



FINANCIAL STATEMENT

for the year ending on 31 December 2023



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Profit or loss report and other comprehensive income

for the year ending on 31 December

<i>in BGN thousand</i>	Notes	2023	2022
Revenues from services	5	4,783	2,210
Other revenue	6	7	3
Total revenues		4,790	2,213
Expenses for materials	7	(14)	(14)
External services expenses	8	(571)	(554)
Depreciation of non-financial assets expenses	12.13	(9)	(22)
Expenses for employees' remuneration	9	(317)	(331)
Other operating expenses	10	(54)	(32)
Operating activity profit		3,825	1,260
Financial revenue	11	5	-
Financial expenses	11	(4)	(2)
Net financial revenues/(expenses), net		1	(2)
Profit before taxes		3,826	1,258
Expenses for taxes	18	(383)	(126)
Profit for the period		3,443	1,132
Total comprehensive income for the year		3,443	1,132

The notes on pages 5 to 38 are an integral part of this financial statement.

Executive Director

Petya Ivanova

Prepared by

Elena Evtimova

Date: 07/02/2024

By Audit report of 20/02/2024:

Grant Thornton Ltd

Audit Company

Mariy Apostolov

Manager

Emilia Marinova

Registered auditor in charge of the audit

Statement of financial position

	Notes	31 December 2023	December 31, 2022
<i>BGN thousand</i>			
Assets			
Equipment	12	13	12
Intangible assets	13	19	24
Long-term receivables from related parties	19	7	-
Total non-current assets		<u>39</u>	<u>36</u>
Trade and other receivables	14	289	203
Receivables from related parties	19	57	84
Cash and cash equivalents	15	5,810	2,305
Total current assets		<u>6,156</u>	<u>2,592</u>
Total assets		<u><u>6,195</u></u>	<u><u>2,628</u></u>
Capital and reserves			
Registered capital	16	500	500
Reserve	16	43	43
Retained profit		5,407	1,964
Total equity		<u><u>5,950</u></u>	<u><u>2,507</u></u>
Liabilities			
Trade and other liabilities	17	196	104
Income tax liabilities		29	5
Liabilities to related parties	19	20	12
Total current liabilities		<u>245</u>	<u>121</u>
Total equity and liabilities		<u><u>6,195</u></u>	<u><u>2,628</u></u>

The notes on pages 5 to 38 are an integral part of this financial statement.

Executive Director Petya Ivanova Prepared by Elena Evtimova
Date: 07/02/2024

By Audit report of 20/02/2024:
Grant Thornton Ltd
Audit Company
Mariy Apostolov
Manager

Emilia Marinova
Registered auditor in charge of the audit

Statement of changes in equity

	Registered capital	Reserve	Retained profit	Total equity
<i>in BGN thousand</i>				
Balance on 01 January 2022	500	43	832	1,375
Profit for the period	-	-	1,132	1,132
Total comprehensive income for the year	-	-	1,132	1,132
Balance on 31 December 2022	500	43	1,964	2,507
Balance on 01 January 2023	500	43	1,964	2,507
Profit for the period	-	-	3,443	3,443
Total comprehensive income for the year	-	-	3,443	3,443
Balance on 31 December 2023	500	43	5,407	5,950

The notes on pages 5 to 38 are an integral part of this financial statement.

Executive Director

Petya Ivanova

Prepared by

Elena Evtimova

Date: 07/02/2024

By Audit report of 20/02/2024:
Grant Thornton Ltd
Audit Company
Mariy Apostolov
Manager

Emilia Marinova
Registered auditor in charge of the audit



Cash flow statement

for the year ending on 31 December

in BGN thousand

	Notes	2023	2022
Cash flows from operating activities			
Proceeds from trade counter parties		5,263	2,336
Payments to trade counterparties		(663)	(581)
Payments to staff and insurance institutions		(333)	(345)
Paid tax on profit		(358)	(222)
Paid taxes and excise duties		(391)	(197)
Other operating activity payments, net		(8)	(9)
Total cash flows from operating activities		<u>3,510</u>	<u>982</u>
Cash flows from investing activities			
Acquisition of equipment		(5)	(2)
Acquisition of intangible assets		-	(7)
Total cash flows from investment activities		<u>(5)</u>	<u>(9)</u>
Net change in cash and cash equivalents		<u>3,505</u>	<u>973</u>
Cash and cash equivalents			
1 January		2,305	1,334
Effect of changes in foreign exchange rates, net		(2)	-
Effect of expected credit losses		2	(2)
Cash and cash equivalents			
31 December	15	<u>5,810</u>	<u>2,305</u>

The notes on pages 5 to 38 are an integral part of this financial statement.

Executive Director
Petya Ivanova

Prepared by
Elena Evtimova

Date: 07/02/2024

By Audit report of 20/02/2024:
Grant Thornton Ltd
Audit Company
Mariy Apostolov
Manager

Emilia Marinova
Registered auditor in charge of the audit

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Notes to the financial statement

1. Status and business activities

A sole shareholding company Balkan Gas Hub EAD (the Company) is a Bulgarian legal entity having its seat 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, Sofia, Studentski region, residential area Darvenitsa, Sv. Kliment Ohridski Blvd., Kintex business building.

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 with physical and non-physical products – natural gas, energy products, energy carriers, energy green and white certificates, carbon emissions and others energy consumption products.

Within the meaning of Art. 21, para. 1, item 1 and Art. 39, para. 1, item 6 of the Energy Act, the company holds a license for organization of a natural gas exchange market № L-532-11 of 25.03.2021, issued by the regulatory authority Energy and Water Regulatory Commission EWRC.

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 and non-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.

On 11 October 2022, IRGiT (a 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 can 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.

The company has a one-tier management system - Board of Directors (BoD).

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

2. Basis for preparation

2.1 Statement of compliance with IFRS adopted by the EU

The Company's financial statement was drawn up in compliance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (IFRS adopted by the EU). Within the meaning of para 1(8) of the Additional Provisions of the Accounting Act applicable in Bulgaria, the term "IFRS adopted by EU" means International Accounting Standards (IAS) adopted in compliance with Regulation (EC) 1606/2002 of the European Parliament and of the Council.

Notes to the financial statement

The management is responsible for the preparation and fair presentation of the information in this financial statement.

2.2 Application of the going concern assumption

At the date of preparation of this financial statement, the management of Balkan Gas Hub EAD has made an assessment of the ability of the company to continue to function as a going concern based on the information available for the foreseeable future. After the investigations made, the management has a reasonable expectation that the Company has sufficient resources to continue functioning for the foreseeable future. Accordingly, it continues to run as a going concern when preparing the annual financial statements.

Financial statements was adopted by the Board of Directors on 19 February 2024.

3. Accounting policy and changes over the period

3.1. New standards, amendments and interpretations effective as of 1 January 2023

The following new standards, amendments and interpretations to IFRS, issued by the International Accounting Standards Board and approved by the EU, are effective for the financial statements for the annual period beginning on 1 January 2023 but have no significant impact on the financial results or positions of the Company:

- IFRS 17 Insurance contracts, effective as of 1 January 2023, adopted by the EU;
- Amendments to IFRS 17 Insurance contracts: Initial application of IFRS 17 and IFRS 9 - Comparative Information with effect from 1 January 2023, adopted by the EU;
- Amendments to IAS 8 Accounting policy, changes in accounting estimates and errors: Definition of accounting estimates, in force since 1 January 2023, adopted by the EU;
- Amendments to IAS 12 Income taxes: Deferred taxes on assets and liabilities arising from single transactions in force since 1 January 2023, adopted by the EU;

The following amendments to IFRS, issued by the International Accounting Standards Board and approved by the EU, are effective for the financial statements for the annual period beginning on 1 January 2023 that are adopted by the Company and have impact on the financial results or positions of Balkan Gas Hub EAD:

- Amendments to IAS 1 Presentation of Financial statements, IFRS Statements to Annex 2: Disclosure of accounting policies in force since 1 January 2023, not yet adopted by the EU. The Company discloses essential information related to accounting policies instead of basic accounting policies. The amendments clarify that accounting policy information is essential if users of the company's financial statements need it to understand other essential information in the financial statements and if the company discloses inessential information about the accounting policy, that information should not prevail over the essential accounting policy information. In preparing the financial statements, the management has made assessments regarding the disclosures of material information and, where applicable, the information has been updated relative to prior reporting periods.
- Amendments to IAS 12 Income taxes: International tax reform - pillar two model rules, in force since 1 January 2023, adopted by the EU.

In December 2021, the Organization for Economic Co-operation and Development (OECD) published rules to reform the international taxation. Pillar Two aims to impose a minimum effective corporate tax rate of 15% on large companies with an annual turnover of over EUR 750 million. The amendments related to the International Tax Reform - Pillar Two Model Rules, are:

- o an exception is introduced from the requirements of IAS 12 that the entity recognizes and discloses information about deferred tax assets and liabilities related to income taxes from Pillar Two of the OECD. The entity must disclose that it has applied the exception.

Notes to the financial statement

- requirement that the entity disclose separately its current tax expenses (revenue) related to taxes on income from Pillar Two.
- Requirement in the periods when Pillar Two laws are enacted or substantively enacted, but not yet effective, the entity to disclose known or reasonably estimable information, that helps users of financial statements understand the entity's exposure to Pillar Two income taxes.
- The exception applies on a compulsory basis and immediately after the issuance of the amendments in IAS 12 and retrospectively in accordance with IAS 8.

In December 2021, the Organization for Economic Co-operation and Development (OECD) published its Global Anti-Base Erosion Model Rules (Pillar Two). The aim of the Model Rules is to ensure large multinational enterprise pay a minimum level of tax on the income. The GLoBE Model Rules require individual jurisdictions to update national tax laws to comply with Pillar Two requirements, and in effect create a minimum tax rate of 15% for multinational enterprises. This effect is achieved through the top-up tax requirement, which means that if a subsidiary of a multinational organization pays less than a 15% effective tax rate, the organization will be liable to pay top-up tax at the level of the parent entity. The parent entity will then have to pay the additional tax required to bring the subsidiary's percentage up to the minimum of 15%. As a result, ultimate parent entity with subsidiaries in jurisdictions with effective tax rates below 15% will owe additional taxes in the future.

IFRSs amended IAS 12 by issuing an International Tax Reform - Pillar Two Model Rules and temporarily granted a mandatory exemption from the recognition and assessment of all deferred taxes related to this regime.

Due to the size of the business activity of the Bulgarian Energy Holding EAD (BEH) group, to which the Company belongs, it is expected to be subject to additional corporate tax in accordance with the amendments to the Law on Corporate Income Tax, which are effective from 1 January 2024. The new rules set forth in the Law on Corporate Income Tax introduce the following types of taxation:

- Taxation with additional tax that is primary taxation with additional tax of parent entities and secondary taxation with additional tax;
- Taxation with national additional tax.

Taxation with additional tax (primary and secondary taxation) is the main mechanism of the OECD directive and rules through which the minimum global corporate tax is introduced. Taxation with a national additional tax is an option that Bulgaria has taken advantage of in order to preserve its fiscal interest and practically to receive the new additional tax from the constituent entities that are taxable persons under the Law on Corporate Income Tax.

The Company is part of the BEH Group which meets the requirements for revenues above EUR 750 million and it therefor is subject to taxation with additional national tax.

The Company and the BEH Group are in the process of analysing the new requirements issued by the Organization for Economic Co-operation and Development (OECD) and accepted by national governments. Therefore, the Company has applied the exception for the recognition of deferred tax assets and liabilities related to taxes on income from Pillar Two (paragraph 4A of IAS 12) and for the disclosure of information about them in the annual financial statement for 2023.

3.2. Standards, amendments and clarifications not yet in force and not applied by the Company from an earlier date

As at the approval date of this financial statement new standards, amendments and interpretations to the existing standards have been published but have not entered into force or have not been approved by the EU for the financial year starting at 1 January 2023 and have not been applied by the Company from an earlier date. The management expects all standards and amendments to be approved in the Company's accounting policy during the first period starting after the date of their entry into force. Information about these standards and amendments is presented below.

Notes to the financial statement

Amendments to IAS 1 Presentation of Financial statements: Classification of liabilities as current or non-current, effective as of 1 January 2024; not yet adopted by the EU

Changes in liabilities' classification as current or non-current affect only the presentation of liabilities in the statement of financial position, but not the amount or timing of recognition of assets, liabilities, income or expenses, or the information that companies disclose about them. The amendments are intended to clarify the following:

- the classification of liabilities as current or non-current should be based on rights existing at the end of the reporting period, with all relevant paragraphs of the standard now using the same term, namely the "right" to defer settlement of the liability for at least twelve months. It is expressly stated that only the right available "at the end of the reporting period" should affect the classification of the liability;
- the classification shall not be affected by the Company's expectations as to whether it will exercise its right to defer the settlement of liabilities; and
- the settlement of liabilities can be done by transferring cash, equity instruments, other assets or services to the counterparty.

Amendments to IAS 1 Presentation of Financial statements: Non-current liabilities tied to financial indicators, in force since 1 January 2024, not yet adopted by the EU

IAS 1 is amended, as follows:

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

Amendments to IFRS 16 Leasing: Sale and leaseback obligation in force no earlier than 1 January 2024, adopted by the EU.

The amendments to IFRS 16 require the lessee entity to measure subsequently the lease liabilities arising from the leaseback in a manner that does not recognize any amount of the gain or loss that relates to the right of use that it retains. The new requirements do not prevent the seller-lessee from recognizing in the current financial result the gain or loss related to the partial or full termination of the lease. Amendments to IFRS 16 do not prescribe specific requirements for measuring lease liabilities arising from leasebacks.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier finance arrangements, in force since 1 January 2024, not yet adopted by the EU

The amendments to IAS 7 and IFRS 7 will add disclosure requirements, as well as guidance within the existing disclosure requirements, relating to the provision of qualitative and quantitative information about the supplier finance arrangements. These amendments add two disclosure objectives that will require entities to disclose in the explanatory notes information that enables users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and to understand the effect of the arrangements for supplier finance on

Notes to the financial statement

the entity's exposure to liquidity risk and how the entity may be affected if arrangements are no longer available to it.

Amendments to IAS 21 Effects of Changes in Foreign Exchange Rates: Lack of exchangeability, in force since 1 January 2025, not yet adopted by the EU

The amendments to IAS 21 include:

- specification when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency;
- specification how an entity determines the exchange rate to apply when a currency is not exchangeable - when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.
- Requirement for the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects, or is expected to affect, its financial performance, financial position and cash flows.

4. Significant accounting policies

4.1. General provisions

The most significant accounting policies applied in preparing the financial statement are listed below.

The financial statement has been prepared in accordance with the principles of valuation of all types of assets, liabilities, revenues and expenses in line with IFRS. The valuation bases are disclosed in detail in the financial statement accounting policy.

The financial statement has been prepared in Bulgarian lev (BGN), which is the functional currency of the Company. All amounts are shown in thousands of BGN (thousand BGN), including comparative information for 2022, unless otherwise stated.

It should be noted that accounting estimates and assumptions were used in preparing the financial statement. They are based on information provided to the management at the date of preparation of the financial statement, the actual results may differ from the estimates and assumptions made.

4.2. Presentation of the Financial Statement

The Financial Statement is set out in line with IAS 1 Presentation of Financial Statements.

Profit or loss report and other comprehensive income is presented in a single statement by the Company.

Two comparative periods are presented in the statement of financial position when the Company applies the accounting policy retrospectively, recalculates items in the financial statement or reclassifies items in the financial statement, and this has a material effect on the information in the statement of financial position as of the beginning of the previous period.

Notes to the financial statement

Significant accounting policies set out below have been applied consistently in all periods presented.

4.3. Climate issues

Climate change brings new and significant risks that are assessed by many companies due to the impact they will have on their future activities and the economic sectors in which they operate. The changes may also create opportunities for the companies aimed at mitigating and adapting to climate change. Companies may be exposed to these risks and opportunities directly or through third parties, such as suppliers and customers outside their direct operational control due to interconnected global value chains. Companies in Bulgaria will, however, apply the European sustainability reporting standards (ESRSs), which were developed by the European IFRS adoption authority in the European Union (EFRAG) and adopted by the European Commission on 31 July 2023, but have not yet been published in the Official Journal of the EU. They are expected to be effective from 1 January 2024 and gradually become applicable to a large number of companies.

As of 31 December 2023, Balkan Gas Hub EAD has not identified significant risks caused by climate changes that could have a negative and significant impact on the Company's financial statements. The management continuously assesses the impact of climate issues and will continue to conduct analyses in this field.

4.4. Revenues

The main revenues, generated by the Company, are related to services for providing access to and use of an electronic platform for natural gas trading, services for the use of additional screens and data provision services.

a) Revenues under contracts with customers

Recognition and estimate of the revenues from contracts with customers

To determine whether and how to recognize the revenues, the Company applies the following 5 steps: 1. Identify the contract with a customer; 2. Identify the performance obligations; 3. Determine the transaction price; 4. Allocate the transaction price to the performance obligations; 5. Revenues recognition when the performance obligations are satisfied.

Revenues from contracts with customers are recognized when the control over the goods and/or services promised in the contract is transferred to the customer to the extent that reflects the remuneration to which the Company expects to be entitled in exchange for those goods or services.

The control is transferred to the customer when (or as) performance obligation is fulfilled, according to the contract's terms and conditions, by transferring the promised good or service to the customer. An asset (good or service) is transferred when (or as) the customer obtains control over that asset.

In the initial evaluation of its contracts with customers, the Company assesses whether two or more contracts should be considered as bundled and accounted for as one, and whether the promised goods and/or services in each separate and/or bundled contract should be accounted for as one and/or more performance obligations.

Any promise to transfer goods and/or services that are identifiable (separately and in the context of the contract) is recognized as one performance obligation.

The Company recognizes revenue for each separate performance obligation at the level of an individual contract with a customer by analysing each specific contract's type, terms and

Notes to the financial statement

conditions. For contracts with similar characteristics, revenues are recognized on a portfolio basis only if their bundling into a portfolio would not result in a materially different impact on the financial statement.

Contracts with customers typically involve a single performance obligation.

Measurement

Revenues are measured according to the performance of individual performance obligations on a straight-line basis over the term of each contract. As the amount of work required to execute these contracts does not differ significantly from month to month, the straight-line basis reflects accurately the transfer of access services to the platform.

When determining the transaction price, the Company takes into account the contract's terms and conditions and its usual commercial practices.

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

When (or as) a performance obligation is satisfied, the Company recognizes as revenue the value of the transaction price (which excludes estimates of the variable remuneration containing restrictions) that is attributable to that performance obligation.

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

The impact of variable remuneration, the availability of significant financing components, non-monetary remuneration and customer's remuneration are taken into account in determining the transaction price.

Obligations concerning implementation and approach for recognition of basic types of revenues under contracts with customers

Revenues from the provision of access to and using an electronic natural gas trading platform

Balkan Gas Hub EAD was established as a natural gas trading platform operator in accordance with the Bulgarian Energy Act. In 2023, the company offered the following services for access to its electronic trading platform:

- **Short-term (spot)** segment of the platform, which offers short-term standardized products "within the day", "day ahead", as well as temporal and locational products for the needs of balancing of the transmission system operator's network. Trade is carried out on an anonymous basis in accordance with the provisions of Regulation (EU) No 312/2014.

- **Long-term segment**

1. Standardized products traded on screen anonymously for the periods week, month, quarter, year/up to five years ahead.

2. Non-anonymous bilateral contracts for standardized period, traded on the BGH market by registration in Trayport Transactions module.

3. BGH Brokering services - through which products and services for end customers are offered - natural gas consumers and end suppliers directly connected to the gas transmission system, who do not have access to the gas transmission networks and to the VTP, but would like to purchase natural gas at exit points from registered BGH members for their own needs. In this case, the end customer/end supplier has the status of a nontrading user and is not chargeable according to the applicable price list. A non-trading user shall be entitled to use BGH brokering services by signing a Brokering Services Agreement, and shall be granted with special rights to access a specialized

Notes to the financial statement

section of BGH webpage.

Revenues from the provision of access service to and using an electronic natural gas trading platform are recognized in the period in which the services are provided. The Company transfers the control over the services over time and therefore satisfies the performance obligation and recognizes revenues over time. In recognizing the revenues from the service provided, the Company applies a measuring progress method, taking into account the resources invested.

Segment for offering quantities under the Gas Release Programme provides the public supplier with a software and trading environment for quantities release, according to the amended and supplemented Energy Act of the Republic of Bulgaria. 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.

In 2020, Balkan Gas Hub (BGH) commenced active operations. In order to be able to operate on the platform, BGH customers pay initially a registration fee of BGN 5,000. The Company enters into open-ended contracts with its customers to provide services for access to and use of the electronic natural gas trading platform. Contracts have standard terms and conditions that are the same for all customers. The contract requires the customer to pay an advance payment fee for initial registration in the platform. The fee is non-refundable. The initial administrative activities of the Company regarding registration do not transfer a good or service to the customer and therefore do not give rise to an obligation to perform.

The advance fee is an advance payment for future services for access to and use of the electronic natural gas trading platform. Therefore, the Company sets the transaction price and includes the advance fee as a non-refundable position, and recognises revenue for the services for access to and use of the electronic trading platform for natural gas in the course of their provision.

The period for rescheduling and recognizing as current revenue the non-refundable amounts collected by the Company is subject to management discretion. In preparing this assessment, the management analyses the current state of the exchange market, the expectations for changes and development of the market, the applicable regulatory framework, any upcoming legislative amendments, intentions to conclude agreements with external parties - clearing service providers and other relevant factors. In this regard, and taking into account the circumstances related to the conflict between Russia and Ukraine causing delay in all processes on a global scale, as well as those planned by the Company, as of 31/12/2023, the management has considered that the most suitable period for rescheduling of the registration fee shall remain 18 months.

Revenues from use of additional screens

In addition to the main contracts, the Company provides its customers with the option to use more than one screen to access and operate on the natural gas trading platform.

The Company considers that the option to use additional screens does not provide substantive right that the customer would not have received without concluding these basic contracts. The prices for use of additional screens reflect the unit sales prices for these services. As far as the option to use additional screens does not provide the customer with a substantive right, the Company concludes that this is not an obligation to perform in the contract. As a result, the Company does not allocate any part of the transaction price to the option to use additional screens. The Company recognises revenue for use of additional screens if and when it provides these services.

Revenues from the use of an additional screen shall be recognised in the period over which the services have been provided. The Company transfers the control over the services over time and

Notes to the financial statement

therefore satisfies the performance obligation and recognizes revenues over time. In recognizing the revenues from the service provided, the Company applies a measuring progress method, taking into account the resources invested.

Revenues from the provision of a data provision and reporting service and disclosure of inside information

Regarding implementation of Regulation (EU) 1227/2011 and Implementation Regulation (EU) 1348/2014, Balkan Gas Hub EAD offers a choice between the following services for reporting the offers and transactions concluded or registered through the BGH system:

- **Reporting service** - BGH sends to ACER data on the transactions of the respective market participant with wholesale energy products executed on the BGH organized market, including matched and unmatched orders. Reporting takes place through the Third-party Registered Reporting Mechanism (RRM). The service includes reporting data to ACER and customer's access to the reported data and reporting confirmations sent by ACER.
- **Service on providing access to data for self-reporting purpose** - 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 BGH organized market, prepared in the form and according to ACER requirements. Data is provided through web-based customer profiles in the BGH information system.
- **Inside Information Disclosure Service (BGH IIP)** - the service is approved and included by ACER in the official register of inside information disclosure platforms, which certifies that BGH IIP meets the requirements of REMIT and ACER, and guarantees market participants an efficient and in full compliance with the regulatory requirements for disclosure of inside information.

BGH IIP allows market participants to publish inside information in accordance with the requirements of Regulation (EU) No.1227/2011 and ACER Guidance for REMIT Implementation. The access to the published information is free of charge, with no need to register or pay any fee.

The BGH IIP Inside Information Publishing Services are available both to members of the BGH Organized Market and to third-party market participants who do not use the BGH Trading Platform.

Revenue from data reporting services and disclosure of inside information shall be recognised in the period over which the services have been provided. The Company transfers the control over the services over time and therefore satisfies the performance obligation and recognizes revenues over time. In recognizing the revenues from the service provided, the Company applies a measuring progress method, taking into account the resources invested.

Revenues from services provided to the Company for a fixed amount shall be recognised when the Company transfers control over the customer's assets. Invoices for transferred services are being issued monthly, which reflects the linear method for their recognition, i.e. upon receipt of the assets from the customer.

Invoices shall be due for payment by the tenth day of the month following the month of the transaction.

Revenues from API services

Balkan Gas Hub offers a 24/7 web API communication channel for access to public and private information. The public part contains information that can be used without paying fees and related to the members of BGH market, the traded quantities and achieved prices, publicly available at the

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company's website. Private information is available only to BGH market members in addition to public information. The private information contains data about offers and transactions, as well as other commercial information about the market segments in which the respective customer is active. The private information is used on a fee-paying basis.

Balances under contracts

Trade receivables and assets under contracts

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

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

Liabilities under contracts

As a liability under a contract the Company presents the payments received from the customer and/or an unconditional right to receive a payment before fulfilling its contractual obligations. Liabilities under a contract are recognized as revenue when (or as) it discharges its performance obligations.

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

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

b) Other revenues

Other revenues include operations different from the main activities of the Company, which are revenues or incomes recognized by other standards and beyond the scope of IFRS 15.

c) Interests and dividend revenues

Revenues include revenues from interest on funds invested and profit from foreign currency transactions. Revenue from interest is recognized in profit and loss at the time of its accrue using the effective interest rate method.

The dividend revenue is recognized when the right to receive it is established.

d) Revenue from financing

Financing revenue represents grants provided by the government in the form of a transfer of resources to the Company in exchange for past or future compliance with certain conditions with respect to the Company's operational activities. 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 donations, including non-monetary donations at fair value, are not recognized until there is reasonable assurance that:

- The Company will comply with the terms and conditions associated with them; and
- Donations will be received.
- The Company recognizes government grants as revenue over the periods necessary to

Notes to the financial statement

match them with the related costs they are intended to offset, using a systematic basis.

The Company recognizes government grants as revenue over the periods necessary to match them with the related costs they are intended to offset, using a systematic basis. Revenue from government grant are recognized in the profit and loss statement and the other comprehensive income in line "Other expenses".

4.5. Expenses

Expense is a decrease in the economic benefit during the accounting period in the form of an expiry of assets' useful life or decrease of assets, or an accumulation of liabilities that results in decrease in equity apart from what is due for allocation to the sole owner.

Expenses of the Company shall be recognised at the time of their occurrence and based on the principles of accrual accounting and compatibility. Where the economic benefit is expected to be acquired over several reporting periods so the relationship with the income can be determined only in general and indirectly, expenses shall be recognized in the Statement of profit or loss and other comprehensive income on the basis of systematic and rational rescheduling procedures. The objective behind similar procedures is expenses to be recognised in these reporting periods when the related economic benefit regarding with these items, will be acquired and completely used. An expense shall be recognized immediately as current in cases where it will not result in future income or other economic benefit or when it is established that it is more likely that economic benefit not to be classified as an asset in the Statement of financial position.

A reported obligation with no asset acquisition is also recognised to be an expense, i.e. the provision.

All expenses of the Company are initially reported in line with economic elements – costs for: materials, consumables, external services, depreciations, personnel, taxes, charges, and other similar payments, assets impairment, etc.

The Company reports two types of expenses related to the execution of services (goods) contracts with customers: expenses for contract conclusion and expenses for the implementation of the contract. When expenses are not eligible for deferral under IFRS 15, they are recognized as current at the time when they are incurred when they are not expected to be recovered or the deferral period is up to one year.

The following operational expenses are always presented as current expense when they arise:

- General and administrative expenses (unless they are at the expense of the customer);
- Inventories write-off expenses
- Expenses related to obligation performance;
- Expenses for which the company cannot determine whether they are related to a satisfied or unsatisfied performance obligation.

Notes to the financial statement

4.6. Equipment

Initial recognition

Equipment shall be initially measured at their acquisition cost, which includes costs directly related to acquisition of the asset. Cost of acquisition of self-constructed assets includes the following:

- material costs and direct labour;
- costs directly related to bringing the asset to the condition necessary for the intended use;
- when the company has the obligation to dismantle an asset or restore the terrain, estimate of the costs of dismantling and restoring the site where they are located;

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When equipment consists of components with different useful lives, they are accounted for separately.

Subsequent evaluation

For the purposes of subsequent evaluation of equipment, the Company applies the revaluation model in IAS 16. The revalued amount is the fair value on the date of revaluation, less subsequent depreciation and accumulated impairment losses.

The fair value of equipment is determined based on market evidences presented in the report prepared by an independent certified appraiser.

Revaluation of equipment is carried out every three years. When the fair value changes significantly for a shorter period this revaluation may be done more frequently.

Subsequent expenses

Subsequent expenses are capitalized only when it is likely that future economic benefits of these expenses will be received by the Company. Current repairs and maintenance are recognized as an expense upon their occurrence.

Depreciation

Equipment is depreciated from the date on which it is installed and ready for use or for the acquired in a commercial manner, from the date when the asset is completed and ready for use. Depreciation is recognized to the extent of the initial value of the asset minus the expected residual value of the asset on a straight-line method, based on the expected useful lives of each of the components of equipment. Depreciation is accounted for in profit or loss unless it is included in the balance sheet value of another asset.

Depreciation of equipment shall be calculated using the straight-line method over the estimated useful lives of the individual asset groups, as follows:

Business inventory - 5 years

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

The depreciation methods, useful life and residual values are reviewed as at each reporting date and corrected if necessary. The rough estimates of equipment were revised as at 31/12/2023.

4.7. Intangible assets

Intangible assets acquired by the Company, having a definite useful life are presented at acquisition price less accumulated depreciation and impairment losses.

Subsequent expenses

Subsequent expenses are capitalized only when they increase the future economic benefit of the asset to which they relate. All other expenses are recognized as an expense at the time of their

Notes to the financial statement

occurrence.

Depreciation

Intangible assets are depreciated on a straight line basis in profit or loss based on their estimated useful economic life as of the date on which they are ready for use.

The expected useful life terms for the current and comparative period are as follows:

Website - three years

Licenses - 35 years

The depreciation methods, useful life and residual values are reviewed as at each reporting date and corrected if necessary.

4.8. Impairment of non-financial assets

The accounted values of non-financial assets of the Company are reviewed on each reporting date to determine whether there are indications of impairment. If any, a rough estimate of the recoverable amount of the asset is made. An impairment loss is recognized always if the balance value of an asset or a cash-generating unit (CGU), part of which it is, exceeds its recoverable value.

The recoverable value of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In measuring the value in use, the estimated future cash flows are discounted to their present value using a discount rate before tax that reflects current market assessments, the money value over time and the risk specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are bundled together into the smallest possible bundle of assets that generates cash inflows from continuing use that are to a large extent independent of the cash inflows from other assets or CGU.

Impairment losses are recognized in profit and loss. Impairment losses recognized for CGU are allocated so as to reduce the assets accounting values in the unit proportionately. An impairment loss is recovered to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

4.9. Financial instruments

Recognition and derecognition

The Company initially recognizes a financial asset at the time when the Company becomes a party to a contractual arrangement and classifies it according to its financial asset management model and the characteristics of the contracted cash flows.

The company deducts the financial liability (or part of a financial liability) from its statement of the financial position when and only when it is paid off - that is, when the obligation specified in the contract is fulfilled, cancelled or its term has expired.

Classification of initial financial asset assessment

Except for those trade receivables that do not have a significant financial component and which are measured at transaction price under IFRS 15, all financial assets are initially measured at fair value, adjusted for transaction expenses (where applicable).

Financial assets different from those which are created and effective as hedging instruments, are classified into one of the following categories:

- Amortized cost
- Fair value in the profit or loss

Notes to the financial statement

- Fair value in other comprehensive income

Classification is determined by both:

- Company's Business Model for Financial Asset Management;
- Characteristics of the contractual cash flow of the financial asset.

All revenues and expenses related to the financial asset which are recognized in the profit of loss are included in other expenses.

Subsequent evaluation of financial assets

Debt instruments at amortised cost

Financial assets are evaluated at amortized cost if the assets meet the following requirements (and are not determined for measured under fair value in profit and loss):

- The company manages assets in a business model that aims to hold financial assets and collect contractual cash flows;
- Under the contractual terms of the financial asset at specific dates, cash flows arise, which are only principal and interest payments on the outstanding amount of the principal;

This category includes non-derivative financial assets such as loans, receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, they are measured at amortized cost using the effective interest method. Discounting is skipped when its effect is insignificant. Cash and cash equivalents, trade and other receivables and related party receivables are part of this category.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly correlated transaction costs. After initial recognition loans and receivables are measured at amortized cost using the method of effective interest rate less the impairment losses.

Cash and cash equivalents

Cash and cash equivalents includes cash balances and call deposits with original maturities of three months or less from the date of acquisition, that are associated with insignificant risk of changes in their fair value and are used by the Company to manage short-term commitments.

Impairment of financial assets

Financial assets that are within the scope of the impairment calculation are debt instruments evaluated at amortized cost.

The Company recognizes a revaluation allowance for expected credit losses from a financial asset, contract asset or credit obligation and a financial guarantee contract to which the impairment requirements apply. Expected credit losses are a probability-weighted estimate of the credit losses for the expected term of the financial instrument i.e. the cash deficit that represents the difference between the cash flows due to the Company and the cash flows that the Company expects to receive.

The Company wrote off a financial asset when the contractual rights on the cash flows from the asset are expired or the Company transfers the rights to receive the contractual cash flows of the financial asset in a transaction in which substantially all the risks and rewards of ownership of the asset are transferred. Any participation in transferred financial assets that are created or retained by the Company is acknowledged as a separate asset or liability.

Financial assets and liabilities are netted and the net amount presented in financial statement when, and only when the Company has a legal justification to net the amounts and

Notes to the financial statement

intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial assets: trade and other receivables, cash and cash equivalents.

Impairment requirements under IFRS 9 use more forward looking information to recognize the expected credit losses - the "expected credit loss" model.

Instruments that fall within the requirements scope are trade and other receivables, as well as cash and cash equivalents.

The company considers a wider range of information in measuring the credit risk and the expected credit losses, i.e. current conditions, reasonable and sustained estimates that affect the expected collection of future cash flow of the instrument.

Determining the amount of expected credit losses

The Company estimates the expected credit losses of a financial instrument in a manner that shows:

- The exact and probability-weighted estimate of the asset determined by assessment of number of possible results;
- Value of the money over time; and
- Reasonable and supporting information for past events, current terms and conditions and future estimates for economic conditions which is available without significant expenses or efforts as of the reporting date.

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

Financial liabilities classification and measurement

The financial liabilities of the company include trade and other liabilities.

Financial liabilities are initially evaluated at fair value and, where applicable, adjusted for transaction costs unless the company has designated a certain financial liability as measured at fair value in profit or loss.

Subsequently, financial liabilities are measured at amortized cost using the effective interest method.

All interest costs and, if applicable, changes in the fair value of the instrument that are reported in profit or loss are included in the financial expenses or financial revenues. Financial liabilities are initially recognized on their transaction date on which the Company becomes party under the contract conditions of the instrument. The Company wrote off a financial liability when its contractual obligations are discharged or cancelled or they are no longer valid.

Financial assets and liabilities are netted and the net amount is presented in the statement of financial position when, and only when the Company has a legal right to net the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

4.10. Leased assets

For contracts concluded in 2023, the Company measures whether a contract is or contains a lease. Leasing is defined as "a contract or part of a contract that convey the right to use an asset (the underlying asset) for a specified period of time in exchange for consideration". To apply this definition, the Company makes three fundamental judgements:

Notes to the financial statement

- Whether the contract contains an identified asset which is either explicitly indicated in the contract or identified by default at the time the asset is made available for use.
- The Company has the right to receive substantially all the economic benefits from the use of the asset throughout the period of use, within the defined scope of its right to use the asset under the contract.
- The Company has the right to manage the use of the identified asset throughout the entire period of use.

The Company measures whether it has the right to manage the "how and for what purpose" the asset will be used throughout the period of use.

The company has an effective lease agreement for office space. According to the agreement, the Company has no control over the leased asset and therefore it is not recognized as an asset with a right of use and liability under the lease agreement, and payments in respect to these shall be recognized as an expense in the profit or loss under the straight-line method for the term of the lease agreement.

4.11. Expenses for taxes

Expenses for taxes recognized in profit or loss include the sum of deferred and current taxes that are not recognized in the other comprehensive income or directly in equity.

Current tax assets and/or liabilities represent the liabilities to or receivables from tax institutions related to current or previous reporting periods that have not been paid as at the date of the financial statements. Current tax shall be payable on the taxable income that differs from profit or loss in the financial statements. The calculation of current tax is based on tax rates and tax laws in force at the end of the reporting period.

Deferred taxes shall be calculated by applying the liability method for all temporary differences between the carrying amounts of assets and liabilities and their tax basis. Deferred tax shall not be provided for the initial recognition of an asset or liability, unless the relevant transaction affects tax or accounting profit.

Deferred tax assets and liabilities shall not be discounted.

Deferred tax liabilities shall be recognized in full.

Deferred tax assets shall be recognized only if there is a probability to be utilized by future taxable incomes.

Deferred tax assets and liabilities shall be reimbursed only when the Company has the right and intention to reimburse current tax assets or liabilities from the same tax institution.

The change in deferred tax assets or liabilities shall be recognized as a component of tax revenue or expense in profit or loss, unless they are related to items recognized in other comprehensive income.

4.12. Equity

The share capital of the Company represents the nominal value of the issued shares.

Statutory reserves formed in accordance with the effective commercial legislation and the Articles of Association of the Company.

Retained earnings include the current financial result and accumulated profits and uncovered losses from previous years.

All transactions with the sole owner of the Company shall be presented separately in the statement of changes in equity.

Notes to the financial statement

4.13. Short-term employee remunerations

The Company reports short-term liabilities for compensatory leaves arising from unused paid annual leave in cases where it is expected to be used within 12 months after the date of the reporting period during which employees have performed work related to these leaves. Short-term liabilities to staff include wages, salaries and social security contributions.

Pursuant to the requirements of the Labour Code, upon termination of employment after the employee has acquired the right of a pension for length of service and age, the Company is obliged to pay the employee compensation in the amount of up to six gross salaries. At the end of each of the two reporting periods, the Company has no employees to retire within the next five years. Therefore, the Company has not accrued liabilities for payment of benefits to employees upon retirement in accordance with the requirements of IAS 19 Employee Benefits.

The Company has not developed and does not apply post-employment benefit plans.

4.14. Foreign Currency Transactions

The transactions in foreign currency are recorded into the functional currency at the exchange rate applicable on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are recorded into the functional currency at the exchange rate of the BNB on the day of the statement of financial position. Profit or loss from exchange differences arising on monetary positions is the difference between the amortized cost in the functional currency in the beginning of the period, corrected with the effective interest and payments during the period, and the amortized cost in foreign currency accounted at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are reported at fair value are converted to the functional currency at the exchange rate on the date to which the fair value was determined. Non-monetary assets and liabilities in foreign currency which are assessed at historical cost are converted into the functional currency at the exchange rate on the date of the transaction. Exchange rate differences arising of conversion are accounted in profit and loss.

Since January 1, 1999 the exchange rate of the Bulgarian lev (BGN) is fixed to the euro (EUR). The exchange rate is BGN 1.95583 / EUR 1.0.

4.15. Use of estimates and judgements

In preparing this financial statement, the management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets and liabilities, income and expenses. The actual result may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. The revision of estimates is prospectively recognized.

Judgements

Information on critical judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statement is set out in the relevant notes.

Uncertainty in assumptions and estimates

In preparing the financial statement, the management made a number of assumptions, estimates and assumptions about the recognition and measurement of assets, liabilities, revenues and expenses.

Actual results may differ from management's assumptions, and estimates, and, in rare cases, may be fully consistent with the estimated results.

Information on the material assumptions, measurements and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, revenues and expenses is shown below.

Notes to the financial statement

Measuring of the expected credit losses

Credit loss represents the difference between all contracted cash flows owed to the company and all cash flows that the company expects to receive. Expected credit losses are probability-weighted estimate of credit losses that require the company's assessment.

At the end of the reporting period, the management assesses whether the credit risk of a financial instrument has increased significantly compared to the initial recognition.

Useful life of depreciable assets

The management reviews the useful lives of depreciable assets at the end of each reporting period.

As at December 31, 2023, the management determines the useful life of the assets, which is the expected useful life of the Company assets. The carrying amounts of the assets are analysed in clarifications 12 and 13. The actual useful lives may differ from the assessment made due to technical and moral obsolescence, mainly of software products and computer equipment.

Recognition of revenue under contracts with customers

As described in Note 4.3, the initial registration fees do not give rise to an obligation to perform, but constitute an advance payment for future services for access to and use of the electronic natural gas trading platform. Therefore, the Company sets the transaction price, including the non-refundable advance fee, and recognises revenue for the services for access to and use of the electronic trading platform for natural gas in the course of their provision.

Since the contracts are of indeterminate duration, the Company's management has made an initial assessment that the registration fee will be rescheduled until the end of 2023. As of 31.12.2023, the management has assessed that the most suitable period for rescheduling the registration fee remains 18 months. The management's assessment is made on the basis of future development of the Company, development of the gas market, current discussions on legislative changes, potential presence of competitors after the issuance of licenses for an organized exchange market by the regulatory body, changes in the manner and procedure of offering and using the services, actions taken to implement a clearing mechanism to secure the transactions and to guarantee payments both between market participants and payments to the Company and others. The degree of complexity of the calculations is low and the degree of subjectivity is medium, as it depends on a number of factors, some of which are beyond the Company control.

5. Revenues from services

in BGN thousand

	2023	2022
Revenues from services for access to natural gas trading platform	4,446	2,024
Revenues from additional screens fee	264	146
Revenues from data provision and reporting	51	31
Revenues from training	16	6
Service for access to public and private information (API communication channel)	6	3
	<u>4,783</u>	<u>2,210</u>

By location/Geographic markets

in BGN thousand

	2023	2022
Internal market	2,050	1,224
External market	2,733	986
	<u>4,783</u>	<u>2,210</u>

Notes to the financial statement

The products offered by Balkan Gas Hub EAD over the reporting period on the short-term segment increase compared to the same period of the past year by 260% and reach a volume of transactions for 12 811 250 MWh.

On the long-term segment (including transactions at the virtual trading point and brokering service) over the period up to 31.12.2023, the volumes per transactions reach 33 323 850 MWh, which is 273% more against the same period of the previous year on this segment.

In 2022, the Interconnection Greece-Bulgaria (IGB) was commissioned, which contributed to the expansion in the product range of Balkan Gas Hub EAD with a new trading point - ICGB Virtual Trading Point (VTP ICGB). The additional new trading point provided options for carrying out transactions at the virtual trading point of IGB gas pipeline in compliance with European and Bulgarian regulatory requirements. As an additional service, the Company also offers its customers the use of an additional screen.

The company ICGB AD, the investor and operator of the Interconnection Greece - Bulgaria (IGB), became the second gas transmission network operator in Bulgaria, who has chosen the organized exchange market of BGH for his full membership and for implementation of the European and national requirements for network balancing. ICGB AD membership on BGH market contributed to the significant advantage of BGH over the competitive exchanges and led to improved trading volumes, i.e. further stimulation of liquidity.

Balkan Gas Hub EAD offers 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. This type of service is divided into two subtypes:

(1) Reporting service where the Company sends to the Agency for the Cooperation of Energy Regulators (ACER) of the European Union data on the transactions of the respective market participant with wholesale energy products, executed on the organized market of Balkan Gas Hub EAD, including matched and unmatched orders and

(2) Service of providing access to data for self-reporting - for customers using another reporting organization. The Company also offers access to ready-to-report XML documents containing data on the transactions of the respective market participant on the organized natural gas market, prepared in the form and according to the requirements of ACER. Each platform member has the right to provide a Declaration of refusal to use the reporting services, which releases Balkan Gas Hub from the obligation to provide and/or report data and this remains responsibility of the platform member as a participant in the energy wholesale market. BGH successfully implements the requirements related to the disclosure of "inside information" derive from Art. 4 of Regulation (EU) No.1227/2011 and Art. 10 (1) of Regulation (EU) No.1348/2014.

Regarding these requirements, the Inside Information Platform (BGH IIP) was successfully implemented 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.

By decision of the National Assembly of the Republic of Bulgaria to amend the Energy Act, the gas release programme according to which Gas Hub Balkan EAD as a party to the Implementation

Notes to the financial statement

Agreement and of the supplier of the software environment for its implementation was terminated and no auctions have not been held nor provided for in 2023 and 2024.

The registered members of the platform as of 31 December 2023 are 91.

All revenues from services rendered to the Company are recognized over time.

As at 31.12.2023 the Company has reported balances on contracts with customers as follows:

<i>in BGN thousand</i>	31.12.2023	31.12.2022
Assets under contract		
Trade receivables (Note 14)	281	194
Receivables from related parties (Note 19)	57	77
Liabilities under contract		
Deferred revenue (Note 17)	74	1

6. Other revenue

<i>in BGN thousand</i>	2023	2022
Revenues from funding for electric power expenses	1	3
Revenues from provisioned leaves	5	-
Revenues from penalties	1	-
	<u>7</u>	<u>3</u>

Regarding the sharp rise in electricity prices on exchange markets in the European Union, the Bulgarian government, through the Ministry of Energy, adopted a business compensation programme. The purpose of this measure is to alleviate non-household electricity consumers in Bulgaria by reducing their electricity costs.

Compensations for non-household electricity consumers are formed according to the mechanisms approved by the Council of Ministers and the Ministry of Energy.

7. Expenses for materials

<i>in BGN thousand</i>	2023	2022
Electric power, water and heat	<u>(7)</u>	<u>(9)</u>
Auxiliary materials, including	(7)	(5)
Business inventory	(3)	-
Fuels and lubricants	(1)	(2)
Vehicle spare parts and accessories	(1)	-
Other auxiliary materials	(2)	(3)
	<u>(14)</u>	<u>(14)</u>

Notes to the financial statement

8. External services expenses

<i>in BGN thousand</i>	2023	2022
Services for use of exchange trading platform	(400)	(381)
Expenses for financial, administrative, legal and other services	(45)	(32)
Short-term leases	(41)	(36)
Subscription service	(36)	(32)
Consulting services	(20)	(20)
Civil contracts	(13)	(22)
Repairs	(5)	(20)
Other expenses for external services	(11)	(11)
	<u>(571)</u>	<u>(554)</u>

The Company has a contract concluded with Trayport Limited for access to and use of an electronic platform for natural gas trade under which costs for the access and use of the platform amounting to 400 thousand BGN have been reported. (2022: BGN 381 thousand).

The Company has a contract concluded with Bulgartransgaz EAD under which it receives financial, administrative, legal, accounting and other services.

The Company has decided not to recognize 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 lease of low-value assets. The Company has a leased motor vehicle under an operating lease from Bulgartransgaz EAD under a signed agreement. It is a short-term lease and is measured as a straight-line lease expense over the remaining contract period.

The Company has leased office space, part of leased real estate from Bulgartel AD for a period of 3 years. According to the terms of the lease, there are restrictions for the tenant on the extent and manner of managing the use of and operating the leased property. Following the analysis of the terms of the contract, the management of the Company has concluded that the agreement does not constitute a lease and there are no conditions to recognize an asset with a right of use and a lease liability. The monthly payments due under the agreement are reported as current lease expense under the straight-line method.

As at December 31, 2023, the Company has no commitments for payments under short-term leases, neither related to future leases that have not started as at that date.

9. Expenses for employees' remuneration

<i>in BGN thousand</i>	2023	2022
Salaries and staff social expenses	(283)	(289)
Social security contributions	(28)	(32)
Unused paid annual leave	(5)	(9)
Contributions on unused paid annual leave	(1)	(1)
	<u>(317)</u>	<u>(331)</u>

In 2023, the average number of staff is 2 people (2022: 3 people).

10. Other operating expenses

2023	2022
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Notes to the financial statement

in BGN thousand

Membership fees of organizations	(34)	-
Business trips	(13)	(13)
Taxes on expenses	(3)	(4)
Others	(4)	(6)
Costs for cash impairment	-	(9)
	<u>(54)</u>	<u>(32)</u>

Balkan Gas Hub EAD became a member of the Association of European Energy Exchanges - EUROPEX over the reporting period. 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.

11. Financial revenues and expenses

in BGN thousand

	2023	2022
Expenses for bank charges/commissions	(2)	(2)
Exchange rate differences, net	(2)	-
	<u>(4)</u>	<u>(2)</u>
Revenue from interests on bank accounts	5	-
	<u>5</u>	<u>-</u>
Net financial revenues/(expenses) recognized in profits and losses	<u>1</u>	<u>(2)</u>

12. Equipment

in BGN thousand

	Computers	Office equipment	Total
Book value			
Balance as at 1 January 2023	12	5	17
Acquired	5	-	5
Balance as at 31 December 2023	<u>17</u>	<u>5</u>	<u>22</u>
Depreciation			
Balance as at 01 January 2023	(3)	(2)	(5)
Depreciation expenses	(3)	(1)	(4)
Balance as at 31 December 2023	<u>(6)</u>	<u>(3)</u>	<u>(9)</u>



Notes to the financial statement

Balance sheet value

As of 01 January 2023	9	3	12
Balance as at 31 December 2023	11	2	13

<i>in BGN thousand</i>	Computers	Office equipment	Total
Book value			
Balance as at 1 January 2022	10	5	15
Acquired	2	-	2
Balance as at 31 December 2022	12	5	17
Depreciation			
Balance as at 01 January 2022	(1)	(1)	(2)
Depreciation expenses	(2)	(1)	(3)
Balance as at 31 December 2022	(3)	(2)	(5)
Balance sheet value			
As of 01 January 2022	9	4	13
Balance as at 31 December 2022	9	3	12

As at December 31, 2023, the Company has no significant contractual obligations in connection with purchase of equipment and no contractual obligations for purchase of such, which should be repaid in 2023.

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

The Company has not pledged equipment as collateral for its liabilities.

13. Intangible assets

<i>in BGN thousand</i>	Software	Licenses	Total
Book value			
Balance as at 1 January 2023	49	15	64
Balance as at 31 December 2023	49	15	64
Depreciation			
Balance as at 01 January 2023	(39)	(1)	(40)
Depreciation expenses	(5)	-	(5)
Balance as at 31 December 2023	(44)	(1)	(45)
Balance sheet value			
Balance as at 1 January 2023	10	14	24



Notes to the financial statement

Balance as at 31 December 2023

5	14	19
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BGN thousand

Book value

	Software	Licenses	Total
Balance as at 1 January 2022	42	15	57
Acquired	7	-	7
Balance as at 31 December 2022	49	15	64

Depreciation

Balance as at 01 January 2022	(21)	-	(21)
Depreciation expenses	(18)	(1)	(19)
Balance as at 31 December 2022	(39)	(1)	(40)

Balance sheet value

Balance as at 1 January 2022	21	15	36
Balance as at 31 December 2022	10	14	24

All depreciation costs are included in the statement of profit or loss and the other comprehensive income in line "Depreciation costs of non-financial assets". The Company has not pledged intangible assets as collateral for its liabilities.

14. Trade and other receivables

in BGN thousand

	31.12.2023	31.12.2022
Receivables from customers	291	201
Expected credit losses from trade receivables	(10)	(7)
Trade receivables	281	194
Receivables from interests on bank accounts	5	-
Financial assets	286	194
Prepaid expenses	3	9
Non-financial assets	3	9

Trade and other receivables

	31.12.2023	31.12.2022
Current receivables	289	203
	289	203

The net balance value of trade and other receivables is considered as a reasonable estimate of their fair value.

Notes to the financial statement

The receivables from customers are for concluded transactions on the electronic platform for natural gas trade in 2023, which according to the contracts shall be paid up to the tenth day of the month following that of the transaction.

Prepaid expenses in a total amount of BGN 3 thousand. (2022: BGN 9 thousand) represent a virtual server subscription, which will be rescheduled on a straight-line basis over the term of the contract

The financial receivables of the Company have been reviewed in respect of events of default. For all trade receivables, a simplified approach has been applied to determine the expected credit losses as at the end of the period. The corrective amount of the expected credit losses of trade and other receivables can be presented as follows:

<i>in BGN thousand</i>	Corrective/Adjustment for expected credit losses
Balance as at 1 January 2022	-
Corrective/Adjustment for expected credit losses	(7)
Balance as at 31 December 2022	(7)
Corrective/Adjustment for expected credit losses	(3)
Balance as at 31 December 2023	(10)

15. Cash and cash equivalents

<i>in BGN thousand</i>	31.12.2023	31.12.2022
Cash on current accounts	922	2,309
Short-term deposits	4,890	-
Cash in hand	1	1
Gross value of money and cash equivalents	5,813	2,310
Expected credit losses	(3)	(5)
Cash and cash equivalents	5,810	2,305

The change in the corrective/adjustment amount for expected credit losses of cash and cash equivalents can be presented as follows:

<i>in BGN thousand</i>	Corrective/Adjustment for expected credit losses
Balance as at 1 January 2022	(3)
Corrective/Adjustment for expected credit losses	(2)
Balance as at 31 December 2022	(5)
Corrective/Adjustment for expected credit losses	2
Balance as at 31 December 2023	(3)

As at 31.12.2023 Balkan Gas Hub EAD has two short-term deposits with an interest of 3,30 % annually. The Company has no restricted cash and cash equivalents as at 31.12.2023.

16. Capital and reserves

The share capital is allocated in 500,000 ordinary, available, registered shares. All shares have a nominal value of 1 BGN. The sole owner of the capital is Bulgartransgaz EAD.

The reserves represent statutory reserves and include a "Reserve Fund", set up by at least 1/10 of the profit until the resources of the fund reach at least 1/10 of the registered capital.

Notes to the financial statement

17. Trade and other liabilities

<i>in BGN thousand</i>	31.12.2023	31.12.2022
Deferred revenues from registration fee	73	-
Deferred revenue generated by the API fee	1	1
Liabilities to suppliers	59	45
Liabilities to unused leave	6	10
Other liabilities	16	11
	<u>155</u>	<u>67</u>
Liabilities to the budget:		
VAT to be paid	35	29
Personal income tax	2	3
Liabilities to social security institutions	4	5
Total trade and other liabilities	<u>196</u>	<u>104</u>

The deferred revenue in the amount of BGN 74 thousand as at 31.12.2023 represent advance paid fees for the API service and registration fee, recognized as current revenue on a straight-line basis for a term of 18 months.

The net balance value of trade and other liabilities is considered as a reasonable estimate of their fair value.

18. Income tax expense

The recognized income tax expense is based on management's best estimate of the expected annual corporate tax rate for 2023, applied to the financial result realized as of 31 December 2023 (annual rate for 2022 - 10%).

<i>in BGN thousand</i>	2023	2022
Taxes recognised in profits and losses		
Profit before taxes	3,825	1,258
Tax rate	10%	10 %
Estimated expense on income taxes	(383)	(126)
Tax effect from:		
Adjustments for revenues exempt from tax	4	8
Adjustments for expenses not recognized for tax purposes	(4)	(8)
Current tax		
Current tax expense	<u>(383)</u>	<u>(126)</u>
Total tax expenses	<u>(383)</u>	<u>(126)</u>

Current tax expenses include the accrual of corporate tax on profit amounting to 10% on the accounting profit, converted for the purposes of taxation.

Due to the amount of business activity of the Group to which Balkan Gas Hub EAD belongs, it is expected that the Group be subject to an additional corporate tax according to the Corporate Income Tax pursuant to the new tax requirements for large national groups companies with national additional tax. As a result of these legal requirements and on the basis of paragraph 47 of IAS 12 Income Taxes, the Company has revised the assessment of the applicable tax rate for the calculation of deferred tax assets and liabilities and expects that it will be 15% starting on

Notes to the financial statement

1.01.2024. The Company's management expects that this is the tax rate at which assets will be realized and liabilities will be settled for the accounting periods after 31.12.2024.

19. Related parties

Bulgartransgaz EAD is the Company's parent company. Bulgarian Energy Holding EAD is the Company's ultimate controlling entity.

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

Unless explicitly stated, transactions with related entities were not conducted under special conditions and no guarantees were provided or received.

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;

<i>in BGN thousand</i>	Transactions value during:		End balances	
	2023	2022	31.12.2023	31.12.2022
Transactions with Bulgartransgaz EAD				
Services rendered	28	19	2	-
Services received	(52)	(39)	(15)	(7)
	<u>(24)</u>	<u>(20)</u>	<u>(13)</u>	<u>(7)</u>
Transactions with Bulgargaz EAD				
Services rendered	<u>575</u>	<u>303</u>	<u>55</u>	<u>77</u>
Transactions with Bulgartel AD				
Warranty	-	-	7	7

Notes to the financial statement

Services received	(34)	(29)	(5)	(5)
Purchased server	-	(2)	-	-
	<u>(34)</u>	<u>(31)</u>	<u>2</u>	<u>2</u>
Transactions with ICGB AD				
Services rendered	17	10	-	-
Deferred revenues from registration fee	-	5	-	-
	<u>17</u>	<u>15</u>	<u>-</u>	<u>-</u>
Total receivables from related entities:	<u>-</u>	<u>-</u>	<u>64</u>	<u>84</u>
Non-current receivables	<u>-</u>	<u>-</u>	<u>7</u>	<u>-</u>
Current receivables	<u>-</u>	<u>-</u>	<u>57</u>	<u>84</u>
Total liabilities to related parties	<u>-</u>	<u>-</u>	<u>20</u>	<u>12</u>
Current liabilities	<u>-</u>	<u>-</u>	<u>20</u>	<u>12</u>

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 receivables were settled within the agreed deadlines, i.e. until the 10th of the month following the use of the service.

There were no guarantees received and/or issued to/from related entities.

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 is as follows:

<i>in BGN thousand</i>	2023	2022
Remunerations paid to the Executive Director and BoD members	154	116
Social contributions on remunerations to the Executive Director and BoD members	<u>11</u>	<u>8</u>
Total expenses for remunerations of the key management personnel	<u><u>165</u></u>	<u><u>124</u></u>

Involvement of key management personnel in management of other companies

Members of the Board of Directors as at 31.12.2023 are:

Vladimir Asenov Malinov - Chairperson of the Board of Directors

Kiril Dimchov Ravanachki - Member of the Board of Directors of Balkan Gas Hub EAD and member of the Management Board of Bulgartransgaz EAD

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

20. Financial assets and liabilities by categories

The balance sheet values of the Company financial assets and liabilities can be presented in the following categories:

Financial assets

in BGN thousand

31.12.2023 31.12.2022

Notes to the financial statement

Debt instruments at amortised cost:

Trade and other receivables	286	194
Receivables from related parties	64	84
Cash and cash equivalents	5,810	2,305
	<u>6,160</u>	<u>2,583</u>

Financial liabilities

in BGN thousand

Financial assets accounted for at their amortized cost

	31.12.2023	31.12.2022
Trade and other liabilities	65	56
Liabilities to related parties	20	12
	<u>85</u>	<u>68</u>

21. Risks related to financial instruments

Financial Risk Management

Overview

The Company is exposed to various types of risks with respect to its financial instruments, such as market risk, credit risk and liquidity risk.

BoD is responsible for identifying and managing the risks the Company faces. 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.

Notes to the financial statement

22. Contingent assets and contingent liabilities

No bank guarantees from third parties were issued to the benefit of the Company. No court cases were filed from/against the Company during the period.

23. Capital management policies and procedures

The Company objectives regarding capital management are to ensure the Company ability to continue to exist as a going concern and to provide adequate profitability to the sole owner by setting the price of his products and services in accordance with the level of risk.

The capital for the presented reporting periods can be analysed as follows:

in thousand BGN	31.12.2023	31.12.2022
Equity	5,950	2,507
Total assets	6,195	2,628
Capital to assets ratio	96%	95 %

The company monitors the capital based on the ratio of adjusted capital to the total sum of the assets.

The increase in the ratio in 2023 is mainly due to the development of the volume of the activity and the successful cash flows management.

The Company has not changed the objectives, policies and processes for capital management, as well as the method of determining the capital during the presented reporting periods.

There are no externally imposed requirements for maintaining a certain amount of capital, except for the general requirements applicable to joint stock companies within the meaning of the Commercial Act.

24. Events following the reporting period date

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