

ANNUAL ACTIVITY REPORT of BALKAN GAS HUB EAD

**For the period
from 1 January until 31 December 2023**



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This annual report on Balkan Gas Hub EAD activities provides comments and analysis of the financial statements and other material information regarding the financial position and the results of the Company activities, covering one-year period from January 1 until December 31, 2023.

It has been prepared in accordance with the requirements of Article 39 of the Accountancy Act, Article 187(e), Article 247, para 1, 2 and 3 of the Commerce Act.

1. GENERAL INFORMATION

Balkan Gas Hub EAD is a joint-stock company and a Bulgarian legal entity with its registered office in the Republic of Bulgaria. The Company is registered in the Commercial Register and the Register of NPLE at the Registry Agency on 18 January 2019 under UIC 205478458. The Company's registered address is in the Republic of Bulgaria, 1756 Sofia, Studentski region, residential area Darvenitsa, 19 Sv. Kliment Ohridski Blvd., next to building block 19, Business Building Kintex.

Status and business activities

The sole owner of Balkan Gas Hub EAD capital is Bulgartransgaz EAD, which in turn is a state-controlled enterprise. The sole owner of Bulgartransgaz EAD capital is Bulgarian Energy Holding EAD. The final control is carried out by the Bulgarian state through the Minister of Energy. Balkan Gas Hub EAD subject of activity involves establishment and operation of electronic platform providing conditions for conclusion of bilateral transactions and stock exchange market of natural gas with physical and non-physical products – natural gas, energy products, energy carriers, energy green and white certificates, carbon emissions and others energy consumption products..

The activities of Balkan Gas Hub EAD are entirely set in the context of the European objectives on establishing an interconnected and integrated pan-European gas market and in support of the plans for gas infrastructure development across Europe. The concept of establishing and developing a gas distribution hub on the territory of the Republic of Bulgaria, as well as the establishment of a natural gas trading exchange is actively supported by the Council of Ministers of the Republic of Bulgaria and the European Commission and is strictly in line with the needs identified by the High Level Group for Gas Connectivity of Central and South-east Europe (CESEC).

The main activity of Balkan Gas Hub EAD includes management and maintenance of an electronic platform for natural gas trading with physical delivery. Balkan Gas Hub EAD shares are not quoted on a stock exchange.

Bilateral transactions and stock exchange trading are carried out by meeting or facilitating the meeting of buy and sell offers within the platform natural gas traders, natural gas producers and other third parties, admitted based on specific financial and other requirements, in accordance with the Platform Rules and the statutory rules for bilateral and exchange trade. The result is conclusion of transactions with physical products, as well as any trading activity which is not prohibited by law in compliance with all applicable authorizations, licensing and registration regimes applicable to the electronic platform operator for trading with energy products and the other products as laid down in the

subject of the business activity on bilateral or stock exchange principle, as well as any activity which is not prohibited by law in compliance with all applicable authorizations and licensing regimes.

The company has no branches. The company has not undertaken any activities in the field of research and development in the nine months of 2023.

Ownership and governance

The sole owner of the capital of Balkan Gas Hub EAD is Bulgartransgaz EAD, offering natural gas transmission and storage services, and at a later stage no more than 49 % of Balkan Gas Hub EAD shares could be made available to other individuals and legal entities.

Balkan Gas Hub EAD management bodies

The subsidiary Balkan Gas Hub EAD is managed by a one-tier governance system – Board of Directors (BoD).

Board of Directors Members as at 31.12.2023 are Vladimir Malinov, Kiril Ravnachki, Petya Ivanova. As at 31 December 2023, the Company is represented and managed by the Executive Director Petya Ivanova.

Vladimir Asenov Malinov - Chairperson of the Board of Directors

- Does not participate as an unlimited liability partner in trading companies;
- Does not hold more than 25 percent of the capital of commercial companies;
- Is involved in the management of Bulgartransgaz EAD;
- Participates in the management of Gastrade S.A.

Kiril Dimchov Ravnachki - Member of the Board of Directors

- Does not participate as an unlimited liability partner in trading companies;
- Does not hold more than 25 percent of the capital of commercial companies;
- Is not involved in the management of other companies.

Petya Ivanova - Member of the Board of Directors and Executive Director

- Does not participate as an unlimited liability partner in trading companies;
- Does not hold more than 25 percent of the capital of commercial companies;
- Is not involved in the management of other companies.

Members of the Board of Directors do not hold shares of the Company.

During the presented periods there was no acquisition or transfer of own shares.

No contracts have been concluded under Art. 240 b of the Commerce Act.

Members of the Board of Directors shall not be entitled to hold shares of the Company.

Obligations of the members of the Board of Directors

In line with the requirements of the International Financial Reporting Standards, adopted by the European Commission, members of the Board of Directors in their capacity of a governance body, shall ensure that at the time of preparing the financial statements for the year ending on 31/12/2023, appropriate accounting policies have been consistently borrowed and used and reasonable and cautious projections and estimates have been made. The members of the Board of Directors guarantee that the applicable accounting standards are followed and the financial statements have been prepared on the going-concern basis.

Remuneration to key management personnel

The Company has a related party relationship with directors and employees with controlling functions. The total amount of remunerations included in the personnel expenses in 2023 is as follows:

- Remunerations paid to the Executive Director and BoD members - 154 thousand BGN.
- Social security contributions on remunerations of the Executive Director and BoD members - 11 thousand BGN.

Related parties

Bulgartransgaz EAD is the Company's parent company.

Balkan Gas Hub EAD related entities include its owners, other related entities under Bulgarian Energy Holding EAD control as well as key management personnel.

The Company has made transactions with:

Bulgartransgaz EAD pursuant to:

- Contract for provision of financial, administrative, legal, accounting and other services;
- Bulgartransgaz EAD Membership Agreement on the Balkan Gas Hub EAD Trading Platform;

Bulgargaz EAD

- Bulgargaz EAD Membership agreement on Balkan Gas Hub EAD trading platform. The Company has provided access services to Bulgargaz EAD in the amount of BGN 575 thousand during the reporting period. At the end of the reporting period the receivables from Bulgargaz EAD amounted to BGN 55 thousand.

Bulgartel AD

- A lease agreement of real estate concluded between Balkan Gas Hub EAD and Bulgartel AD of duration until 31/03/2026. The Company has provided a guarantee deposit under the lease agreement in the amount of BGN 7 thousand, recoverable at the end of agreement duration. At the end of the reporting period the outstanding liabilities under the lease and other services amounted to BGN 5 thousand.
- Provision of electronic communication services by Bulgartel AD to Balkan Gas Hub EAD and a file server subscription for volume of information and encryption.

ICGB AD

- Membership agreement of ICGB AD on the trading platform of Balkan Gas Hub EAD;

Actions in the field of scientific and research activities

Balkan Gas Hub EAD does not perform activities in the field of research and development.

2. Results from the company activities in 2023

The company operates trading platforms servicing the needs of the natural gas markets within the Balkan Gas Hub. In synergy with the physical infrastructure of the gas distribution hub, the prerequisites required for establishment of the first liquid physical and trading gas hub in the South East Europe region, based in Bulgaria, are being provided. In the first stage of establishing the exchange, Balkan Gas Hub EAD provided the participants in the natural gas market in Bulgaria and the region with the opportunity to use a trading platform with all the necessary functionalities in accordance with the requirements of Article 10 of Regulation (EU) No 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks, as well as a long-term segment for transactions with physical supply.

Balkan Gas Hub EAD trading platform was launched in December 2019 with the first auctions under the Gas Release Programme for 2020. The start of the platform is as well in implementation of the overall concept for increasing the natural gas market liquidity in Bulgaria and implementation of actual diversification and liberalization of the market both, in the country and in the region.

Balkan Gas Hub EAD in its capacity as a party under an Agreement for Implementation of the Gas Release Programme (GRP), approved by the Energy and Water Regulatory Commission (EWRC), provides the software environment for implementation of the auctions under this programme. GRP was a newly introduced measure for the Bulgarian market to stimulate natural gas supply and demand on a national scale, with the aim of providing real access on equal basis for all participants and access to competitive prices. GRP was suspended in early 2023.

In the beginning of January 2020, Balkan Gas Hub EAD for the first time in Bulgaria launched the multilateral trading on the organized natural gas exchange market by introducing three trading segments - a short-term segment (spot), a long-term segment and a brokerage service.

The short-term segment of the platform offers short-term standardized within-day, day-ahead and weekend products, as well as products for the network balancing needs of the TSOs. Trade is carried out on an anonymous basis in accordance with the provisions of Regulation (EU) No 312/2014.

The **long-term segment** of the platform offers products traded on a mid- and long-term basis on an anonymous and non-anonymous basis, as follows:

- Weekly;
- Monthly and Balance of Month;

- Quarterly;
- Yearly.

The long-term segment also provides the environment for administration of long-term contracts for natural gas purchase and sale (mainly at VTP) for a period after 1 January 2020 of less than or equal to one year, in compliance with the requirements of Article 176(3) of the Energy Act.

The **brokering service** enables conclusion of gas purchase contracts by end customers/end suppliers directly connected to the Bulgarian gas transmission system, without incurring costs for trading platform membership and without the need to obtain access to the network access and transport services of the TSO Bulgartransgaz EAD. The brokering service also provides the environment for administration of long-term contracts with subject natural gas purchase and sale at a physical exit point with connected end natural gas customers/gas distribution companies for a period after 1 January 2020, less than or equal to one year in compliance with the requirements of Article 176, para 3 of the Energy Act.

Information on natural gas trade of the individual segments of Balkan Gas Hub EAD trading platform:

For the period up to 31.12.2023, quantities traded on the Trading Platform by product are as follows:

Short-term segment:

In the period up to 31.12.2023, short-term segment transaction volumes increased year-on-year by 260% or by 8,674,088 MWh reaching 12,811,250 MWh. The growth in the number of transactions for the same period amounted to 325% or 16,338 transactions more, reaching a total of 23,584.

	2023 Краткосрочен сегмент												2023
	Януари	Февруари	Март	Април	Май	Юни	Юли	Август	Септември	Октомври	Ноември	Декември	
Брой сделки	1413	1 035	872	1 583	2 319	2 688	2 269	2 998	2 814	2 245	1 923	1 425	23 584
Изтъргвани количества по месеци, MWh	634 692	354 143	260 770	575 538	1 029 253	1 328 586	998 753	1 622 436	2 099 807	1 447 261	1 659 418	800 593	12 811 250
Брой участници	65	70	73	74	78	79	81	83	83	84	88	91	

Long-term segment (including VTP transactions and by brokering service):

In the period up to 31.12.2023, the volumes of transactions on the long-term segment reached 33,323,850 MWh, which is 273% more compared to the same period of the previous year. The growth in the number of transactions over the same period amounted to 392% or 1320 more transactions, reaching a total of 1772.

	2023 Дългосрочен сегмент												2023
	Януари	Февруари	Март	Април	Май	Юни	Юли	Август	Септември	Октомври	Ноември	Декември	
Брой сделки	19	136	152	151	177	153	140	146	185	157	175	181	1 772
Изтъргвани количества по месеци, MWh	1 527 699	1 500 204	2 343 613	2 351 012	1 173 629	3 194 016	2 892 597	2 052 341	4 522 874	3 001 705	5 232 648	3 531 512	33 323 850
Брой участници	65	70	73	74	78	79	81	83	83	84	88	91	

The registered members of the platform as of 31 December 2023 are 91. About 42% of the total number of participants are international companies with experience in trading natural gas on European markets and a rich portfolio, the remaining 55% of the participants are domestic natural gas traders, followed by large industrial consumers in the country.

Execution of the Natural Gas Release Program (GRP) Implementation Agreement:

Following the amendments voted by the National Assembly to the Transitional and Final Provisions of the Corporate Income Tax Act, namely the repeal of Article 176a(4) and (5) of the Energy Act, i.e. the suspension of the 2023 Release Programme, no auctions were held under the 2023 Release Programme.

Balkan Gas Hub EAD market

The electronic system of Balkan Gas Hub EAD is provided by Trayport Ltd., a subsidiary entirely owned by TMX Group Ltd., which is a widespread network and leading software solution for wholesale trade in many of the most developed European energy markets. The software service agreement was signed in November 2019. Trayport's Exchange Trading System (ETS) is a powerful real-time bidding mechanism and trading system designed specifically to help commodity exchanges to provide customers and traders electronic trading environment and direct access to liquidity in the market through the trading screen of Trayport Joule.

In the first month of its operation, Balkan Gas Hub EAD registered about 20 companies as Balkan Gas Hub members, and some of the companies have been active on the platform since the first day of its launch, and to date, the most active members trade through the Balkan Gas Hub platform on a daily basis.

As at 1 March 2020, as a result of the successful implementation of the respective functionalities of the trading platform and the connection of the information systems of the gas transmission operator Bulgartransgaz EAD and of the trading platform of Balkan Gas Hub, the commercial dispatching system (CDP) of Bulgartransgaz EAD receives automatic notifications for transactions concluded on the short-term segment and on the long-term anonymous and non-anonymous segment of the Balkan Gas Hub trading platform.

Since July 2020, Balkan Gas Hub launched the services of reporting the transactions concluded or registered through Balkan Gas Hub EAD system in connection with the requirements of Regulation (EU) No 1227/2011 on the integrity and transparency of the wholesale energy market, through developed and implemented functionality of the company's information system. Balkan Gas Hub EAD offers two types of services to its customers: (1) Reporting service where BGH sends to ACER data on the transactions of the relevant market participant with wholesale energy products executed on BGH

regulated market, including matched and unmatched orders and (2) Service of providing access to data for self-reporting - for customers using another reporting organization, BGH offers access to ready-to-report XML documents containing data on the transactions of the respective market participant on the organized market of BGH, prepared in the format and according to the requirements of ACER. Each BGH member has the right to provide a Declaration of refusal to use the reporting services, which releases Balkan Gas Hub EAD from the obligation to provide and/or report data and this remains the responsibility of the member of BGH as a participant in the energy wholesale market.

Meanwhile, in pursuit of the goal of becoming not only a local, but also a regional distribution centre, Balkan Gas Hub attracts traders from neighbouring EU member states - Greek and Romanian companies, as well as a number of Central and Western European companies. Companies from Europe represent about 42 % of the companies registered on BGH market. As for the Bulgarian companies, which form about 55% of the market, there is a pronounced diversity in the type of customers, namely - traders, end industrial customers, district heating companies, operators of local production facilities.

Being a Trading Platform Operator, Balkan Gas Hub strictly monitors for the implementation and action in accordance with *Commission Regulation (EU) No 312/2014 of 26 March 2014 establishing a Network Code on Gas Balancing of Transmission Networks* as the leading regulatory instrument for European energy markets and for complying with the provisions of the Energy Act and all sub-regulatory legal acts in force at a national level.

In line with Article 39 para. 1(6) of the Energy Act (EA), promulgated OJ, issue 79, effective as of 8 October 2019, the activity "organising natural gas exchange market" is subject to licensing; in line with §29 of the Transitional and Final Provisions of the Energy Act, until the license issuance, the operator of the approved trading platform as determined by EWRC, carries out the activities involving the organising the exchange market and the implementation of the approved Natural Gas Release Programme Implementation Agreement.

In line with the requirements of the EA, the ordinance on Licensing of the energy activities and in fulfilment of the objectives to provide even better and more reliable conditions for trade in natural gas for market participants, in July 2020 Balkan Gas Hub EAD submitted to EWRC documents for issuance of a license to the Company as an "operator of organised natural gas exchange market". In this context, on 25 March 2021 EWRC issued to Balkan Gas Hub EAD license No Л-532 for an operator on an organized natural gas exchange market for a period of 35 years.

Balkan Gas Hub continues active talks with potential clearing and settlement service providers. Various options from a commercial, technical and regulatory perspective are considered to best meet the needs of BGH market. In this regard, on 11 October 2022, IRGiT (the Polish commodity clearing house) and Balkan Gas Hub EAD (BGH) signed a letter of intent for cooperation on the further development of the Bulgarian and regional gas market. The aim of the joint initiative is to establish a proposal on the basis of which IRGiT will provide clearing services for the markets operated by the Bulgarian Gas Exchange. IRGiT, as part of the TGE Group, has long been involved in activities to support the development of the regional gas market, including through its participation in the SEEGAS project (a project for the development of an integrated gas market in South-

eastern and Eastern Europe), in which BGH also participates.

On 10 September 2021, Balkan Gas Hub EAD joined the Memorandum of Understanding on cross-border cooperation on the development of an integrated natural gas market in South-Eastern and Eastern Europe (SEEGAS). Within the framework of the initiative for development of an integrated natural gas market in South-Eastern and Eastern Europe, exchange operators and gas transmission network operators participated, together with Balkan Gas Hub EAD. The memorandum aims to create and develop a useful exchange infrastructure for natural gas trade, in order to facilitate natural gas trade and serve as a basis for cooperation between the countries to implement an effective clearing system for natural gas transactions in accordance with European practices.

Balkan Gas Hub EAD became a member of the Association of European Energy Exchanges - EUROPEX on 18 April 2023. EUROPEX is the association of energy exchanges, market operators and delegated operators in Europe. EuropeX main priorities include:

- Promoting and enabling efficient, accessible, liquid, secure and transparent wholesale energy and environmental markets;
- Representing members' interests to legislative and regulatory bodies as

well as other relevant stakeholders, working for common positions on specific issues and providing a unified voice;

- Providing support to members on regional and national policy issues relevant to European wholesale energy markets.

Obligation to disclose inside information:

The requirements related to the disclosure of "inside information" derive from Art. 4 of Regulation (EU) N^o1227/2011 and Art. 10 (1) of Regulation (EU) N^o1348/2014.

The obligation to publish inside information rests with market participants.

Art. 155c (3).6 of Ordinance N^o 3 of 21.03.2013 on licensing of the activities in the energy sector (OLAES) obliges exchange market operators to establish a decision that "ensures publication within 1 hour of occurrence of the event, as well as storage of messages published by market participants in wholesale energy products regarding changes in structural data on production, consumption or prices of wholesale energy products, such as: production capacity, planned or unplanned downtime or other limitation of transmission capacity; storage capacity; cross-border capacity; accidental or forced market interruption".

Regarding the above requirements, the Inside Information Platform (BGH IIP) was successfully implemented in November 2021 in accordance with the requirements of REGULATION (EU) 1227/2011 on wholesale energy market integrity and transparency and in accordance with the requirements of the Ordinance on licensing of activities in the energy sector, fully complying with the requirements of EWRC and ACER for complete disclosure of inside information, also enabling TSOs to fulfil their obligations to disclose capacity unavailability and other inside information in the form of Urgent Market Messages (UMMs). Please note that the service is available to all market participants, including traders and TSOs in and for all balancing zones in Europe, and the service is free for BGH members.

Web Application Programming Interface (web API)

In 2022, market members and specialized electronic media expressed interest in establishing automatic communication between their information systems and the trading system of Balkan Gas Hub EAD by using a web-based automatic communication channel. In this regard, in April 2022, a software option was implemented through a web API for the members of BGH market to receive data of their trade (offers and transactions), as well as anonymous data of the overall trade by each segment (anonymous offers and transactions other than those of the receiving party). The same applies to customers as of June 2022. Also, an opportunity was implemented to receive (by members and specialized media) public data published on BGH website (weighted average and reference prices by segments, as well as traded quantities by segments, public information about the members of BGH market, etc.).

Conduct of auctions on the trading platform

In the last 9 months, BGH organized auctions for purchase and sale of gas for its customers. At the auctions, market members could make sale offers through a buyer-set starting price and subsequent discounts from it. Tenders were held for Bulgartransgaz EAD and Bulgargaz EAD.

3. Financial and economic situation

The financial and economic situation of Balkan Gas Hub EAD has been reviewed and analysed based on the prepared financial and accounting documents and a statement of financial position of the Company for 2023.

As at December 31, 2023, Balkan Gas Hub EAD has generated a net financial result in the amount of BGN 3,443 thousand. The profit before taxes was BGN 3,826 thousand, indicating an increase of BGN 2,568 thousand. (204,13 %) compared to 2022, when the amount of the profit before taxes totalled to BGN 1,258 thousand.

3.1. Revenues

Balkan Gas Hub EAD is a natural gas trading platform operator in accordance with the Bulgarian Energy Act. Balkan Gas Hub EAD offers a natural gas trading segment for continuous spot natural gas supply products in Bulgaria, a long-term natural gas trading segment and a segment for implementation of a Gas release programme for the period 2020 - 2024.

The revenues from the activities of Balkan Gas Hub EAD are, as follows:

- Revenues from registration fee;
- Revenues from monthly fees;
- Revenues from short-term segment transactions on the trading platform - short-term standardized within-day, day-ahead, as well as temporal and locational products are offered for the purposes of balancing of the TSO network. Trade shall be conducted on an anonymous basis in accordance with the provisions of Regulation (EU) No 312/2014.

- Revenues from long-term segment transactions on the trading platform - products traded on a mid-term and long-term basis - weekly, monthly, quarterly and annually are offered;
- Revenues from supply of quantities under the Natural Gas Release Programme - the public provider is provided with software and trading environment for release of the quantities, in accordance with the amendments and supplements of the Energy Act of the Republic of Bulgaria;
- Revenues from other services, including from training fees and from file generation and REMIT reporting fees.

The total revenues earned by the Company in 2023 amounted to BGN 4,790 thousand and are mostly revenues from the provided service for access to and use of the electronic platform for natural gas trading, including long-term and short-term segment of the trading platform, as well as GRP segment.

Revenues from services	Report 01.01-31.12.2022		Report 01.01-31.12.2023		Amendment 2023/2022	
	value	relative weight	value	relative weight	absolute value	in %
Revenues from services for access to natural gas trading platform	2,024	91.46%	4446	92.82%	2422	119.66%
Revenues from additional screens fee	146	6.60%	264	5.51%	118	80.82%
Revenues from data provision and reporting	31	1.40%	51	1.06%	20	64.52%
Revenues from training	6	0.27%	16	0.33%	10	166.67%
Service for access to public and private information (API communication channel)	3	0.14%	6	0.13%	3	100.00%
Other revenue	3	0.14%	7	0.15%	4	133.33%
Total revenue:	2,213	100.00%	4,790	100.00%	2,577	116.45%

Compared to 2022, the total amount of revenues generated by Balkan Gas Hub EAD in 2023 has increased by BGN 2,577 thousand or 116,45%.

As at 31.12.2023 Balkan Gas Hub EAD has two short-term deposits with an interest of 3,30 % annually and over the reporting period the Company reports financial revenues from interests on deposits amounting to BGN 5 thousand.

3.2. Expenses

Expenses for the activity	Report 01.01-31.12.2022		Report 01.01-31.12.2023		Amendment 2023/2022	
	value	relative weight	value	relative weight	absolute value	in %
Expenses for materials	14	1.50%	14	1.46%	0	0.00%
External services expenses	554	59.51%	571	59.73%	17	3.07%
Personnel expenses	298	32.01%	289	30.23%	(9)	(3.02%)
Social contributions expenses	33	3.54%	28	2.93%	(5)	(15.15%)
Other operating expenses	32	3.44%	54	5.65%	22	68.75%
Operating expenses	931	100.00%	956	100.00%	25	2.69%
Depreciation expenses	22	2.30%	9	0.94%	(13)	(59.09%)
Financial expenses	2	0.21%	4	0.41%	2	100.00%
Total expenses	955	100.00%	969	100.00%	14	1.47%

In 2023 the total costs of Balkan Gas Hub EAD amounted to BGN 969 thousand, growing by BGN 14 thousand (1.47 %) compared to BGN 955 thousand reported in 2022.

Comparing the Company's operating expenses reported in 2023 to 2022, an increase of BGN 25 thousand (2.69%) is reported, i.e. from BGN 931 thousand in 2022 to BGN 956 thousand in 2023.

The increase in the operating expenses was due to the reported higher "Other operating expenses" and expenses for external services.

The reported costs for materials in 2023 amount to BGN 14 thousand and represent 1.46% of the operating costs, and their total value includes - costs for electricity, water and heat in the amount of BGN 7 thousand, costs for business inventory in the amount of BGN 3 thousand, other costs for materials - BGN 2 thousand and costs for fuel and lubricants and auto parts and accessories - BGN 1 thousand.

Costs for external services amounted to BGN 571 thousand and represented 59.73% of the operating expenses of the Company. The reported increase of BGN 17 thousand or 3.07% is the result of the incurred expenses for "Services for the use of the exchange trading platform" in the amount of BGN 400 thousand, which are BGN 19 thousand or 4, 99% higher than reported in the previous year. Higher expenses for rent by BGN 5 thousand have also been reported (13.89%) and expenses for subscription service by BGN 4 thousand or 12.50%.

Part of the costs for external services include the costs under a contract for administrative, legal, accounting and other services provided to the Company by the parent company Bulgartransgaz EAD in the amount of BGN 45 thousand (2022 - BGN 32 thousand).

On the other hand, lower costs for repair by BGN 15 thousand were reported (75.00%) and civil law contracts by BGN 9 thousand (40.91 %).

In 2023 Balkan Gas Hub EAD reports personnel costs in the amount of BGN 289 thousand, which are 3.02% less compared to those reported as at 31.12.2022.

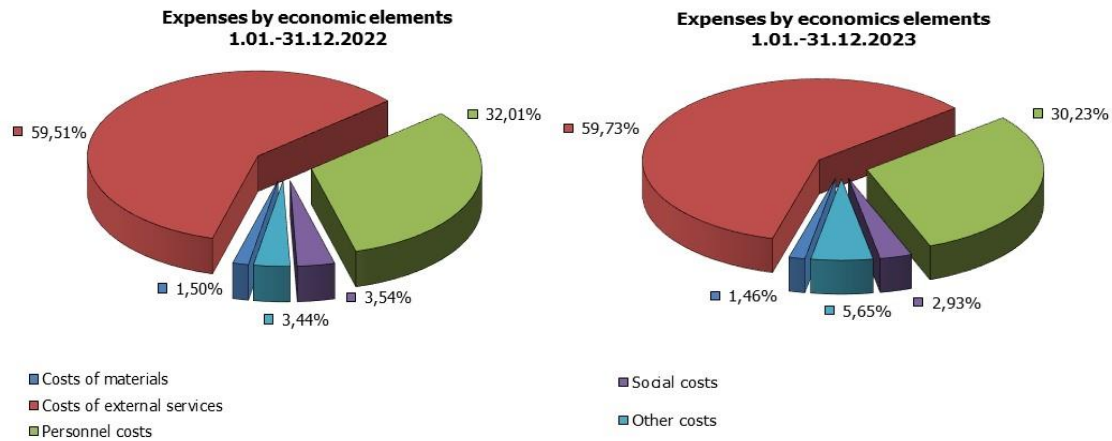
A decrease is reported from 15,15 % in the social security costs which from BGN 33 thousand in 2022 changed to BGN 28 thousand in 2023.

In 2023, the Company reports higher "Other operating expenses" which amount to BGN 54 thousand and represent 5.65% of the operating expenses, marking an increase of BGN 22 thousand (68,75 %) compared to 2022. The increase is due to paid membership in the amount of BGN 34 thousand, and in 2022 it amounts to BGN 9 thousand.

The paid membership fee in 2023 is due to the fact that Balkan Gas Hub EAD became a member of the Association of European Energy Exchanges - EUROPEX. EUROPEX is the association of energy exchanges, market operators and delegated operators in Europe.

As at 31.12.2023, the Company reported depreciation costs in the amount to BGN 9 thousand, indicating a drop of BGN 13 thousand (59,09 %) compared to the reported in 2022.

The structure of the expenses by economic elements reported by Balkan Gas Hub EAD for 2023, compared to the structure of costs for 2022, is presented in the following chart:



3.3. Statement of financial position

As at 31 December 2023, Balkan Gas Hub EAD owns **total assets** amounting to BGN 6,195 thousand, and their amount has increased by BGN 3,567 thousand (135.73%) compared to the reported value as at 31 December 2022 (BGN 2,628 thousand).

As of 31 December 2023, the value of **non-current assets** increased by BGN 3,000 (8.33%) and amounted to BGN 39 thousand, of which „Property, plant and equipment“ in the amount of BGN 13 thousand, intangible assets in the amount of BGN 19 thousand and long-term receivables from related entities in the amount of BGN 7 thousand.

As at 31 December 2023, the **current assets** amounted to 6,156 thousand BGN, of which Trade and other receivables amounted to 289 thousand BGN, Receivables from related entities – 57 thousand BGN and Cash and equivalents – 5,810 thousand BGN. The value of current assets is by BGN 3,564 thousand or 137,50 % bigger than their balance value as at 31.12.2022 when they were BGN 2,592 thousand. The growth in the value of the current assets is due to the increased amount of the „Cash and cash equivalents“ which are up by 152,06 % against these as at 31.12.2022 – BGN 2,305 thousand.

Significant part of the receivables from related entities result from services rendered for access and use of the platform by the public provider Bulgargaz EAD in December 2023.

The Company's **equity** as at 31 December 2023 amounts to BGN 5,950 thousand and increases by BGN 3,443 thousand (137.34%) compared to the reported as at 31 December 2022.

As at 31 December 2023 the **registered capital** of Balkan Gas Hub EAD is BGN 500 thousand. Currently, Bulgartransgaz EAD owns 100% of the shares and at a later stage no more than 49 % of the shares could be provided to other physical and legal entities.

Current liabilities according to reported data as at 31 December 2023 amount to BGN 245 thousand and are higher by BGN 124 thousand (102.48%) compared to the reported

ones as at 31 December 2022 -BGN 121 thousand. As of 31 December 2023, the value of current liabilities includes "Trade and other liabilities" - BGN 196 thousand, liabilities to related entities in the amount of BGN 20 thousand and "Income tax liabilities" - BGN 29 thousand.

3.4. Cash flows

One of the important indicators of Balkan Gas Hub EAD financial position is the availability and dynamics of cash in 2023. This is conditioned by the fact that cash is absolutely liquid assets and from this point of view the availability or lack thereof determines the possibility of timely repayment of the Company's liabilities.

The table below shows Balkan Gas Hub EAD net cash flows (NCF) for the period 1 January – 31 December 2023 compared to those in the same period of 2022:

CASH FLOW	Report 01.01- 31.12.2022	Report 01.01- 31.12.2023	Amendment 2023/2022
NCF from operating activity	982	3,510	257.43%
NCFs from investment activity	(9)	(5)	(44.44%)
Net increase/(decrease) in cash and cash equivalents	973	3,505	260.23%
Cash and cash equivalents at the beginning of the period	1,334	2,305	72.79%
Cash and cash equivalents at the end of the period	2,305	5,810	152.06%

As of December 31, 2023, Balkan Gas Hub EAD cash and cash equivalents was BGN 5,810 thousand. Increase of 152.06 % was reported compared to the value of cash and cash equivalents as at 31.12.2023 (BGN 2,305 thousand).

In 2023, net cash flows from operating activities amounted to BGN 3,510 thousand, showing an increase of 257.43 % compared to the reported BGN 982 thousand in 2022. The reason for that are the cash inflows related to trading counterparties in the amount of BGN 5,263 thousand (BGN 2,336 thousand in 2022).

An increase was also reported in the outgoing cash flows related to "Other taxes and excise duty paid" by BGN 194 thousand. (98,48 %), which as at 31.12.2023 amounts to (BGN -391 thousand), whilst as at 31.12.2022 the paid other taxes are (BGN -197 thousand).

As at 31.12.2023 the total value of the cash flows from investment activity has a negative value (BGN -5 thousand), representing "Acquisition of property, machinery and equipment" in the amount of (BGN -5 thousand). At the same period of the previous year, the Company also realized cash flows for "Acquisition of intangible assets" in the amount of BGN 7 thousand.

3.5. Financial indicators

Financial indicators	Report 01.01-31.12.2022	Report 01.01-31.12.2023
Liquidity ratios		
Total liquidity	21.42	25.13
Profitability ratios		
Profitability from sales revenue	0.51	0.72
Return on equity	0.45	0.58
Return on assets	0.43	0.56
Financial autonomy ratios		
Financial autonomy ratio	20.72	24.29

- The overall liquidity ratio as at 31 December 2023 is 25.13 and indicates how many BGN of the short-term assets correspond to BGN 1 of current liability. The high overall liquidity ratio provides better opportunities for repayment of current liabilities.
- The indicator of profitability of sales revenue (EBT/sales revenue net amount) as at 31.12.2023 is 0.72 and indicates that each 1 BGN of revenue brings respectively 0.72 BGN of profit.
- The financial autonomy ratio at the end of 31 December 2023 is 24.29 and shows the degree of financial independence from the use of foreign funds. Ratio values over 1 indicate good financial autonomy.

4. Review of the risks the Company is exposed to

The Company is exposed to various types of risks with respect to its financial instruments. The most significant financial risks the Company is exposed to are market risk, credit risk and liquidity risk.

The risk management policy of the Company has been developed to identify and analyse the risks faced by the Company, to set limits on taking risks and controls, to monitor risks and compliance with the limits set.

Credit risk

Credit risk is the risk that one party to a financial instrument may fail to fulfil its obligation and thus cause a loss to the other party. The Company's credit risk consists of the risk of financial loss in a situation where a customer fails to fulfil their contractual obligations.

With regard to receivables, the Company is not exposed to significant credit risk due to the introduced control mechanisms in negotiating the terms of participation with market participants. The Company has evaluated the expected credit losses on all financial assets and has not established any indications of such.

Credit risk on cash and cash equivalents is considered insignificant as the counterparties are reputable banks.

The Company has not provided its financial assets as collateral for other transactions.

Liquidity risk

Liquidity risk is the risk where the Company is not able to meet its financial liabilities when they become due. The policy in this area is focused on ensuring that sufficient liquidity is available to meet the liabilities when they become due, including in emergencies and unforeseen situations. As at 31.12.2023 the Company has no overdue liabilities.

Market risk

Market risk is the risk where upon market conditions change, the level of liquidity and, accordingly, the volume and number of transactions do not sufficiently ensure the return on investments made by the Company. The market risk management objective is to control the market risk exposure within acceptable limits while optimizing returns.

Currency risk

The Company's transactions are in BGN and EUR, which is why it is not exposed to currency risk.

5. Events that occurred after the date of the financial statement

No corrective events have occurred between the date of the financial statement and the date of its adoption.

6. Future development of the Company

Among the planned activities for 2023, which are of key importance for Balkan Gas Hub EAD successful development, are the introduced clearing services for transactions made on the platform, which will provide market participants with additional security. In this regard, traders' activity is expected to increase after offering clearing services.

Agreements are to be concluded with market makers and market participants, which will further increase market liquidity and increase competition in supply, and will inevitably impact price signals.

Another important aspect of the activity will be research and use of the opportunities for regional integration of the Bulgarian gas market with the neighbouring markets, based on various models of market coupling.

Automation of invoicing processes is also expected, as well as a complete implementation of a billing system concept.

Date:
19.02.2023

EXECUTIVE DIRECTOR
Petya Ivanova