2021: BGN 0 thousand).

For 2021 and 2022, the Company only had sufficient allowances granted free of charge by the State and there was neither a need nor a legal requirement to purchase additional allowances. As a result, no amount has been recognised/ set aside for provision as at 31.12.2021 and 31.12.2022.

The balance sheet value of the CO2 allowance provision is as follows:

	2022 BGN'000.	2021 BGN'000.
Shor-term		
Carrying amount as at 1 January	-	639
Accrued provisions	-	-
Amounts utilized	-	(639)
Carrying amount as at 31 December	-	-

25 Other payables

	31.12.2022 BGN'000.	31.12.2021 BGN'000.
Tickets sold	19 397	15 575
Guarantees from tickets sales agents and other similar	2 915	1 832
Deferred income	4 224	443
Other	202	20
	26 738	17 870

Tickets sold payable of BGN 19 397 thousand (2021: BGN 15 575 thousand) represent sales of air tickets for which the actual provision of the service, i.e. the carriage, has not occurred at the date of the financial statements. Under IFRS 15 these amounts are treated as a liability under contracts with customers. Deferred revenue of BGN 4 224 thousand (2021: BGN 443 thousand) relates to prepayments under operating leases and prepayments under charter contracts.

26 Traffic revenue

Traffic revenue as well as the accompanying activities that are recognized over time are as follows:

	2022 BGN'000.	2021 BGN'000.
International scheduled flights	108 665	77 648
International charter flights	18 242	19 066
Domestic scheduled flights	22 885	13 595
Income from tickets and taxes with expired validity	2 742	5 598
Ticket issuance charges	1 168	1 245
	153 702	117 152

Revenue from flights performed includes the performance of services for international and domestic scheduled flights, international charter flights and other services related to the performance of the flight. The Company transfers control of the services over time and therefore satisfies the performance obligation and recognizes revenue over time. Revenue from completed flights is recognized when the flight is actually performed.

The cost of the services to perform flights can be determined as a fixed fee. The cost of an air ticket includes:

- the price of the transportation - both the passenger and different luggage depending on the applicable fare, on-board food, insurance
- airport taxes,
- fuel charge

Allocation of the transaction price to the performance obligations is made on a unit selling price basis. The Company measures its progress towards full settlement of the performance obligation satisfied over time by confirming the execution of the flights.

The global disruption caused by the Coronavirus pandemic (Covid-19) in 2020 to the aviation industry continues to impact the Company's operations in 2022. Flights operated in 2022 on scheduled routes (2,953 pcs.) increased by 7.4% compared to 2021, but represent only 58% of the levels reached in 2019. Passenger traffic indicators show the same trend. A total of 686 thousand passengers were carried out on scheduled and charter flights during the period under review, representing an increase of 21% in passenger flow compared to the previous year 2021 and only 47% of the passengers carried out in 2019.

Another challenge for the aviation industry in 2022 is the closed skies over Ukraine and Southern Russia to civil flights. The aviation network is severely affected and the baseline expectation is that there will be no return to normal routes through Russian or Ukrainian airspace in the foreseeable future. These events have resulted in the loss of aviation markets and Bulgaria Air is extremely affected in this respect. On the one hand, the airline maintained a regular Sofia-Moscow-Sofia route, as well as seasonal scheduled flights to Moscow from Varna and Burgas. On the other hand, destinations to Russia have traditionally been on the top of the list when it comes to charter revenues.

Revenue from international scheduled flights of the airline is generated on the following lines:

Routes	2022 BGN'000.	2021 BGN'000.
Sofia – Amsterdam – Sofia	22 671	15 053
Sofia – Paris – Sofia	14 909	10 130
Sofia – Brussels – Sofia	5 463	1 988
Sofia – London – Sofia	7 866	6 712
Sofia – Madrid – Sofia	7 419	6 001
Other international flights	50 337	37 764
	108 665	77 648

In 2022, the lifting of various restrictions and recommendations on the entry of citizens into individual countries during the Covid-19 pandemic led to a 40% year-on-year increase in revenue on scheduled international flights. During the summer period, the airline has also maintained the launched in 2021 a new flight destination to Heraklion.

In 2022, traditional destinations of Bulgaria Air to Russia do not participate in the Charter revenue generation - versus 47% participation in 2021.

For this reason, in 2022 it is necessary to look for other markets or expand existing ones. With the lifting of travel bans and restrictions on travel to individual countries in the summer of 2022, structurally Charter revenues differ from the previous year.

Israel led the way in revenue generation in the year under review with a clear market share of 22% (vs. 1% in 2021). Destinations to the Czech Republic, Turkey, and East Africa (Djibouti, Zanzibar) accumulated 36% of revenues in the reporting period. Other destinations to Kuwait, Armenia, Hungary, and Tunisia (with non-significant revenues in 2021), to which Bulgaria Air did not operate in 2021, contributed 18% of Charter revenues during the period under review. Ireland, Italy, Cyprus, Portugal, etc. contribute less than 1% of revenue in 2022.

Charter destination	2022 BGN'000.	2021 BGN'000.
Israel	4 078	250
Czech Republic	2 356	1 412
East Africa	2 006	276
Turkey	2 265	234
Kuwait	1 052	-
Armenia	964	-
Egypt	730	911
Hungary	656	-
Slovakia	655	1 288
Tunis	615	26
Denmark	-	1 040
Russia	-	8 955
Others	2 865	4 674
	18 242	19 066

Domestic scheduled flights generate revenue on the Sofia-Varna-Sofia, Sofia-Varna-Burgas and Sofia-Burgas-Sofia routes.

Routes	2022 BGN'000.	2021 BGN'000.
Sofia – Varna – Sofia	20 837	12 191
Sofia – Burgas – Sofia	1 870	1 315
Other combined domestic flights	178	89
	22 885	13 595

At 31 December the Company has recorded balances under contracts with customers as follows:

	31.12.2022 BGN'000.	31.12.2021 BGN'000.
Receivables under contracts with customers		
Trade receivables (note 16)	64 334	14 601
Related party receivables (note 34.1)	2 912	2 389
Contract liabilities		
Performance obligations in respect of tickets not used for scheduled flights (note 25)	(19 397)	(15 575)
Performance obligations in relation to prepaid advances for charter flights	(1 185)	(443)
Performance obligations in relation to prepaid advances for other services (note 23)	(595)	(644)

27 Other Income

As other income, the airline classifies all other income other than revenue from flights performed. They arise both from contracts with customers, including leases of aircraft and other assets, and from contracts and transactions that are outside the scope of IFRS 15 and IFRS 16.

	2022 BGN'000	2021 BGN'000.
Revenue from contracts with customers in the scope of IFRS 15		
Consulting services	3 600	3 480
Fines and penalties	1 573	1 209
Advertising revenue	676	600
Commissions	340	344
Revenue from sale of goods	516	469
Consultancy, technical, telecommunication and transport services	169	81
Revenue from sale of materials	-	11
Other	2 847	3 000
Rental income under IFRS 16		
Aircraft leases	50 162	2 099
Other rent	1 239	1 147
Lease liability written off	2 035	-
Other income outside the scope of IFRS 15 and IFRS 16		
Reversed maintenance reserve	-	6 040
Bridging check compensation	-	5 526
State grant funding income	20 048	3 048
Written-off liabilities to suppliers	8 687	66 018
	91 892	93 072

Revenue recognized under contracts with clients in accordance with IFRS 15 in respect of the recognition date is as follows:

	2022 BGN'000.	2021 BGN'000.
Revenue recognized over time		
Consulting services	3 600	3 480
Fines and penalties	1 573	1 209
Commissions	340	344
Advertising revenue	676	600
Consultancy, technical, telecommunication and transport services	169	81
Other	2 847	3 000
Revenue recognized at a point in time		
Revenue from sale of goods	516	469
Revenue from sale of materials	-	11
	9 721	9 194

The revenue from fines and penalties related to the non-performance of contractual terms by the airline's customers. These represent flight cancellation fees, fines for non-compliance with deadlines, baggage allowances for passenger carriage, additional agreed compensation for non-compliance with aircraft lease agreements, and the like.

Aircraft rental income of BGN 50 162 thousand (2021: BGN 2 099 thousand) was earned under aircraft lease (sublease) agreements with two other airlines outside the country. The aircraft are wet-leased. In 2020 and 2021, due to the Covid-19 pandemic, the demand for leased aircraft has been virtually suspended due to the very limited market. In 2022, the Company was able to wet lease the aircraft out of Bulgaria.

As of the date of preparation of these financial statements, Bulgaria Air AD is in the process of continuously exploring the market in this regard and bidding for available capacity.

As at the date of preparation of these financial statements Bulgaria Air AD has short-term operating lease agreements in place.

A significant portion of the proceeds from the write-off of liabilities in 2021 amounting to BGN 64 357 thousand is in relation to an agreement between the Company and a lessor for the purchase of aircraft and the accumulated maintenance reserve for the relevant aircraft up to the date of purchase amounting to USD 35 million has been released to the Company. The written-off maintenance reserve has been recognized as part of the purchase price of the aircraft and as revenue.

The Company has entered into sublease agreements for premises that are leased from it. As the lessor of the premises, the Company has generated a rental income of BGN1 239 thousand (2021: BGN 1 147 thousand) presented in the Other rent line.

The Company leases investment properties under operating leases. Detailed information is provided in note 8.

The substantial part of the proceeds from grant funding from the State were received under the Order for submission, examination and eligibility assessment of applications of air carriers with a Community Carrier Operating License with Passenger Carriage Permit issued by the General director of the Directorate General of Civil Aviation Administration for receiving grant funding from the State, pursuant to Decree No. 51/13.04.2022 of the Council of Ministers (the Order). In accordance with Decision C(2022)1796 dated 17.03.2022 in case SA.100321 (2022/N) of the European Commission about the compatibility of the aid with the internal market on the basis of Article 107(3)(b) of the Treaty on the Functioning of the European Union agreements; Order No 51/13.04.2022 of the Council of Ministers, as well as the other applicable provisions of the Temporary Framework for State aid measures to support the economy in the condition of the COVID-19 epidemic (Temporary Framework), the Bulgarian State grants to air carriers with a Community carrier operating license with a passenger carriage permit issued by the General director of the Directorate General of Civil Aviation Administration grant funding in total amount up to BGN 60 million.

The grant is provided to address the economic impact of the COVID-19 pandemic. As disclosed in note 4.21, the amount of the grant to Bulgaria Air under this program amounts to BGN 18 566 thousand.

28 Hired services expenses

	2022 BGB'000.	2021 BGN'000.
Landing and maintenance charges – local and international	(25 440)	(21 776)
Operating lease and maintenance expenses (note 28.1)	(21 818)	(14 403)
Overflight fees – local and international	(10 976)	(9 537)
Reservation system	(7 708)	(6 148)
Maintenance, repair and technical services expenses	(10 274)	(6 064)
Commission expense	(3 684)	(2 613)
Lease of premises and other leases (note 29.1)	(178)	(2 316)
Lease of engines and spare parts	(6)	-
Insurances	(2 273)	(1 965)
Catering	(1 503)	(574)
Advertising	(275)	(558)
Block seat expenses	(1 448)	(1 510)
Consultancy, audit and legal services	(398)	(397)
Other	(7 671)	(5 334)
	(93 652)	(73 195)

Other expenses represent the cost of subscriptions, taxes and fees, transport services, training, crew accommodation, printing, etc.

28.1 Rental expenses, outside the scope of IFRS 16

2022 2021

	BGN'000.	BGN'000.
Short-term leases	(3 342)	(2 510)
Non-leasing components	(18 145)	(12 112)
	(21 487)	(14 622)

The Company has accepted for certain lease agreements, which were previously reported as operating lease and have a residual lease term of less than 12 months or are for the lease of low-value assets, to use the facilitated transition to the new standard, according to which assets with the right of use are not recognized, but a lease expense under the straight-line method is reported for the remaining term of the contract.

The non-leasing components represent amounts for the maintenance of the aircraft, due under the leasing contracts, for which the Company has chosen a separate reporting approach.

29 Cost of materials

	2022 BGN'000	2021 BGN'000
Aircraft fuel	(62 642)	(29 086)
Aircraft spare parts	(6 977)	(3 657)
Other	(2 571)	(1 646)
	(72 190)	(34 389)

30 Other expenses

	2022 BGN'000	2021 BGN'000
Business trips	(3 046)	(1 745)
Returns, irregularity and fines	(1 487)	(2 221)
Cost of goods sold	(296)	(283)
Re-debits	(35)	(30)
Tax expenses	(8)	(6)
Accruals on provision for greenhouse gas emissions allowances	-	(96)
Other	(593)	(1 181)
	(5 465)	(5 562)

31 Financial cost and financial income

Financial costs for the presented reporting period can be analysed as follows:

	2022 BGN'000	2021 BGN'000
Interest expenses for financial liabilities carried at amortized cost		
interest on leasing	(12 494)	(7 448)
borrowings	(2 039)	(1 937)
interest on late payments to suppliers	(2 334)	(1 317)
Total interest expenses for financial liabilities carried at amortized cost	(16 867)	(10 702)
Interest on tax liabilities and legal claims	(54)	(94)
Interest expenses on defined benefit obligations	(9)	(6)
Total interest expenses	(16 930)	(10 802)
Other finance costs		
bank fees and commissions	(241)	(192)
currency exchange rate losses	(70 175)	(39 086)
Total other finance costs	(70 416)	(39 278)
Total finance cost	(87 346)	(50 080)

Financial income for the presented reporting period can be analysed as follows:

	2022 BGN'000	2021 BGN'000
Interest income on financial assets carried at amortized cost:		
loans granted	910	947
Total interest income on financial assets carried at amortized cost	910	947
Currency exchange rate gains	57 103	22 357
Other financial income	-	12
Financial Income	58 013	23 316

32 Income tax (expense)/income

The estimated tax expense/income based on the applicable tax rate of 10% (2021: 10%) and the actual tax expense/income recognised in profit or loss and other comprehensive income can be reconciled as follows:

	2022 BGN'000	2021 BGN'000
Profit/(loss) before tax	829	(18 411)
Tax rate	10%	10%
Expected tax expense	83	-
Tax effect of adjustments for tax-exempt income	17 354	8 240
Tax effect of adjustments for non-deductible expenses	(17 849)	(10 264)
Tax loss carried forward	(577)	(183)
Current tax expense	-	-
Deferred tax income:		
Origination and reversal of temporary differences	(713)	1 200
Income tax (expense)/income	(713)	1 200

See note 12 for deferred tax assets and liabilities.

33 Related party transactions

Owner of 99,999% of capital of the Company is Bulgarian Airways Group EAD. Sole owner of the capital of Bulgarian Airways Group EAD is Chimimport AD. The Airline is part of the Chimimport group, and it is a related party to the companies controlled by Chimimport AD. None of the related party transactions incorporate special terms and conditions. Provided and received guarantees are presented in note 36.

33.1 Transactions with owners

Transactions with owners are related to the major owner Bulgarian Airways Group EAD and ultimate owner Chimimport AD.

	2022 BGN'000	2021 BGN'000
Administrative-management services received	(264)	(360)
Interest expenses	(665)	(234)
Amounts received under a contract for temporary financial support	25 260	47 115
Loans repayments	(16 943)	(420)
Transformation of trade liabilities into loan liability	4 423	2 065
Transformation of a loan liability into a reserve for capital contribution	72 000	-
Advance granted	1 465	-

The services received from Bulgarian Airways Group EAD are related to the remuneration of the majority owner for its participation as a member of the Board of Directors, as well as an administrative and management fee.

33.2 Transactions with subsidiaries

	2022 BGN'000	2021 BGN'000
Interest expenses on borrowings	(44)	-
Services received	(630)	(262)
Services provided	24	-
Loan granted	-	1 648
Repayment of a loan against receivable	-	(188)

33.3 Transactions with other related parties

	2022 BGN'000	2021 BGN'000
Sales of goods and services	2 189	7 300
Purchases of goods and services	(16 163)	(13 799)
Interest, fees and commissions	(610)	(604)
Loans received	3 333	12 959
Loans repaid	(4 331)	(9 147)
Cession	1 161	-
Transformation of trade liabilities into a loan received	-	196

33.4 Transactions with key management personnel

Key management personnel remuneration includes the following expenses:

	2022 BGN'000	2021 BGN'000
Short-term employee benefits		
Salaries	(276)	(276)
Social security costs	(8)	(7)
	(284)	(283)

34 Related party balance at year end

34.1 Related party receivables

	31.12.2022 BGN'000	31.12.2021 BGN'000
Receivables from owners	1 477	12
Receivables from subsidiaries	1 579	1 478
Receivables from other related parties	2 912	2 389
Short-term related party receivables	5 968	3 879

The main part of the receivables from other related parties in the amount of BGN 2 912 thousand (2021: BGN 2 389 thousand) are related to trade receivables arising from provided consulting services, sale of airline tickets, rents and other.

Receivables from related parties are not secured.

In 2021, Bulgaria Air AD has provided a loan to a subsidiary in the amount of BGN 1 648 thousand. As of 31.12.2022 loan receivables amount to 1 474 thousand (2021: BGN 1 460 thousand). The loan has a market interest rate and maturity until 31.12.2023. The loan is not secured.

Expected credit losses on receivables from related parties have not been recognised in 2022 and 2021.

34.2 Related party payables

	31.12.2022 BGN'000	31.12.2021 BGN'000
Non-current payables		
Other related parties	18 975	1 285
Total non-current payables to related parties	18 975	1 285
Current payables		
Owners	15 272	74 004
Subsidiaries	158	740
Other related parties	14 397	30 922
Total current payables to related parties	29 827	105 666

Liabilities to the direct owner are mainly formed in connection with a loan agreement, which is renewable. The loan is secured by a pledge agreement over an option to acquire three aircraft and is negotiated at market interest rates. In 2022, the Company has signed a subordinated debt agreement with its direct owner under which the liabilities of Bulgaria Air AD to Bulgarian Airways Group EAD in the amount of BGN 72 000 thousand have been transferred to a reserve for capital contribution.

The amounts due under loans received as at 31.12.2022 are BGN 15 241 thousand (2021: BGN 73 890 thousand). The remaining part of the payables represents trade payables in amount of BGN 31 thousand (2021: BGN 114 thousand) and are due in connection with normal course of business.

According to a contract concluded on 14.12.2020, the Company has received a loan from a related party in the amount of BGN 2 673 thousand. The loan should be repaid by 15.12.2022. In 2022, the maturity is renegotiated to 15.12.2023. The loan is granted at market interest rate and is secured. A codebtor of the loan is the owner of the lender, and the future dividend, which will be distributed from the lender to the owner, has the right to be set off against the loan obligation.

Payables to subsidiaries represent current trade payables.

Payables due to other related parties amounting to BGN 33 372 thousand (2021: BGN 32 207 thousand) are related to the following more material obligations:

- liabilities for airport and handling services, technical and line services, catering, insurance and other services related to the core business for a total amount of BGN 14 369 thousand (2021: BGN 11 305 thousand);
- credit card liabilities totalling BGN 27 thousand (2021: BGN 20 thousand).
- trade loan received from a related party - a trading company, the amount of which, together with accrued and unpaid interest, amounts to BGN 18 975 thousand as of 31.12.2022 (2021: BGN 19 597 thousand). The loan had a maturity date in 2022 and is therefore classified as current as of 31 December 2021. It was renegotiated in 2022 with a new maturity date on 31.12.2025 and is therefore classified as non-current at 31 December 2022. The loan is unsecured.

No collateral or guarantees related to liabilities to related parties have been provided.

35 Non-cash transactions

During 2022 and 2021 the Company has entered into the following non-cash investing activities for which the use of cash and cash-equivalents is not required, and which are not reflected in the cash flow statement as follows:

- Transformation of trade payables into trade loans amounting to BGN 4 424 thousand (2021: BGN 2 065 thousand).
- Transformation of a loan received from the owner into a reserve for capital increase at the amount of BGN 72 000 thousand in 2022.
- Offsetting of a lease liability in the amount of BGN 30 736 thousand against other balance.

36 Contingent assets and contingent liabilities

At the date of the financial statements, the Company has a legal dispute relating to the determination of airport charges.

During the year other different legal claims were brought against the Company which has no significant effect on the financial statements of the Company. The Company's management believes that the claims made are without merit and that the likelihood that they will result in costs and liabilities other than those already recognized by the Company in settlement is remote. This judgement of management is supported by the opinion of the Company's legal advisors.

None of the above-mentioned claims is set out here in detail in order to prevent a serious impact on the position of the Company in the resolution of disputes.

Bank guarantees are issued from one commercial bank in favour of the Company at the amount of EUR 76 thousand, as well as letters of credit amounting to USD 999 thousand. The bank guarantees are issued to secure Company's trade payables.

In favour of Bulgaria Air AD, a surety agreement has been signed for an amount of up to BGN 12 million with the indirect majority owner to secure the receivables of a commercial bank under a loan agreement concluded in 2020.

Tax liabilities

The latest tax audits of the Company have been performed by the tax authorities as follows:

- Corporate tax - until 31 December 2012;
- VAT – until 31 December 2012;
- Personal income tax – until 31 December 2012;
- Social security – until 31 December 2012.

The management of the Company does not consider that there are significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria, which would require adjustments in the financial statements for the year ended 31 December 2022.

37 Categories of financial assets and liabilities

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Debt instruments measured at amortised cost:		
Trade and other receivables	71 607	21 232
Loans granted	13 625	15 820
Cash and cash equivalents	17 154	18 342
Financial assets measured at fair value through other comprehensive income:		
Equity instruments	18 000	18 000
	120 386	73 394
Financial liabilities measured at amortized cost	31.12.2022 BGN'000	31.12.2021 BGN'000
Long-term liabilities		
Lease liabilities	218 185	185 081
Trade and other liabilities	20 970	3 280
	239 155	188 361
Short-term liabilities		
Trade and other liabilities	76 733	178 497
Lease liabilities	34 238	39 696
Borrowings	17 983	31 994
	128 954	250 187

See note 4.16 about information related to the accounting policy for each category financial instruments. Methods which are used for assessment of fair value of financial assets and liabilities measured at fair value are presented in note 39.1. Description of the risk management objectives and policies of the Company related to the financial instruments is presented in note 38.

38 Financial instruments risks

Risk management objectives and policies

The Company is exposed to various risks in relation to financial instruments, represented by categories assets and liabilities are summarized in Note 37. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management is coordinated at its headquarters, in close co-operation with the Board of directors. Priority of the management is to secure the Company's short to medium-term cash flows by minimizing the exposure to risks of financial markets. The Company is not engaged in the trading of financial assets for speculative purposes, nor does it issue options.

The Company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

38.1 Market risk analysis

38.1.1 Currency risk

The Company's foreign transactions that expose it to foreign currency risk are those originally denominated in USD, GBP and RUB.

The Company has short-term trade payables, payables to related parties and other payables in USD and in GBP that relate to the operating activities of the airline (landing fees, overflight fees, operating lease payments for leased aircraft, engine and spare parts repair obligations and the like). These liabilities are carried at amortised cost. Lease obligations are also denominated in USD.

The Company has short-term trade and other receivables denominated in USD and GBP, which relate to ticket sales from representative offices and other. These receivables are classified as loans and receivables. The Company has loans receivable denominated in RUB.

In order to mitigate foreign exchange risk, the Company monitors cash flows that are not in Bulgarian lev. The Company applies separate risk management procedures for short-term (up to 6 months) foreign currency cash flows. In cases where the amounts to be paid and received in a particular currency are expected to offset each other, no additional hedging is required. It is also possible to undertake investments in forward contracts that are short-term, up to 1 month.

Financial assets and liabilities that are denominated in USD, GBP and RUB have been translated into Bulgarian lev at the financial statement date as follows:

	Short-term exposure		
	USA BGN'000	GBP BGN'000	RUB BGN'000
31 December 2022			
Financial assets	48 178	1 069	6 881
Financial liabilities	(217 582)	(434)	(3 179)
Total exposure	(169 404)	635	3 702
31 December 2021			
Financial assets	39 902	953	6 409
Financial liabilities	(264 576)	(409)	(64)
Total exposure	(224 674)	544	6 345

The following tables show the sensitivity of the annual net profit after tax and equity to a probable change in the exchange rates of the Bulgarian lev against the following foreign currencies:

- USD (+/- 8.60 %) (for 2021 +/- 3.38 %)
- GBP (+/- 3.90 %) (for 2021 +/- 3.10%)
- RUB (+/- 0.50 %) (for 2021 +/- 0.10 %)

All other parameters are assumed constant. These rates are based on the average exchange rates for the last 12 months.

If the exchange rate of the Bulgarian lev against the USD increases by 8.60 % (2021: 3.38 %), against the GBP increases by 3.90 % (2021: 3.10 %) and against the RUB increases by 0.5 % (2021: 0.10%), then this change will be reflected as follows:

Effect over the net financial result for the year

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	USD BGN'000	GBP BGN'000	RUB BGN'000	Total BGN'000
31 December 2022	(14 569)	25	19	(14 525)
31 December 2021	(8 583)	17	4	(8 562)

If the exchange rate of the Bulgarian lev against the USD decreases by 8.60 % (2021: 3.38 %), against the GBP decreases by 3.90 % (2021: 3.10 %) and against the RUB decreases by 0.5 % (2021: 0.10%), then this change will be reflected as follows:

Effect over the net financial result for the year				
	USD BGN'000	GBP BGN'000	RUB BGN'000	Total BGN'000
31 December 2022	14 569	(25)	(19)	14 525
31 December 2021	8 583	(17)	(4)	8 562

Exposure to the risk of changes in foreign exchange rates varies during the year depending on the volume of foreign currency transactions. The higher sensitivity of the net financial result after tax to foreign exchange rates in 2022 compared to 2021 is mainly due to the higher volatility of the USD in 2022.

38.1.2 Interest rate risk

As of 31 December 2022, the Company is exposed to the risk of changes in market interest rates on its bank borrowings, which are at variable rates. All of the Company's other financial assets and liabilities are at fixed interest rates.

As of 31.12.2022, the Company has borrowings from two commercial banks which are at floating rate. The interest rate on one part of the loans includes a variable component, which is based on 3 M EURIBOR, and a fixed premium. The interest rate on other loans includes a variable component, which is determined on the basis of a base rate (BR) plus a fixed risk premium. The table below shows the sensitivity of the annual net profit after tax and equity to a probable change in the interest rate on floating rate loans based on 3M EURIBOR of +/- 94.23% (2021: +/- 1.24 %) on one of the loans and the sensitivity to the Bank's base rate, which is formed as the sum of the base rate set by the BNB and 12M EURIBOR in total amounting to +/- 163.15% (2021: +/- 0.86 %). These changes are determined to be likely based on observations of current market conditions. All other parameters are assumed constant.

	Net financial result for the year	
	Increase in interest rates BGN'000	Decrease in interest rates BGN'000
31 December 2022		
Debt in BGN (3M EURIBOR 0.10 %)	(6 394)	6 394
Debt in BGN (BIR plus 12M EURIBOR 0.10 %)	(5 680)	5 580

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	Equity	
	Increase in interest rates BGN'000	Decrease in interest rates BGN'000
31 December 2022		
Debt in BGN (3M EURIBOR 0.10 %)	(6 394)	6 394
Debt in BGN (BIR plus 12M EURIBOR 0.10 %)	(5 580)	5 580

	Net financial result for the year	
	Increase in interest rates BGN'000	Decrease in interest rates BGN'000
31 December 2021		
Debt in BGN (3M EURIBOR 0.10 %)	(192)	192
Debt in EUR (BIR plus 12M EURIBOR 0.20 %)	(29)	29

	Equity	
	Increase in interest rates BGN'000	Decrease in interest rates BGN'000
31 December 2021		
Debt in BGN (3M EURIBOR 0.53 %)	(192)	192
Debt in EUR (BIR plus 12M EURIBOR 0.95 %)	(29)	29

38.1.3 Other price risks

The Company is also exposed to other price risks in connection with the supply of aviation fuel whose price is determined and influenced by global factors that the airline is unable to influence. An eventual increase in the price of kerosene would have a negative impact on the profitability of the airline and the outflow of cash only on scheduled flights, as the charter contracts provided for a price correction if the aviation fuel deviation exceeds 3%.

38.2 Credit risk

Credit risk is the risk that a counterparty will not pay its obligation to the Company. The Company is exposed to this risk in relation to trade receivables from customers including related parties, receivables under loans granted (assignments) and other financial receivables. The Company's exposure to credit risk is limited to the carrying amount of financial assets recognised at the end of the reporting period as set out below:

	31.12.2022 BGN'000	31.12.2021 BGN'000
Classes of financial assets – carrying amounts		
Debt instruments measured at amortised cost:		
Loans granted	13 625	15 820
Related party receivables	5 681	3 706
Trade receivables	61 103	12 920
Other receivables	4 823	4 606
Cash and cash equivalents	17 154	18 342
Financial assets measured at fair value through other comprehensive income:		
Equity instruments	18 000	18 000
	120 386	73 394

The Company regularly monitors for defaults by customers and other counterparties to the Company, either individually or in groups, and uses this information to control credit risk. Where costs are not prohibitive, credit rating data is sourced and used from external sources and/or customer and other counterparty reports. Although payments are received in advance for a significant portion of sales made to mitigate credit risk, the Company has experienced an increase in credit risk as a result of the Covid-19 pandemic and the ongoing military conflict, which have deteriorated the financial situation and creditworthiness of most companies operating in all sectors, including aviation.

Credit risk in respect of cash and cash equivalents is considered immaterial, since the counterparties are reputable banks.

As of 31 December 2022, and as of 31 December 2021, financial assets representing trade receivables from ticket sales have been pledged as collateral for loans.

An impairment loss is not recognized in regard to the investment in shares, measured at fair value through other comprehensive income.

The carrying amounts described above represent the Company's maximum possible exposure to credit risk in respect of these financial instruments.

The Company applies the simplified approach as per IFRS 9 and is recognising expected credit losses over the life of the asset for all trade receivables as they have no significant financial component.

In determining the amount of expected credit losses, a portion of trade and other receivables are evaluated on an individual basis to assess the specific characteristics of each customer and the Company's credit risk to the respective counterparty. The remainder are assessed on a collective basis as they have similar credit risk characteristics. These are grouped according to the number of days elapsed, the geographical location of the customers and the payment terms.

Estimated loss rates are based on the profile of sales receipts over the past 3 years as well as the corresponding historical credit losses over that period. Historical rates are adjusted to reflect current and prospective macroeconomic factors affecting the customer's ability to settle the outstanding balance. However, given the short period exposed to credit risk, the impact of these macroeconomic factors is not considered significant during the period. Trade and other financial receivables are written off when there is no reasonable expectation of recovery. Failure to make payments for more than 2 years from the invoice date and the Company's inability to negotiate an alternative payment arrangement, among others, are considered indicators of no reasonable expectation of recovery.

In applying the model for calculation of expected credit losses, the Company's management has taken into account the worsened economic environment caused by the Covid-19 pandemic and the military conflict in Ukraine, liquidity difficulties in the business as a whole and deteriorating credit quality for companies in the most affected industries. Where applicable, a higher discount rate has been applied to reflect the increase in credit risk.

The ending balance of expected credit losses for trade receivables at 31 December 2022 is equal to the opening balance of expected credit losses for financial assets as follows:

Movement in expected credit losses	Trade receivables BGN'000	Other financial receivables incl. loans granted BGN'000	Cash and cash equivalents	Total BGN'000
Balance as at 1 January 2022	(1 061)	(8 103)	(95)	(9 259)
Expected credit loss recognised during the year	(8)	(2 037)	-	(2 045)
Balance as at 31 December 2022	(1 069)	(10 140)	(95)	(11 304)

A breakdown of the movement in expected credit losses by claim type for 2021 is presented in the table below:

Movement in expected credit losses	Trade receivables BGN'000	Other financial receivables incl. loans granted BGN'000	Cash and cash equivalents	Total BGN'000
Balance as at 1 January 2021	(1 006)	(1 939)	(72)	(3 017)
Expected credit loss recognised during the year	(55)	(6 164)	(23)	(6 242)
Balance as at 31 December 2021	(1 061)	(8 103)	(95)	(9 259)

38.3 Liquidity risk

Liquidity risk is the risk arising from the Company not being able to meet its obligations.

The Company manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash inflows and outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day and week-to-week basis, as well as based on a rolling 30-day projection. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly.

In 2020 and 2021, the airline faced serious liquidity challenges because of the suspension of flights with the introduction of restrictive measures. The global Covid-19 pandemic is having a negative impact on both the aviation business as a whole and related activities. This made it necessary to unite the efforts of different sectors to get through this difficult period.

Some of the measures were proposed and applied to the entire aviation industry /deferral of flight fee payments, discounts for regular payment, reduction of the amount of paid deposits/. Apart from that, the management of the Company managed to negotiate deferral of payments with other creditors. Such agreements have been reached regarding aircraft lease payments, landing and servicing fees with some of the suppliers, etc. An agreement has been reached with some of the lessors to release part of the cash from accumulated maintenance reserves. In 2022, the Company's performance and liquidity position are improved, despite the worsening economic environment resulting from the military conflict in Ukraine and the passing Covid-19 pandemic. In 2022, the Company has received grant funding of BGN 20 million as well as financial assistance received from the parent company and other related and unrelated entities.

As at 31 December Company's liabilities have contractual maturities which are summarized below:

31 December 2022

	Short-term up to 1 year BGN'000	Long-term 1 to 5 years BGN'000	Long-term Over 5 years BGN'000
Trade and bank loans	17 983	-	-
Lease liabilities	34 238	126 159	92 026
Trade payables	43 789	1 995	-
Related party payables	29 827	18 975	-
Other liabilities	3 117	-	-
	128 954	147 129	92 026

31 December 2021

	Short-term up to 1 year BGN'000	Long-term 1 to 5 years BGN'000	Long-term Over 5 years BGN'000
Trade and bank loans	31 994	-	-
Lease liabilities	39 696	101 705	83 376
Trade payables	70 979	1 995	-
Related party payables	105 666	1 285	-
Other liabilities	1 852	-	-
	250 187	104 985	83 376

The amounts, reported in this analysis of the contractual maturities are the undiscounted cash flows on the contracts, which may differ from the carrying values of the liabilities at the reporting date.

39 Fair value measurement

39.1 Fair value measurement of financial instruments

The Company reports one type of financial assets measured at fair value through other comprehensive income that represent investments in equity instruments of a foreign company. For the purpose of fair value disclosure, financial assets are grouped in three levels in accordance with the fair value hierarchy. This hierarchy is based on the significance of inputs used in measuring the fair value of the financial assets and liabilities:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The investment in equity instruments is classified in level 3. During the reporting period there were no transfer from Level 3 in Level 1 or/and Level 2.

Level 3	31.12.2022 BGN'000	31.12.2021 BGN'000
Financial assets		
Shares that are not traded on a stock exchange	18 000	18 000
Total	18 000	18 000

Measurement of fair value

The valuation methods and techniques used in the determination of fair value have not changed compared to the previous reporting period.

Financial assets at fair value through other comprehensive income are not traded on an exchange and no market price is available for them. The Company determines their fair value through techniques for calculating present value and / or net assets with the support of an independent external appraiser. The measurement of fair value is based on input information about the specific entity. This information is not based on observed market data and is adjusted for certain risks and with an appropriate discount rate. The valuation is based on the net assets of the entity in which it is invested, considering other indicators that could have an impact on the instrument's credit risk - the financial condition of the issuer, the economic environment in which the issuer operates, and others.

No gain or loss associated with this investment is recognized for the period.

39.2 Fair value measurement of non-financial instruments

The Company's non-financial assets carried at fair value represent aircraft classified in Level 3 of the fair value hierarchy where the inputs for a given asset are not based on observable market data. Aircraft available at 31 December including those classified in the right-of-use asset group have a fair value of BGN 340 million.

As of 31 December 2022, the Company's management has reviewed the carrying amounts, recoverable amounts and useful lives of the assets. It has been determined that as at the valuation date, there is no variance of more than the 5% allowed under the Company's accounting policy.

The fair value of the Company's aircraft has been determined based on independent licensed valuer's reports and subsequent confirmation. The fair value measurement is based on a comparative (market analogues) approach. Specific factors such as technical condition of the aircraft, current usage, uniqueness of the structure, market condition at the date of valuation were taken into account in valuing the assets.

Significant unobservable inputs relate to the adjustment for Company asset specific factors. The extent and direction of this adjustment depends on the number and characteristics of observed market transactions in similar assets that are used for valuation purposes. Although these inputs are subjective judgments, management believes that the final valuation would not be materially affected by other possible assumptions.

The fair value of the Company's aircraft was determined based on reports of independent licensed appraisers as of 31 December 2021 and 31 December 2022. The latest valuation is as of February 2023. The valuation takes into account the impact of the COVID 19 pandemic factors on the aviation equipment market, the military conflict in Ukraine, high inflationary growth.

When using the methods of the comparative approach, a comparative study of the information from the established market value of the object at the time of valuation, ie now. It is based on the thesis "a reasonable buyer would not pay more for an object than the value of a similar object available for purchase" and is used in determining the value starting from data on recent purchase and sale transactions with similar objects or with sufficiently adjusted values of existing offers for sale. Thus, the ultimate objective of the methods of the comparative (market) approach is the determination of market value.

The following steps were taken in the valuation using the market approach:

- market research and proposals for the sale of similar objects, i.e.. such objects that are most comparable to the assessed object;
- selection of analogues;

- collection, study and verification of the information for each selected object - for the sale price and offer prices, payment of the transaction, technical characteristics and conditions for sale;
- analysis and comparison of each object with assessments of technical characteristics and conditions of sale;
- adjustment of the selling prices or the offer prices for each of the comparable objects in accordance with the available differences between them and the evaluated object.

Significant unobserved data are related to the correction for the factors specific to the Company's aircrafts. The extent and direction of this adjustment depends on the number and characteristics of the observed market transactions with similar assets that have been used for valuation purposes. Although these data are a subjective judgment, management believes that the final assessment would not be significantly affected by other possible assumptions. The main factors influencing the price are:

- number of passengers for which the aircraft is equipped;
- the flight hours since the start of operation of the aircraft;
- number of landings since the beginning of the operation of the aircraft;
- the condition of the aircraft engines;
- the years of operation of the airplane from the date of its manufacture;
- aircraft equipment;
- the condition of the interior and the condition of the paint and varnish coating of the aircraft body;
- the technical condition of the aircraft.

When using the market approach, the value of the object of evaluation is determined in comparison with the sales prices of identical or similar objects. The basis for using this approach is the fact that the value of the object of evaluation is directly related to the selling price of similar objects, which is the initial value for risk assessment in operations for the purpose of evaluation - for financial reporting purposes. Each comparable sale is compared with the evaluated object according to its most important parameters. The price of comparable sales is adjusted to reflect significant differences between them.

The Company's non-financial assets, which are measured periodically at fair value, are classified in level 3 of the fair value hierarchy.

The fair value is presented in the relevant asset class presented in notes 5, 7 and 9.

40 Capital management policies and procedures

The Company's capital management objectives are:

- To ensure the Company's ability to continue as a going concern; and
- To provide an adequate return to the shareholder by pricing its services commensurately with the level of risk.

The Company monitors capital based on the correlation between adjusted capital and net debt.

The Company determines the adjusted capital based on the carrying amount of equity and subordinated debt in the financial statement. The Company does not account for cash flow hedges recognized in equity.

Subordinated debt includes unsecured loans or loans that have a subsequent mortgage or pledge of Company's property.

Net debt is calculated as general debt less the carrying amount of cash and cash equivalents.

According to the requirements of the Civil Aviation Act (CAA), each air carrier must at all times have an equity of not less than BGN 160 thousand. The company fulfils the externally imposed legal requirements, including of the competent body for financial stability.

The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may return capital to shareholders, issue new shares, or sell assets to reduce debt. In the conditions of uncertain situation for the aviation sector, the Company relies on the financial support of the sole owner and the ultimate parent company to continue to operate.

The amount of the correlation for the presented accounting periods is summarized as follows:

	31.12.2022	31.12.2021
	BGN'000	BGN'000
Equity	203 232	131 173
+Subordinated debt	19 070	69 263
Adjusted capital	222 302	200 436
Debt	380 046	391 613
- Cash and cash equivalents	(17 154)	(18 342)
Net debt	362 892	373 271
Adjusted capital to net debt	1,63	1,86

41 Events after the reporting period

No adjusting events or significant non-adjusting events have occurred between the date of the financial statement and the date of its authorization for issue.

42 Authorization for issuance of the financial statements

Financial statements as at 31 December 2022 (including comparative information) are authorized for issuance by the Board of Directors on 25 April 2023.