

Annual Financial Report of  
“Bulgarian Stock Exchange” AD  
for 2023



**БФБ**



Report on the activities of  
„Bulgarian Stock Exchange“ AD  
for 2023



**БФБ**



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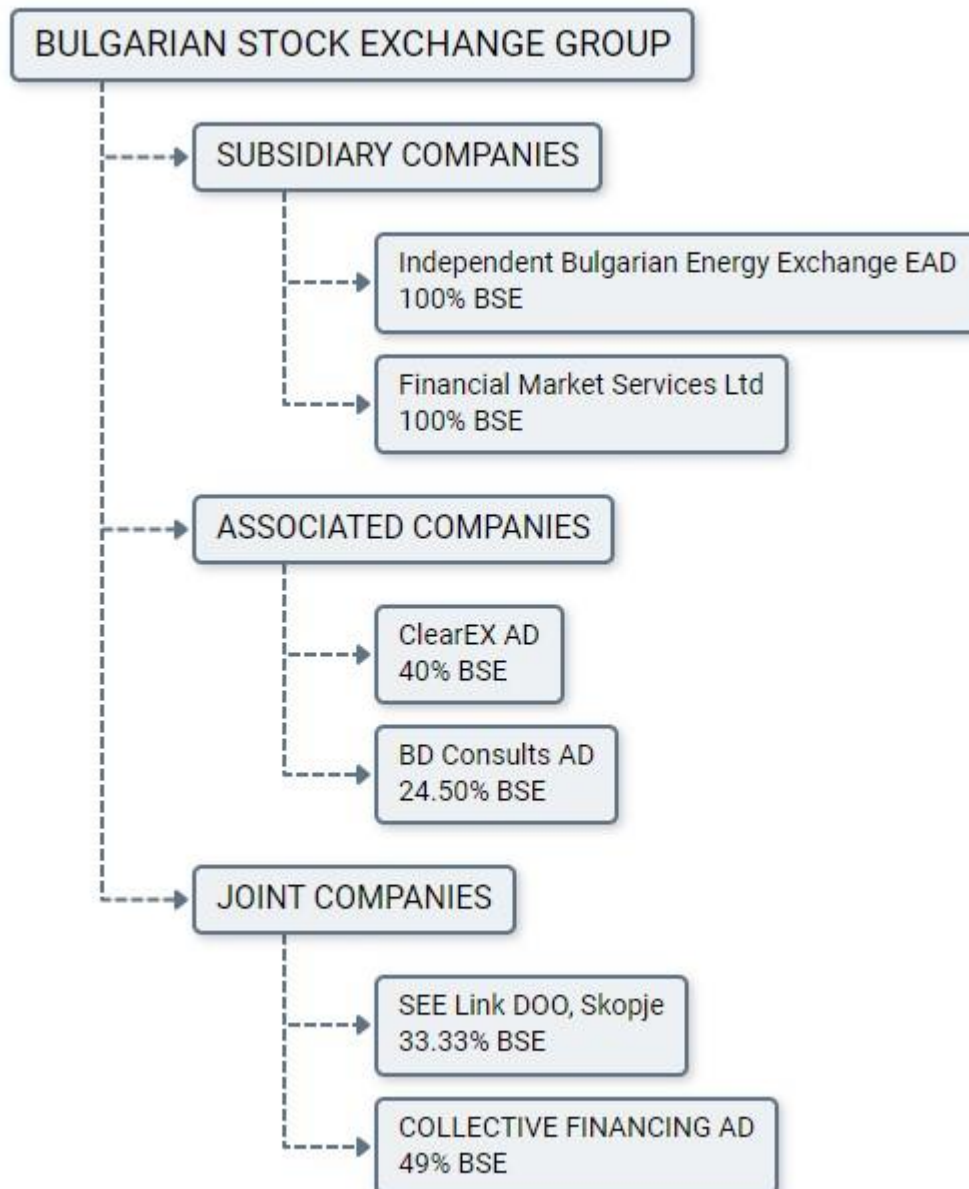
## Introduction

This report was prepared in accordance with Art. 39 the Accountancy Act, Art. 190 of the Markets in Financial Instruments Act and according to the requirements of Art. 10 of Ordinance No. 2 of the Financial Supervision Commission of 09.11.2021 on initial and subsequent disclosure of information in the event of public offering of securities and admission of securities to trading on a regulated market (Ordinance No. 2), in connection with Art. 100n of the Public Offering of Securities Act (POSA) and contains the required information under Appendix No. 2 and Appendix No. 3 of Ordinance No. 2.

The report provides information on the important events that occurred in 2023, taking into account the main indicators of the activity, accompanied by the relevant analyses and conclusions. It outlines the main trends in capital market developments, describes the main risks and uncertainties facing the Stock Exchange.









## MAIN HIGHLIGHTS

Gross dividend paid per share: BGN 1.04

P/E (cons.): 9.25

Change in price per share: 34.08 %

Free float: 49.95 %

Turnover with the issue of shares issued by the BSE:  
TBGN 5 777

Total operating income: TBGN 6 608

Total Assets: TBGN 17 555





## 1. CORPORATE GOVERNANCE

### 1.1. Registration and subject of activity

„Bulgarian Stock Exchange“ AD is a commercial company established in November 1991. The company's registered office and management address are in the city of Sofia, Tri Ushi Street No. 6. The court registration of the company dates from 1991 with Decision no. 25 156 /08.11.1991 of the Sofia City Court.

As of 31.12.2023, the company's capital is divided into 6 582 860 dematerialized registered shares with a nominal value of one share - one lev.

**Subject of activity:** Organization of a regulated market of financial instruments as a trading system that meets or assists in meeting the interests of buying and selling financial instruments admitted to trading on the regulated market, of multiple third parties, within the system and on rules-based, resulting in trades in these instruments. The system functions regularly and in accordance with the requirements of the Markets in Financial Instruments Act (MFIA) and its implementing acts.

The subject of the company's activity for 2023 includes the following types of operations and transactions:

- organizing trade in securities and other financial instruments;
- organizing and maintaining an information system for securities trading;
- publication of trading reports in the capacity of the company as an APA by the investment intermediaries.

„Bulgarian Stock Exchange“ AD is a public company within the meaning of Art. 110(1) of the Public Offering of Securities Act and has the status of a public enterprise within the meaning of Article 2(1) of the Public Enterprises Act.

In addition, „Bulgarian Stock Exchange“ AD, in its capacity as a regulated market within the meaning of Art. 152, para. 1 of MFIA and market operator under Art. 152, para. 3 of the MFIA is the organizer of the Multilateral Trading Facility (MTF) under Art. 154, para. 1 and para. 3 of the MFIA.

„Bulgarian Stock Exchange“ AD is licensed by the Financial Supervision Commission with decision No. 1001 of 25.10.2018 as an Approved Publication Arrangement (APA) entity within the meaning of Directive 2014/65 / EC of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92 / EC and Directive 2011/61 / EC and the Markets in Financial Instruments Act, and is the only licensed administrator in Bulgaria of benchmarks in the sense of Regulation (EU) 2016/1011.

„Bulgarian Stock Exchange“ AD has no registered branches in the country and abroad.





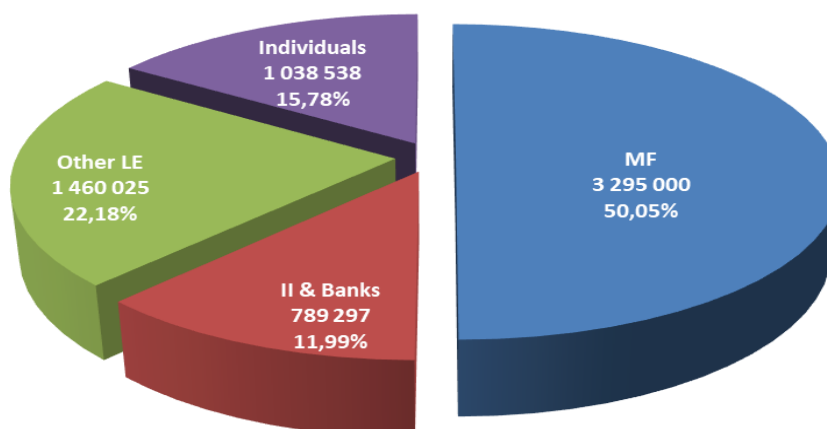
### 1.2. Shareholder structure as of 31.12.2023

As of December 31, 2023, the Stock Exchange's shareholders with voting rights are concentrated in four main types of persons, as follows:

Shareholder structure as of 31.12.2023

Shareholder Group	Number of shares	%
Ministry of Finance (MF)	3 295 000	50.05%
Investment intermediaries and commercial banks (II & Banks)	789 297	11.99%
Other legal entities (Other LE)	1 460 025	22.18%
Individuals	1 038 538	15.78%
<b>Total</b>	<b>6 582 860</b>	
Of which foreign shareholders	422 405	6.42%

Shareholder structure of „Bulgarian Stock Exchange,, AD as of 31.12.2023.



### 1.3. Board of Directors

The company has a one-tier management system with a Board of Directors.

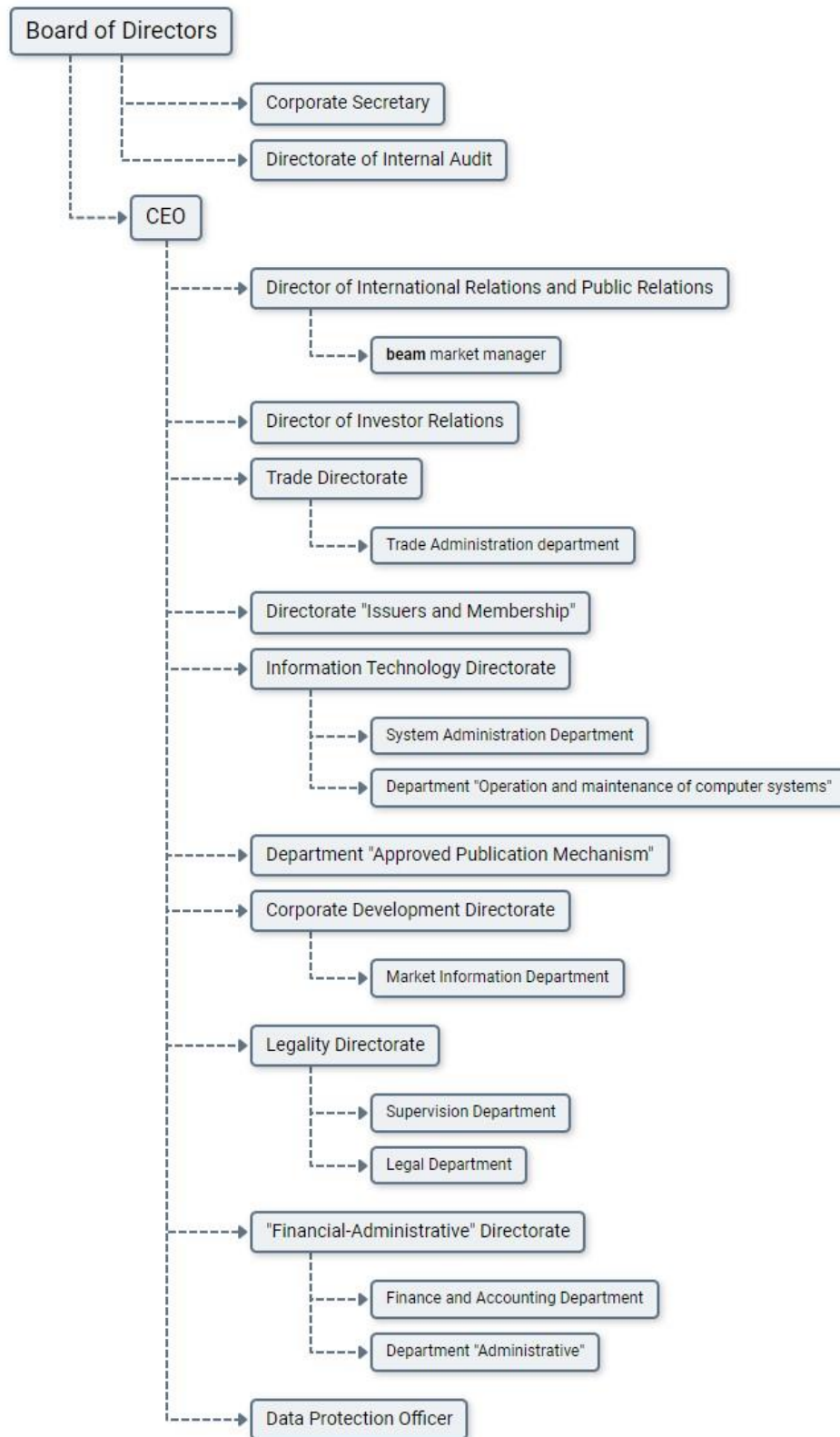
As of 31.12.2023, the Board of Directors is composed of:

- Asen Yagodin, Chairman
- Vasil Golemanski, Deputy chairman
- Manyu Moravenov, CEO
- Radoslava Maslarska, member of the Board of Directors
- Hristina Pendicheva, member of the Board of Directors (representative of the Ministry of Finance)

The company is represented by the executive director Manyu Moravenov.

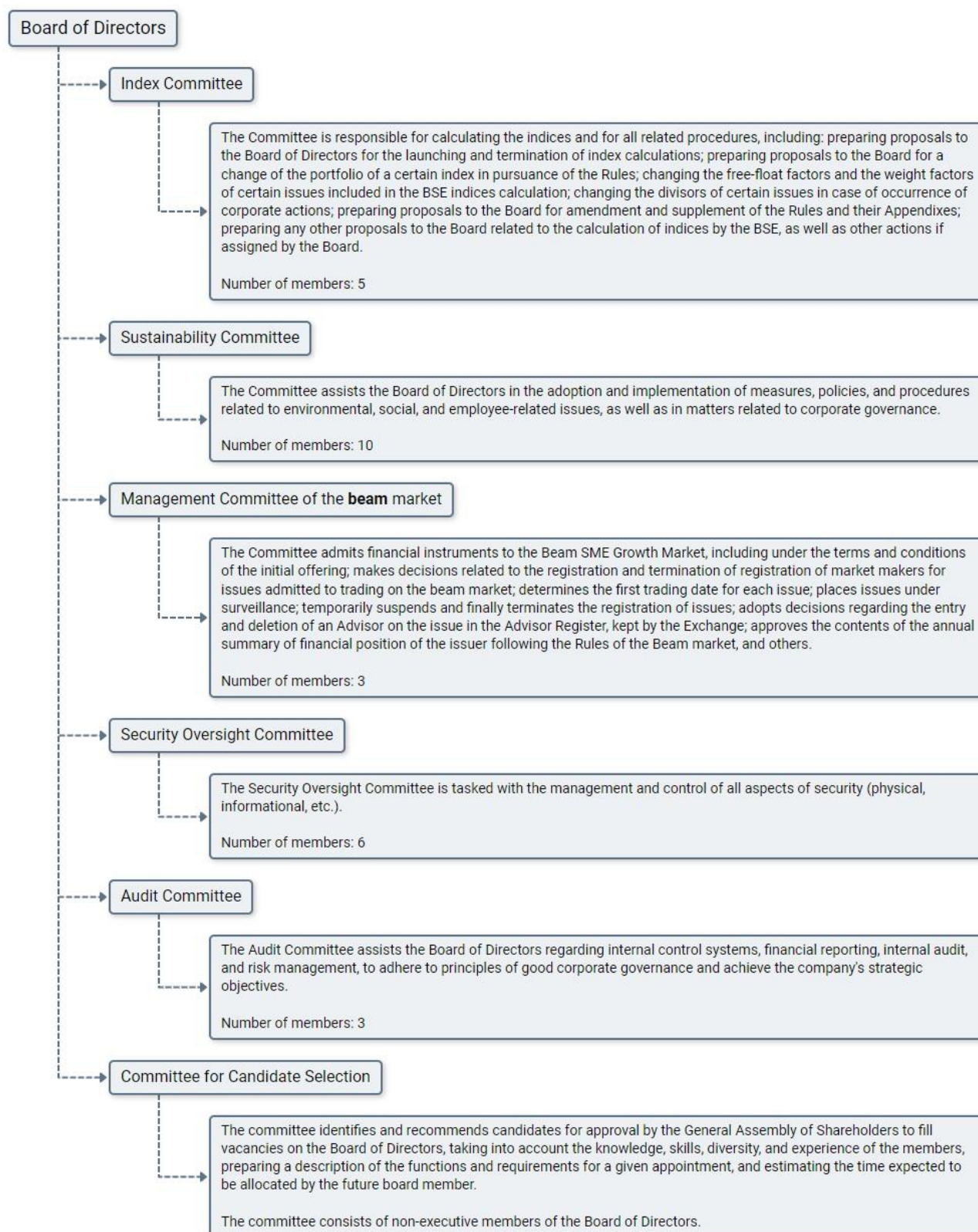


#### 1.4. Organizational structure





## 1.5. Committees and commissions





### 1.6. Corporate events

As part of the set of documents for the Annual Financial Report (of which this report is also a part), „Bulgarian Stock Exchange“ AD publishes a Declaration on Corporate Governance. Detailed information on the corporate governance of BSE AD can be found in this separate document.

In connection with the legal obligations of the „Bulgarian Stock Exchange“ AD as a public company, in 2023 the BSE disclosed to the public and submitted to the Financial Supervision Commission the following information:

Date	Event
30.01.2023 r.	Quarterly report for the fourth quarter of 2022.
02.02.2023 r.	Other unregulated information
01.03.2023 r.	Consolidated quarterly financial report for the fourth quarter of 2022.
10.03.2023 r.	Internal information under Art. 17, §1, in conjunction with Art. 7 of Regulation No. 596/2014 of the EP and of the Council
29.03.2023 r.	2022 Annual financial report - ESEF format
27.04.2023 r.	Consolidated annual financial report 2022
02.05.2023 r.	Quarterly financial report for the first quarter of 2023.
26.05.2023 r.	Invitation and materials for a General Meeting of Shareholders
26.05.2023 r.	Publication of the invitation for a General Meeting of Shareholders
30.05.2023 r.	Consolidated quarterly financial report for the first quarter of 2023.
29.06.2023 r.	Internal information under Art. 17, §1, in conjunction with Art. 7 of Regulation No. 596/2014 of the EP and of the Council
30.06.2023 r.	Minutes from the General Meeting of Shareholders
30.06.2023 r.	Notification for a dividend distribution*
27.07.2023 r.	Quarterly financial report for the second quarter of 2023
31.07.2023 r.	Internal information under Art. 17, §1, in conjunction with Art. 7 of Regulation No. 596/2014 of the EP and of the Council
29.08.2023 r.	Consolidated quarterly financial report for the second quarter of 2023.
30.10.2023 r.	Quarterly report for the third quarter of 2023.
29.11.2023 r.	Consolidated quarterly financial report for the third quarter of 2023.

The company's financial statements, information on corporate events, internal information, as well as news are published in Bulgarian and English. They are available to investors and all interested parties in the [x3news](#) media, as well as on the BSE website in [the Investor Relations section](#).

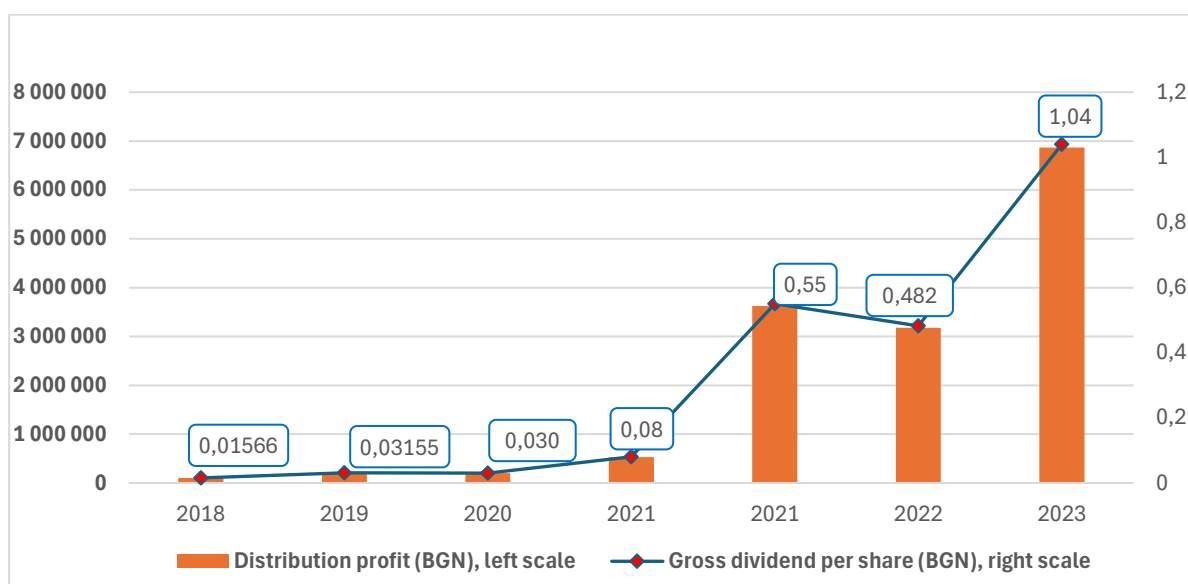


\* At the General Meeting of Shareholders of the Bulgarian Stock Exchange AD (BSE) held on 29.06.2023, a decision was made to distribute a dividend for 2022, as follows:

- Gross dividend per share: BGN 1.04
- Dividend payout: Via the Central Depository AD and Unicredit Bulbank AD
- Dividend payout starting date: 15.08.2023

Information on the dividend distributed by the BSE for the period 2018-2023 (in BGN) can be found in the following figure:

**Dividend distributed by BSE for the period 2018 – 2023 (in BGN)**

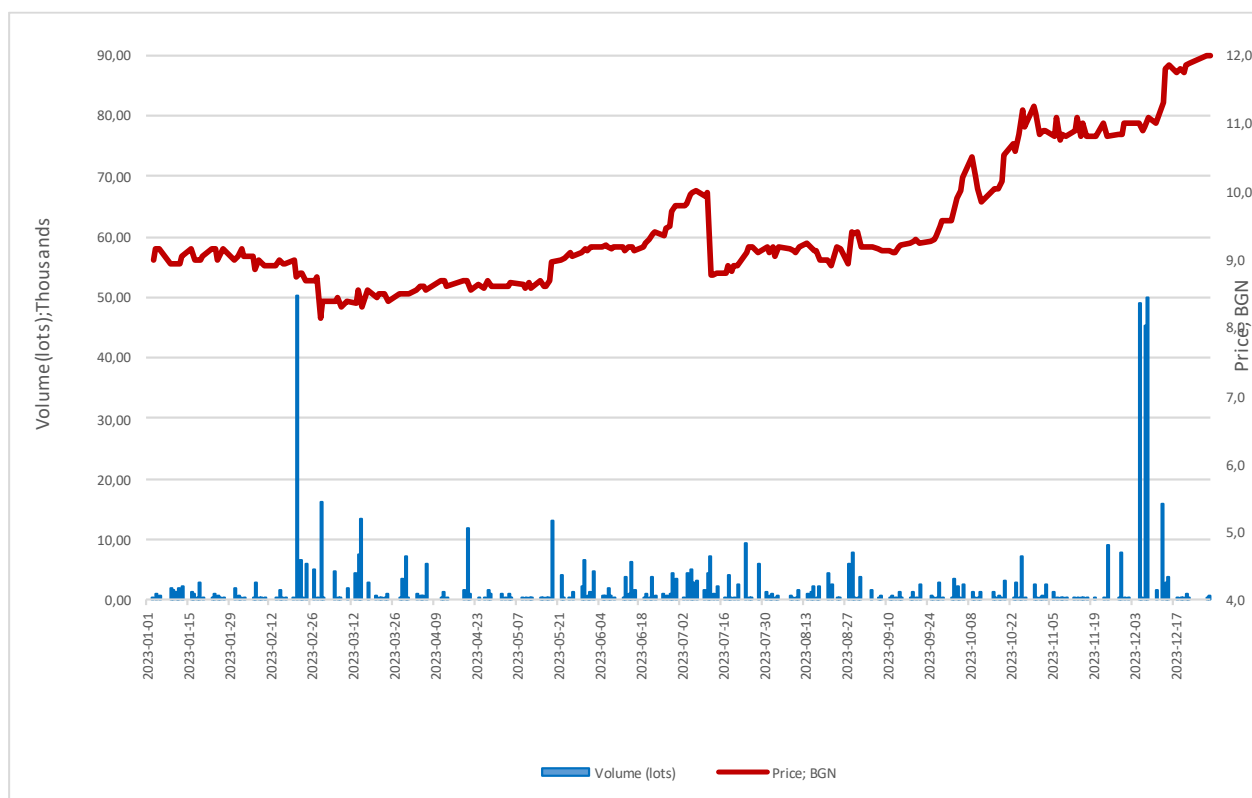




### 1.7. Issues of financial instruments issued by the BSE

Information on the movement of the BSE share price in 2023 is presented in the following figure:

**Share price movement on the BSE in 2023**



„Bulgarian Stock Exchange“ AD has issued one issue of ordinary registered dematerialized shares, each with a nominal value of BGN 1 (one), ISIN code BG1100016978.

The issue of shares issued by the „Bulgarian Stock Exchange“ AD has been admitted to trading as of 06.01.2011.

At the beginning of 2023, the issue of shares issued by the „Bulgarian Stock Exchange“ AD, code of the issue BSE, was moved from the BSE Main Market, Standard Equities Segment to the highest segment of the BSE Main Market - Premium Equities Segment.

As of March 20, 2023, the issue was added to the base of the leading SOFIX index, making BSE a „blue chip“ 12 years after listing as a public company.

The issue of shares, issued by the BSE is also part of the BGBX40 and BGTR30 indices.



### 1.8. Information regarding repurchased shares

Information under Art. 187d of the Commercial Law:

The General Meeting of Shareholders of „Bulgarian Stock Exchange“ AD, held on 30.07.2020, decided that the Independent Bulgarian Energy Exchange EAD (solely controlled by the BSE) will buy out 300,000 shares of the capital of the BSE within 3 years.

The date from which the redemption began is 15.12.2020.

Following a procedure for selection of a licensed investment intermediary, through which the buyback is to be executed, Capman AD was selected as an intermediary to which the buyback order is given.

The information about the buyback is disclosed in a timely manner to the FSC, the regulated market and the public, on the basis of Art. 17, §1, in conjunction with Art. 7 of Regulation No. 596/2014 of the EP and the Council, as well as Art. 111, para. 8 and Art. 100 item, para. 3 and 4 of the POSA.

No shares were repurchased in 2022 and 2023.

Information on shares repurchased in 2020 and 2021 can be found in the following table:

Year	Number of shares	Nominal value of the shares in BGN	Average price in BGN	% of the capital
<b>2020 - redeemed</b>	60 000	1,00	4,70	0,91
<b>2021 - redeemed</b>	127 419	1,00	5,08	1,94
<b>2021 - sold</b>	(45 200)	1,00		0,68
<b>Number as of 31.12.2023</b>	<b>142 219</b>			<b>2,85</b>

### 1.9. Information about the members of the Board of Directors

Information under Art. 247, para. 2 and para. 3 of the Commercial Law (CL)

1.9.1. The salaries and other short-term benefits to key management personnel as 31 December 2023 amount to BGN 388 thousand (2022: BGN 345 thousand). In 2023, no bonuses were accrued and paid.

More information on the remuneration received by the members of the Board of Directors can be found in the Report on the implementation of the remuneration policy, as well as in item 34 of the document „Notes to the annual separate financial statement for 2023“.

1.9.2. No BSE shares were acquired, owned or transferred by the members of the Board of Directors in 2023.

The company has no bonds issued.



1.9.3. The Articles of Association of the BSE do not provide any restrictions on the right of the members of the Board of Directors to acquire shares of the company.

1.9.4. Participation of the members of the Board of Directors with more than 25 percent of the capital of other companies:

Asen Yagodin: Dyke - Imoti OOD, EIK 131271075 (owns 79%)

Manyu Moravenov: Sipca EOOD, EIK 205414683 (sole owner)

Impact Valuers OOD, EIK 130983568 (owns 40%)

VM Property OOD, EIK 207280375 (owns 50%)

Vasil Golemanski: no participations

Radoslava Maslarska: no participations

Hristina Pendicheva: no participations

Participation of the members of the Board of Directors in the management of other companies or cooperatives as procurators, managers or board members:

Asen Yagodin: Eurobank Bulgaria AD, EIK 000694749, Executive Director and member of the Management Board

Bulstrad Life Vienna Insurance Group, EIK 831211284, member of the Supervisory Board

Vasil Golemanski: Central Depository AD, EIK 121142712, Executive Director

Collective financing AD, EIK 207596836, Deputy Chairman of the Board of Directors

Manyu Moravenov: SEE Link DOO Skopje, EIC 4080014543811, member of the Supervisory Board

EuroCTP B.V., Amsterdam, The Netherlands, EIK 91169410, member of the Supervisory Board

BD Consults AD, EIK 207514472, member of the Board of Directors;

Collective financing AD, EIK 207596836, Chairman of the Board of Directors and Executive Director.

Radoslava Maslarska: Elana Trading AD, EIK 831470130, Chairman of the Board of Directors

Elana Financial Holding AD, EIK 175371928, member of the Board of





### Directors

Hristina Pendicheva: She does not participate in the management of other companies

There is no participation of the members of the Board of Directors in commercial companies as unlimited partners.

1.9.5. In 2023, no contracts were concluded under Art. 240b of the Commercial Law.

1.9.6. In 2024, no changes are planned in the economic policy applied by the management of the „Bulgarian Stock Exchange“ AD. During the year, no actions are expected to be carried out related to changes in the personnel development policy applied.





## 2. SUSTAINABLE DEVELOPMENT (ESG)

Recognizing the importance of the role that entities from the financial sector are called to play in the transition to a greener and more sustainable economy, the Bulgarian Stock Exchange has developed initiatives that promote transparency and good governance of environmental, social and corporate governance issues (ESG – Environmental, Social and Governance Issues).

ESG practices are fundamental, both for individual companies and investors, and a focus on ESG can lead to the improvement and harmonization of corporate governance and thereby support the achievement of the economy's decarbonization goals by 2050.

### **Sustainability Committee**

The Bulgarian Stock Exchange has established a Sustainability Committee by a resolution of the Board of Directors dated 27.01.2023. The Committee assists the Board in the adoption and implementation of measures, policies and procedures related to environmental, social and employee-related issues, as well as in matters related to corporate governance. The committee develops and proposes a strategy for corporate sustainability of the company in accordance with the applicable regulatory requirements. The Committee assists the Board of Directors in monitoring the implementation of the adopted corporate sustainability strategy of the company and proposes updates to policies and procedures related to the implementation of the strategy.

### **ESG Reporting Guidelines**

The principles of sustainable development, identified as requirements in the European Green Deal, are fundamental for the adoption of effective environmental and social practices in the interaction between shareholders, investors, corporate management and other stakeholders.

The Bulgarian Stock Exchange adopted in August 2022 the ESG Reporting Guidelines developed by the Green Finance & Energy Centre (Green Centre). The Guidelines contain methodological recommendations and developments that address environmental, social and corporate reporting standards not only for companies whose securities are traded on the capital market, but also for all companies that would like to follow responsible behavior. The methodological approaches set out in the Guidelines aim to encourage the disclosure of complementary voluntary information on significant environmental and social indicators, by referring to established international standards for reporting on environmental and social parameters approved for the relevant industry or sector.





## Environmental – Social – Governance (ESG)

### 2.1. Ecology and Resource Management (Environmental)

The Bulgarian Stock Exchange is preparing a comprehensive climate and environment strategy, which is expected to be finalized and approved by mid-2024.

The activities of the BSE do not imply any significant environmental pollution. The BSE generates municipal waste in the administrative building where its main activities take place, but has a waste management plan in place.

BSE encourages the use of public transport by its employees by providing them with free cards for the entire city network. From the beginning of 2023. The Company has also taken measures to reduce the plastic waste generated by replacing the use of mineral water supplied to employees in plastic bottles with the use for drinking purposes of water from the building's plumbing system filtered using a reverse osmosis system.

Additional measures to mitigate the environmental impact of the activities of the Bulgarian Stock Exchange will be introduced after the adoption of the overall strategy in 2024.

The table below shows the carbon emissions generated by the Company in Scopes 1 and 2, the amount of water used and the area used by the Company for the production and supply of products and services.

Environment	2023
Scope 1 emission value (kg CO <sub>2</sub> e)	17 900
Scope 2 emission value (kg CO <sub>2</sub> e)	61 300
Area used by the company for the production and supply of products and services (m <sup>2</sup> )	1 138
Amount of water used for the production and supply of products and services (cubic metres)	483.57

More information on this topic can be found in the Environmental section of the Non-Financial Declaration attached to this report.

### 2.2. Social and Employee Matters (Social)

BSE has a number of social and employment policies.

- ✓ Diversity Policy
- ✓ Anti-Discrimination Policy



- ✓ Data Security Policy
- ✓ Communications and Disclosure Policy
- ✓ Security Policy

The BSE applies all core conventions of the International Labour Organisation (ILO) relevant to the Company and its activities.

Diversity management practices applicable to BSE include:

- ✓ Employees are trained on topics related to diversity, equity and inclusion in the workplace;
- ✓ Statement in all our job postings with a commitment to diversity, equality and inclusion.

Distribution of company Board Directors by gender	31.12.2023
Women	40 %
Men	60 %
Distribution of company managers by gender	31.12.2023
Women	57 %
Men	43 %
Distribution of employees by gender	31.12.2023
Women	60 %
Men	40 %
Number of employees working on a permanent contract	31.12.2023
Women	17
Men	11

There are no staff turnover issues at the BSE.

Risks related to social and employment issues from loss of employee motivation, lack of qualified staff, staff turnover, deteriorating health of the team are minimized by applying appropriate measures poor team health are minimized by implementing appropriate measures.

Considering the specific activity of the Bulgarian Stock Exchange as an operator of an organized securities trading market, the company makes efforts to retain its employees through ongoing training on current topics, the introduction of a social program, additional health insurance, comfortable working environment, etc.



More information on this topic can be found in the „Social and Employee Matters” and „Human Rights” sections of the Non-Financial Declaration attached to this report.

### 2.3. Corporate governance (Governance)

In addition to the information set out in section 1, as part of the implementation of good corporate governance practices/principles, the Bulgarian Stock Exchange has defined the sustainability topics and assessed the topics relevant to the Company as follows:

- ✓ Reliable Markets;
- ✓ Corporate Governance and Business Ethics;
- ✓ Human Capital Development;
- ✓ Risk Management;
- ✓ Sustainable Behaviour;
- ✓ Community Relations;
- ✓ Sustainable Products;
- ✓ Product Responsibility;
- ✓ Privacy.

The Company discloses information using the following communication channels:

- ✓ General Meetings
- ✓ Information disclosure specialized platforms ([www.x3news.bg](http://www.x3news.bg))
- ✓ Corporate website ([www.bse-sofia.bg](http://www.bse-sofia.bg))
- ✓ Social media and video channels

The Bulgarian Stock Exchange maintains an English-language version of its corporate website and discloses information in English.

The Bulgarian Stock Exchange guarantees equal treatment of all shareholders of the company, including minority and foreign investors, protects their rights and facilitates their exercise within the limits permitted by the applicable legislation and in accordance with the company's Articles of Association.

Meetings are organized with all stakeholders at the time of publication of the company's quarterly and annual reports, at which the former may put their questions related to the activities of the Exchange to the corporate management.

Regarding the remuneration of the members of the Board of Directors:





The Bulgarian Stock Exchange AD has adopted a Policy for determining the remuneration of the members of the Board of Directors.

The members of the Board of Directors of BSE receive a fixed remuneration which is a monthly fixed payment determined by the General Shareholders' Meeting in accordance with the provisions of the Company's Articles of Association and the Remuneration Policy.

The members of the Board of Directors do not receive additional remuneration related to the activities carried out by BSE AD under the Markets in Financial Instruments Act as a market operator, an approved publication arrangement and a benchmark administrator.

More information on the remuneration received by the members of the Board of Directors can be found in the Report on the implementation of the remuneration policy as well as in item 34 of the document „Notes to the annual separate financial statements for 2023“.

Further information on this topic can also be found in the Corporate Governance section of the Non-Financial Statement attached to this report.

The Bulgarian Stock Exchange reports annually as part of the Corporate Governance Statement to the Annual Financial Report and Non-Financial Information. In both 2022 and 2023, the Company voluntarily prepares a Non-Financial Statement on an individual and consolidated basis.





### 3. INFORMATION ABOUT THE ACTIVITY

#### 3.1. Markets

The regulated market organized by the „Bulgarian Stock Exchange“ AD consists of two markets - the BSE Main Market and the BaSE Alternative Market. These markets are segmented on the basis of qualitative and quantitative criteria regarding issuers and their issuances of financial instruments, including the type of financial instruments, specific requirements regarding the issuers' shareholding structure, financial performance, liquidity and disclosure.

In addition to the regulated market, „Bulgarian Stock Exchange“ AD organizes as a multilateral trading facility:

- SME Growth Market beam (Bulgarian Enterprise Accelerator Market), which provides small and medium-sized businesses with the opportunity to raise capital on more lenient terms than the regulated market, while providing them with similar advantages to those of public companies. The Exchange has been granted an approval by the Financial Supervision Commission to create the new SME Growth Market beam at the end of 2018.

- MTF Market MTF BSE International, which provides local investors with the opportunity to diversify their portfolios with financial instruments issued by some of the world's best-known and most liquid companies. All instruments on the MTF BSE International market have a registered market maker - Tradegate AG, making liquidity with them extremely high. The actual transfer of the instruments takes place at Clearstream Banking S.A., Luxembourg between the Central Depository and Tradegate AG. The Central Depository keeps the records of the holders of financial instruments in transactions concluded on the BSE.

#### **New issuers, written-off issues and capital increases**

As can be seen from the following table, the number of issues of financial instruments admitted to trading on the BSE markets as of 31.12.2023 increased to 779 pcs, while as of 31.12.2022 the number was 775. The change is mainly due to the inclusion of new bond issues on the BSE Main Market, Bonds Segment, bringing the number to 95 as of end-2023. There is also an increase in the number of issuances on the SME Growth Market beam. As on 31.12.2023, 16 issues have been registered on the beam Equities Segment and one bond issue.





## Registered emissions by segment:

Market segment \ Registered emissions	31.12.2023	31.12.2022	Amendment
BSE Main Market, Premium Equities Segment	10	7	3
BSE Main Market, Standard Equities Segment	51	58	-7
BSE Main Market, Exchange Traded Products Segment	22	20	2
BSE Main Market, Special Purpose Vehicles Segment	16	16	-
BSE Main Market, Government Securities Segment	15	16	-1
BSE Main Market, Compensatory Instruments Segment	3	3	-
BSE Main Market, Bonds Segment	95	85	10
BEAM Market, beam Equities Segment	16	10	6
BEAM Market, beam Bonds Segment	1	-	1
BASE Alternative Market, Equities Segment	130	131	-1
BASE Alternative Market, Special Purpose Vehicles Segment	33	35	-2
MTF BSE International	387	394	-7
<b>Total:</b>	<b>779</b>	<b>775</b>	<b>4</b>

## New issuers (comparison of admitted issues by market and segment):

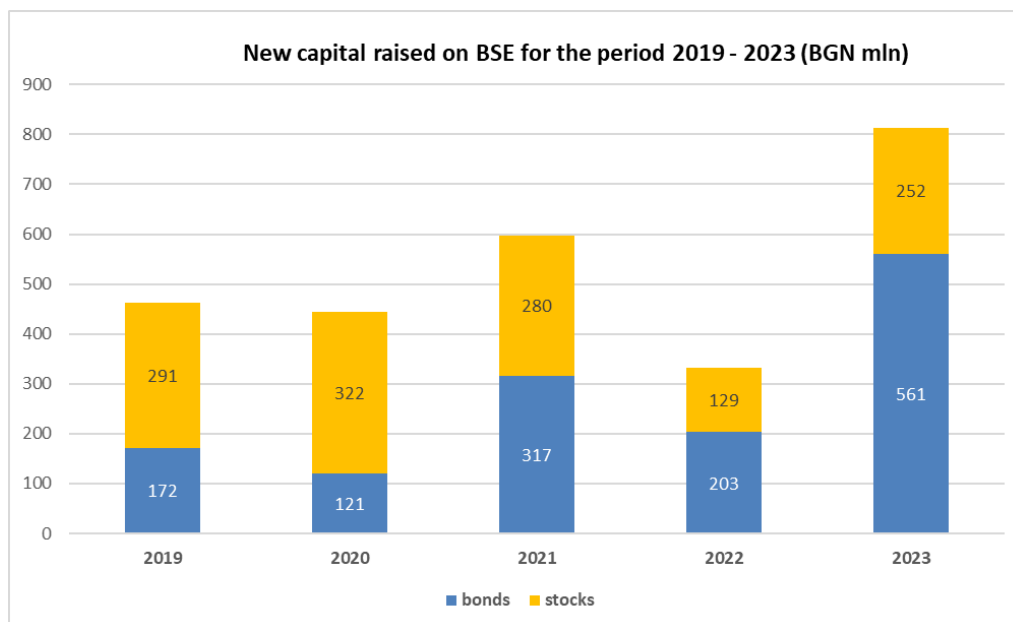
Segment	Market	2023	2022
Initial Public Offering Segment	BSE	1	0
Standard Equities Segment	BSE	0	3
Special Purpose Vehicles Segment	BSE	0	0
Bonds Segment	BSE	19	11
Exchange Traded Products Segment	BSE	2	5
Government Securities Segment	BSE	0	1
beam Equities	BEAM	6	3
beam IPO	BEAM	2	6
beam Bonds	BEAM	1	0
MTF BSE International	MTFINT	1	209
<b>Total:</b>		<b>32</b>	<b>238</b>

## Terminated emissions:

Terminated issues by segment	Market	Emissions
Bonds Segment	BSE	9
Exchange Traded Products Segment	BSE	2
Government Securities Segment	BSE	1
Equities Segment	BaSE	5
MTF BSE International	MTFINT	8
<b>Total:</b>		<b>25</b>



Information on new capital raised on the markets organized by the BSE for the period 2019 - 2023 is presented in the following figure\*:

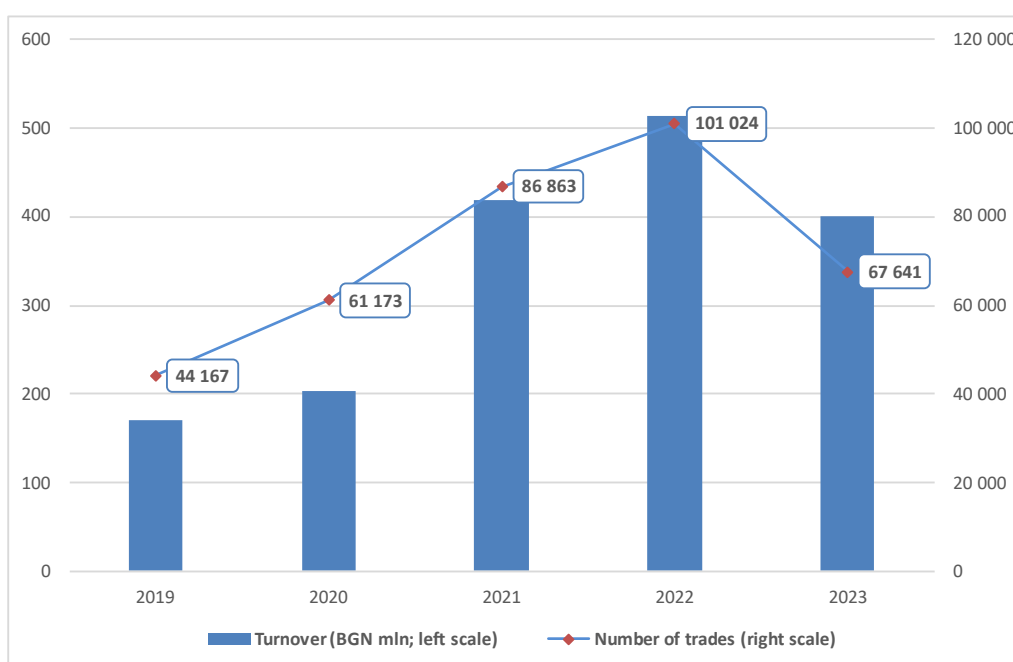


\* Market MTF BSE International is not included.

### 3.2. Trade

Information on the annual turnover and the number of transactions concluded on the BSE for the period 2019 - 2023 is presented in the following figure:

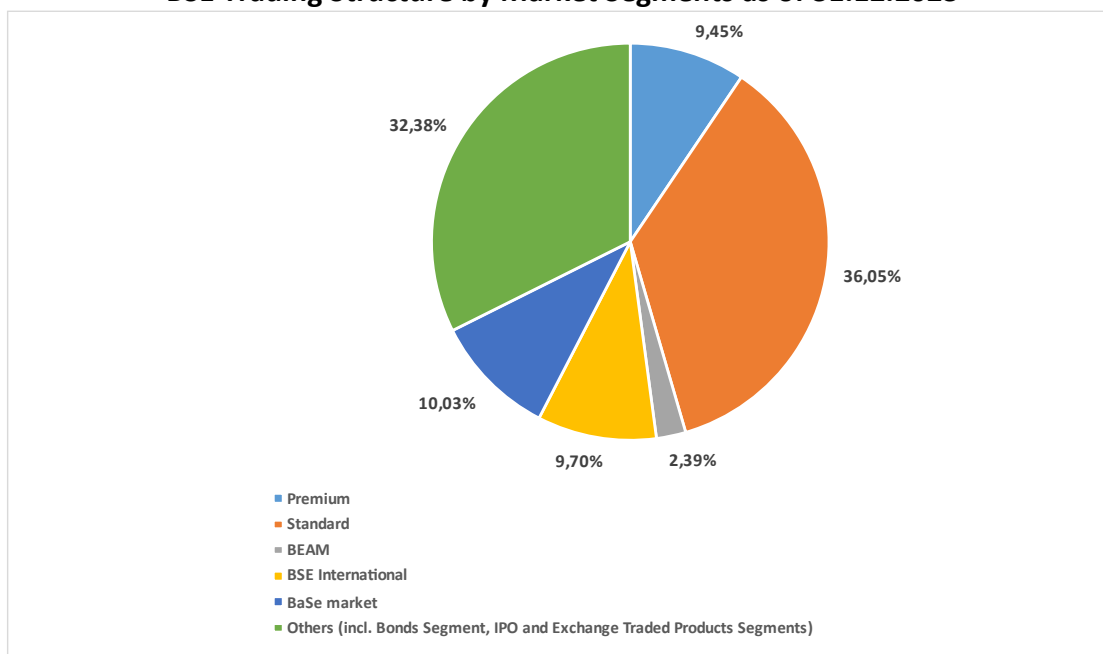
**Annual turnover and number of transactions concluded on the BSE for the period 2019 - 2023.**





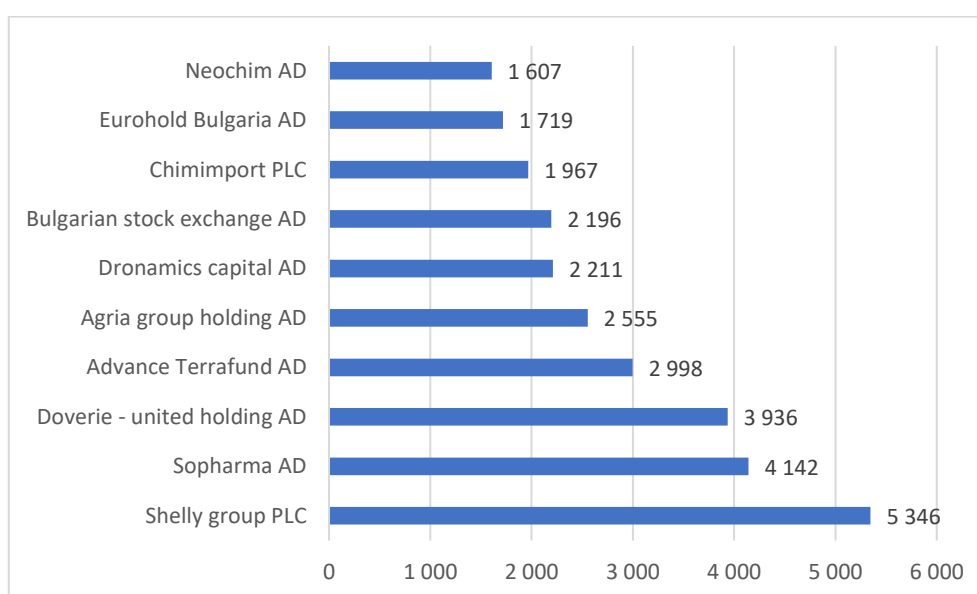
Information on the structure of trading on the BSE by market segments as of 31.12.2023 is presented in the following figure:

**BSE Trading Structure by Market Segments as of 31.12.2023**



Information on the ten equity issues with the highest number of transactions in the regulated market and SME Growth market beam in 2023 is presented in the following figure:

**The ten issues of shares with the highest number of transactions on a regulated market and SME Growth Market beam in 2023**





### 3.2.1. Sectoral structure of trade

Information on the structure of trade by sector (top 10) for 2023 is presented in the following table:

Sector	Number of transactions	Traded lots	Turnover (BGN)
Financial and insurance activities	33 304	65 166 174	273 151 924
Real estate activities	1 472	13 044 261	61 818 387
Professional, scientific and technical activities	7 434	12 416 931	52 482 298
Manufacturing	13 027	8 435 380	42 886 754
Information and communication	452	1 113 458	8 371 661
Wholesale and retail trade; repair of motor vehicles and motorcycles	2 205	3 192 449	7 041 888
Electricity,gas,steam and air conditioning supply	140	1 394 038	3 913 475
Arts, entertainment and recreation	1 100	125 066	1 858 785
Transportation and storage	438	141 921	1 016 438
Construction	199	232 195	946 399

### 3.2.2. Market capitalization of the Exchange

As of 31.12.2023, the total market capitalization of the regulated market and the SME Growth Market beam, organized by the „Bulgarian Stock Exchange“ AD is BGN 15 500 981 602 (MTF BSE International market is not included), which represents a decrease of 48.63% compared to the reported at the end of 2022. This is largely due to the decline in the capitalization of the BaSE Alternative Market, Equity Segment by 86%. The capitalization of BaSE Alternative Market has declined significantly due to the FSC Decision No. 972-FB dated 26.10.2023 to apply a compulsory administrative measure to terminate the registration of the share issue issued by Capital Concept Limited Plc (CCL) on Equities Segment.

The capitalization of the Premium Equities Segment, BSE Main Market saw a strong growth of 92.61% compared to that reported as of 31.12.2022. The capitalization of companies in the BSE Main Market, Special Purpose Vehicles Segment grew by 4% and that of the BaSE Alternative Market Special Purpose Vehicles Segment by 23%.

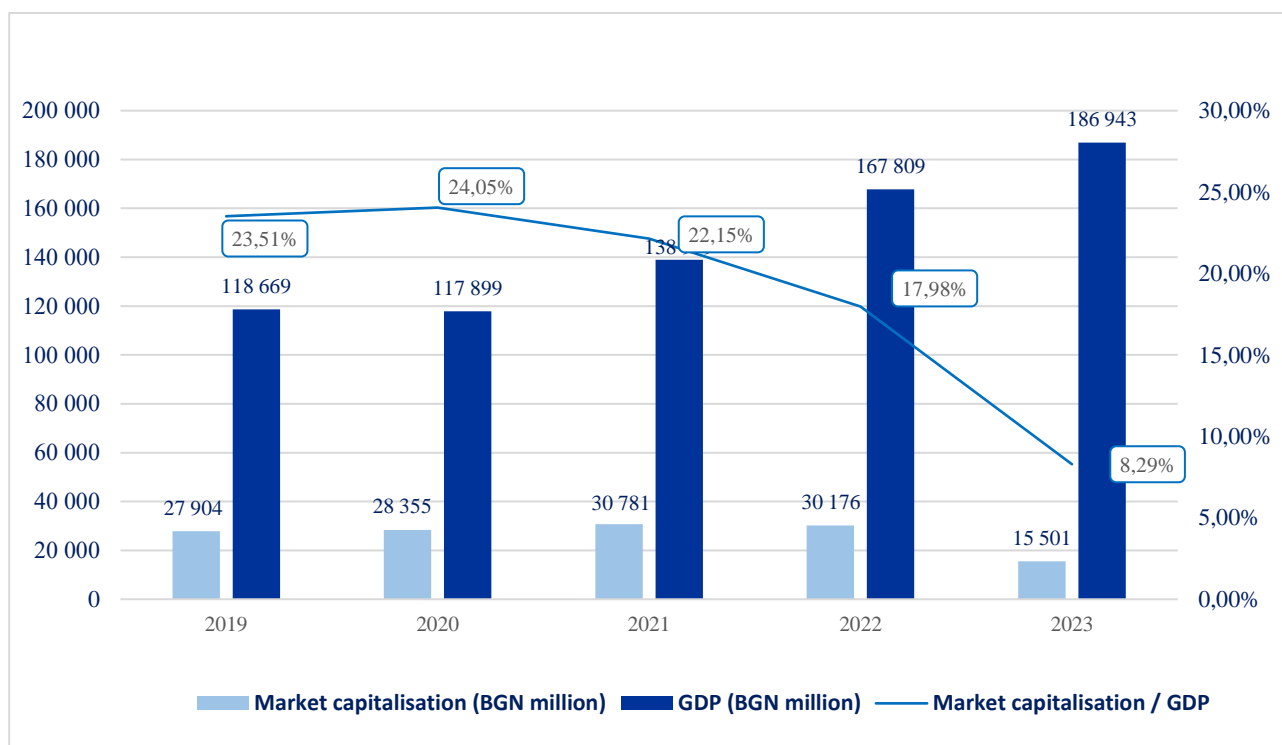
The capitalization of companies in the SME Growth Market beam increased by 32%.





Information on the market capitalization of the BSE for the period 2019 - 2023 is presented in the following figure\*:

**Market capitalization for the period 2019 - 2023 (BGN million)**



\* MTF BSE International market is not included.

**Market capitalization by market segments/market**

Market segment/Market	31.12.2023 r.		31.12.2022 r.		Change
	BGN	EUR	BGN	EUR	
Premium Equities Segment, BSE Market	3 083 129 277	1 576 378 968	1 600 720 017	818 435 149	92,61%
Standard Equities Segment, BSE Market	7 745 938 385	3 960 435 409	8 138 367 101	4 161 081 025	-4,82%
SPVs Segment, BSE Market	1 191 177 074	609 039 167	1 144 756 312	585 304 608	4,06%
Equities Segment, BaSE Market	2 628 119 832	1 343 736 333	18 622 746 624	9 521 659 155	-85,89%
SPVs Segment, BaSE Market	416 210 592	212 805 097	339 207 254	173 433 915	22,70%
SME Growth market beam	436 406 443	223 131 071	330 454 187	168 958 543	32,06%
<b>Total*:</b>	<b>15 500 981 602</b>	<b>7 925 526 044</b>	<b>30 176 251 496</b>	<b>15 428 872 395</b>	<b>-48,63%</b>

\* Market MTF BSE International is not included.



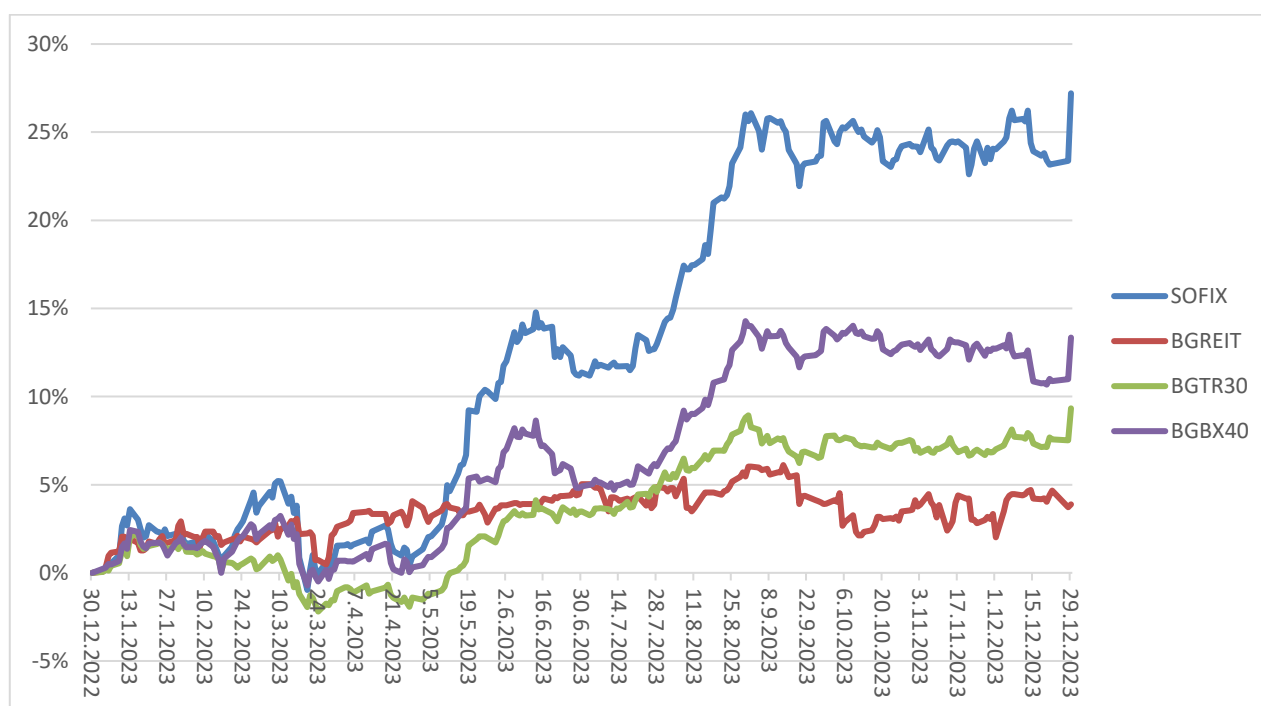
### 3.2.3. Indices of the Bulgarian Stock Exchange

All indices of the BSE increased at the end of 2023, with the value of the main index SOFIX increasing by 27% to 765.12 points. BGBX40 increased by 13.35% to 157.87 points. The BGTR30 rose 9.33% to 799.44 points. The BGREIT rose 3.89% to 190.30 points.

In 2023 the Bulgarian Stock Exchange has launched the calculation of a new stock market index of companies on the SME Growth Market beam - beamX. It officially started to be calculated on 18 September 2023 with an initial value of 100 points. The number of issues included in the index calculation base is 10. As of 31.12.2023, the value of beamX is 101.85.

Information on the dynamics of the BSE indexes (in %) in 2023 can be found in the following figure:

**Dynamics of the BSE indices (in %) in 2023**



### 3.2.4. Members of the BSE and beam Market Advisors

As of 31.12.2023 the number of members of the BSE is 43 (forty-three). In 2023, the membership of two investment intermediaries was terminated. As at 31.12.2022, the number of members of the Exchange is 45 (forty-five).

As at 31.12.2023, the number of beam Market advisors is 22 (twenty-two) with 8 (eight) being investment intermediaries – members of BSE. In 2023, the status of 3 (three) advisors was terminated.

Lists of the members of the Exchange and the beam Market Advisors are presented as Appendices to the Report on the activities.



### 3.3. Programmes, priorities and development

#### Deutsche Börse Group

The BSE has a more than 15-year partnership with the German operator Deutsche Börse, and since June 2008 trading on the Exchange has been conducted through Deutsche Börse's trading platform - T7®. In addition, since the same date Deutsche Börse has been calculating the four main indices of the BSE (SOFIX, BGBX40, BGTR30 and BGREIT), as well as distributing market data from the BSE to foreign vendors.

From July 2021, the BSE launched the MTF BSE International market, which currently trades the shares of nearly 400 top global companies, ETFs and crypto ETNs.

#### Government Securities Programme

The BSE is working closely with the Ministry of Finance to implement a public offering programme for government securities on the regulated market in Bulgaria for individual investors. This would multiply the number of active investors on the BSE, activate secondary trading of government securities, and increase the attractiveness of the Bulgarian capital market as a whole.

#### beamUp Lab



BeamUp Lab is a program to stimulate and promote the growth of Bulgarian startups, small and medium-sized companies. The aim of the program is to distinguish promising and innovative Bulgarian companies with sustainable business models, to give them visibility in front of potential investors, as well as to increase their knowledge about funding opportunities. At the end of 2023, the fourth edition of our accelerator programme beamUp Lab started.

#### Stock Lending Platform

The BSE plans to launch an electronic platform for the conclusion and registration of loan agreements for financial instruments. BSE's aim is to stimulate short selling and thus improve liquidity in the market. The lending platform is among the prerequisites for the introduction of derivative products in the future.






 LSEG DATA & ANALYTICS

The partnership with LSEG Data & Analytics (Refinitiv) will provide data on the sustainable performance of Bulgarian public companies. The data in the form of valuations will be used to select the companies to be included in the future ESG index of the BSE. The new index will be launched in mid-2024.


 oxygen

Oxygen is an initiative of the Bulgarian Stock Exchange and its subsidiary Financial Market Services and is the first of its kind in Bulgaria. The platform enables Bulgarian companies to measure and report on their environmental, social and corporate impact by obtaining an assessment of their carbon footprint as well as other ESG-related indicators.

Oxygen contains an electronic questionnaire with over 200 questions structured in several sections: environment, corporate governance, social issues and employment, human rights, anti-corruption and a calculator for the company's carbon footprint, which is one of the platform's greatest strengths. Another important advantage of Oxygen, is the ability to generate an ESG report, which specifically for public companies corresponds to the Non-Financial Declaration, which was developed in accordance with European and Bulgarian legislation and includes the ESG indicators established in global practice. The generated statement contains quantitative and qualitative information structured textually and graphically. This makes it as easy as possible for public companies, especially in the annual reporting period.

From the beginning of 2024, companies can take advantage of the new features of the BSE's Oxygen platform. Public companies can calculate their carbon footprint for free, thanks to a partnership with global platform Synesgy, a digital environmental, social and corporate sustainability (ESG) assessment solution from international company ICAP CRIF.

On 18 January 2024, the Oxygen platform also became the only tool in the country licensed by the Global Reporting Initiative (GRI), allowing businesses to quickly and easily report against all European and international ESG standards.







The Green Centre (GC) is a leading think tank in the field of sustainable finance and energy in Bulgaria, supporting the BSE in its sustainability efforts. The Green Centre assisted the BSE in the development and adoption of ESG Reporting Guidelines and will play a role in maintaining the first ESG Index in Bulgaria.

In 2024, the ESG Index will be launched. The Green Center will organize 4 strategic meetings designed to showcase the sustainable practices of public and non-public companies.



BSE Advance is a long-term programme of the Bulgarian Stock Exchange. Through it, the BSE pursues a targeted and proactive policy to increase the financial literacy of young people. The BSE partners for joint educational initiatives with the Faculty of Economics of the Sofia University „St. Kliment Ohridski“, the Higher School of Insurance and Finance, the University of National and World Economy and Paisii Hilendarski University of Plovdiv. Within the framework of the programme, regular meetings are held with students who are interested in the capital market.

On 27.04.2023 the 21st edition of the „Manager for a Day“ initiative was held in cooperation with Junior Achievement Bulgaria.

BSE aims to make the capital market attractive for careers among young professionals, as well as to encourage their development and enrich their qualifications. In this regard, in 2023, for the third year, the BSE awarded diplomas and gave financial incentives to those who excelled in the Financial Supervision Commission's examinations for brokers and investment advisers.

Through the programme, the BSE offers unpaid internship opportunities for graduate and undergraduate students. Students studying in Bulgaria and abroad benefited from this opportunity in 2023.







## Public partnerships

### **Agreement for cooperation in the field of investments between the BSE and the Municipality of Stara Zagora**

On January 12, 2023, the Bulgarian Stock Exchange and the Municipality of Stara Zagora signed a Cooperation Agreement to attract potential investors to the region and to support companies interested in listing on the BSE markets. This is the first such agreement between the Exchange and a municipality in Bulgaria. The partnership is an important step towards the implementation of a number of educational and practical initiatives that will help investors from all over Bulgaria to learn more about promising companies from Stara Zagora. It also opens a direct channel of communication for companies seeking funding with representatives of the BSE, where they can freely discuss the various opportunities for raising capital.

### **Cooperation agreement for exchange of data and market information between BSE Group and National Statistical Institute**

On 15 May 2023, the Bulgarian Stock Exchange Group, which includes the BSE, the Independent Bulgarian Energy Exchange and Financial Market Services (FMS), and the National Statistical Institute (NSI) signed a Cooperation Agreement. As a result of the agreements, the four organizations will actively partner to respond to dynamic processes in the economy and society, digitalization and globalization, and the increase in the volume and types of data sources. It is expected that the joint cooperation will also lead to an expansion of the potential and enrichment of the information services offered by the organizations.

## **International activity**

An important priority in the activities of the BSE is the expansion of international contacts and relations with other stock exchange institutions and organizations, regionally, Europe-wide, and globally.

The BSE is a full member of the Federation of European Stock Exchanges (FESE).

## **UN Sustainable Stock Exchanges Initiative**

In November 2020, the Bulgarian Stock Exchange joined the United Nations Sustainable Stock Exchanges Initiative (UN SSE). This is a UN partnership programme organized by UNCTAD, the UN Global Compact, UNEP FI and PRI. The vision of UN SSE is to provide a global platform to explore





how stock exchanges, in collaboration with investors, companies (issuers), regulators, policy makers and relevant international organizations, can improve their ESG (environmental, social and corporate governance) performance by promoting sustainable investment, including financing under the UN Sustainable Development Goals.

By participating in the UN Sustainable Stock Exchanges Initiative, the BSE shares and follows the mission of promoting responsible sustainable investment and improving ESG performance in Bulgaria.

### **The Bulgarian Stock Exchange joined the UN Global Compact**

On September 13, 2023, the Bulgarian Stock Exchange will join the Bulgarian Stock Exchange. The Bulgarian Stock Exchange, initiator of the Green Finance & Energy Centre (Green Centre) - the first think-tank of its kind in both fields, officially joined the UN Global Compact.

The UN Global Compact is the world's largest corporate sustainability initiative, bringing together more than 15,000 companies and 3,000 non-profit organizations in over 160 countries and more than 70 local networks. The Bulgarian network is an alliance of companies, educational institutions and NGOs that has been working for 10 years since the official announcement by UN Secretary-General Ban Ki-moon. The local network provides a platform and environment for the development of companies that have proven their efforts and contribution towards the sustainable growth of Bulgaria.

The UN Global Compact is an initiative that calls on companies to embrace ten universal principles in the areas of human rights, labour standards, environment and anti-corruption and implement them in their business strategies and day-to-day operations. Through their commitment to universally accepted values and by minimizing the negative effects of their business activities, companies can contribute to the achievement of the UN Sustainable Development Goals.

### **14 European exchanges merge to form new company EuroCTP**

On 23 August 2023, EuroCTP B.V. was incorporated as a company and a Supervisory Board was elected. The purpose of the new company (joint venture) is to provide consolidated market data (consolidated tape) for stocks in the European Union. EuroCTP has its own Board of Directors and all exchanges are represented on the Supervisory Board of the company.

The Bulgarian Stock Exchange represents the smaller exchanges on the Supervisory Board of the new company.

The shareholders of EuroCTP B.V. are 14 European exchanges, respectively exchange groups, representing the operators of the main regulated markets in 25 EU countries.

The shareholders of EuroCTP B.V. have a clear commitment to the delivery of this significant project for European capital markets and are dedicated to the long-term success and prosperity of retail





investors and market participants. As operators of regulated markets, EuroCTP's shareholders are the cornerstone of the European capital market, committed not only to maintaining but also to further strengthening its ecosystem.

The aim is

- to create consolidated data offering a comprehensive and standardized picture of EU trade for the benefit of all market participants;
- to provide well-managed, robust and sustainable data that is economically sound and in compliance with applicable legal provisions.

It has taken over a year for shareholders to work on the original initiative and with the significant investment made, they are committed to fully funding the activity as a consolidated data provider. The shareholders are recognized specialists in providing reliable and high quality market data, combining decades of experience and expertise in managing critical market infrastructure. The Company will act with complete independence and autonomy in the future selection process for a consolidated data provider in the European Union.

„Bulgarian Stock Exchange“ AD does not carry out research and development activities.





#### 4. MAIN RISKS

As a licensed market operator, the Bulgarian Stock Exchange organises the activities and operations of the regulated market in accordance with the requirements of the law and its implementing acts. The organisation and management of the Bulgarian Stock Exchange shall be carried out on the basis of the Rules of Business, which shall be adopted by the Board of Directors of the Exchange and approved by the Financial Supervision Commission. The Rules of Business of the Bulgarian Stock Exchange shall govern all aspects of the Company's business, including:

1. the identification of possible threats and risks that could cause potential losses and disruption to the trading processes provided, conducted and maintained by the Exchange;
2. the means to control and manage identified threats and risks;
3. the allocation of responsibilities among the Exchange's employees with respect to Risk Management.

The main types of risks relevant to the Company's activities and the policy for their management are regulated in Part VI - Risk Management Rules of the Rules of Procedure of the Bulgarian Stock Exchange.

The risk management policy is applied in an integrated manner and in accordance with all other policies and principles regulated in the internal acts of the Bulgarian Stock Exchange. The Risk Management Rules of the Bulgarian Stock Exchange shall document the measures and procedures for the identification, management and assessment of risks related to the activities of the Exchange pursuant to Article 86, par. 1(3) of the Markets in Financial Instruments Act.

The Risk Management Rules of the Bulgarian Stock Exchange define the following types of risks related to the Company's activities, procedures and systems:

1. **Internal** - related to the organization of the Exchange's work, representing:

- a) Process risks

- risks related to the performance of the main functions of the Exchange
- risks related to the services offered and
- project risks

- b) Risks related to the systems

- complete or partial unreliability and lack of completeness of the data;
- subsequent manifestation of the problems with the reliability and completeness of the data;
- lack of precision in processing methods;
- errors of software products;
- imperfection of the technologies used;
- collapse of the system of the regulated market, information and communication systems.

- c) Personnel related risks



- departure of key employees;
- dishonest behavior on the part of the employees of the Exchange;
- insufficient qualification and lack of training of the persons working under contract for the Exchange;

- adverse changes in labor legislation;
- unsafe working environment;
- insufficient or inadequate motivation of employees;
- frequent change of employed employees, leading to impossibility of adequate performance of functions.

2. **External** – related to macroeconomic, political and other factors that affect and/or may affect the activity of the Exchange, for example:

- Unfavorable changes in the regulatory framework
- Risks related to the transfer of important activities to a third-party contractor
- Political changes
- Changes in the tax regulations
- Risks of physical intervention.

3. **Other risks related to the activity of the Bulgarian Stock Exchange** – other risks related to the services offered, not identified in the risk management rules of the Bulgarian Stock Exchange

- Market risk
- Price risk
- Currency risk
- Interest rate risk
- Liquidity risk

4. **Common (systematic) risks** – General risks arise from possible changes in the overall economic system and, more specifically, a change in financial market conditions. They cannot be diversified, since all business entities in the country are exposed to them.

- Credit risk
- Economic growth and external indebtedness
- Inflation risk
- Unemployment
- Currency risk and currency board
- Interest rate risk
- Taxation
- Other systemic risks

A detailed description of the risks characteristic of the activity of the Bulgarian Stock Exchange is presented in item 4 „Risk factors“ of the registration document (pages 12 - 24), representing Part I of the prospectus approved by the Financial Supervision Commission with decision No. 816 - PD/15.12.2010 for admitting the shares of the Bulgarian Stock Exchange to trading on a regulated





market. The prospectus can be found on the website of the Bulgarian Stock Exchange in the „Prospectus of the Bulgarian Stock Exchange“ section.

Regarding risk management and given the specifics of the BSE's activity as a regulated market, an operating procedure developed by the Management System (MS) of the BSE (ISO 9001 / 27001) is applied. The procedure mainly deals with the operational risks related to the main trading processes of the BSE.

The management of the BSE is committed to: ensuring and maintaining the compliance of the MS, the integration of the MS into the business processes, promoting leadership, providing and maintaining the necessary resources for maintaining and functioning of the processes, improving the management system based on the analysis, based of risk and process performance information. The management, together with the directors of directorates, manages the risks and opportunities for the processes that it considers necessary to monitor and control in the functioning of the MS. Management of risks and opportunities includes: identification, evaluation, determination of appropriate actions for treatment and control, proportional to the possibility of occurrence, the potential impact, determination of responsible officers for the implementation of measures and for control of performance, determination of appropriate control mechanisms, in necessity, periodic review, at least once a year, and as necessary, reassessment, where applicable. When managing risks and opportunities, the requirements of the Rules of Procedure, part VI Rules for risk management, also apply.

The BSE also applies the Risk Management Policy. The policy is applied in an integrated manner and in accordance with all other policies and principles regulated in the internal acts of the Exchange. In the Risk Management Policy, the types of risk related to the activities, procedures and systems of the BSE are distinguished. For each of the risks, procedures with management measures are indicated, which the BSE undertakes to apply. A Security Oversight Committee was also established by order of the Executive Director.

Detailed information on BSE financial instruments and financial risk management can be found in item 33 of the document „Notes to the annual separate financial report for 2023“.

Detailed information regarding the internal control system and risk management system implemented by the issuer in the process of preparing the financial statements can be found in item 5.6.15 of the information submitted to this activity report under Appendix No. 2 to Art. 10, item 1 of Ordinance 2 to the POSA.





## 5. FINANCIAL STATEMENT

The financial report of „Bulgarian Stock Exchange“ AD has been prepared in accordance with the accepted accounting policy of the Exchange and International Financial Reporting Standards (IFRS) and provides information on the financial condition of the company and the results of its activity.

### 5.1. Financial result

By the end of 2023, the net financial result realized by the „Bulgarian Stock Exchange“ AD is positive in the amount of BGN 1,949 thousand.

Information on the main financial indicators can be found in the „Notes to the annual separate financial statement“, item 26 „Share capital and reserves“.

### 5.2. Assets and liabilities

The amount of assets of the „Bulgarian Stock Exchange“ AD as of the end of 2023 amounted to BGN 17,555 thousand and is BGN 3,824 thousand (18%) lower than their value at the end of 2022. Non-current assets on an annual basis increased by BGN 360 thousand (4%), which is mainly due to an increase in the position Capital instruments at fair value through other comprehensive income and the investment resulting from the acquisition of a stake in the Dutch company Euro CTP B.V., as well as in an increase in the position for joint ventures, as a result of the acquisition of a stake in the company Collective Financing AD.

Current assets decreased by 35% or BGN 4,184 thousand mainly as a result of a decrease in the value of the item „Cash and cash equivalents“, due to a lower value of the dividend received from the subsidiary IBEX AD in 2023 compared to with the previous period.

With regard to equity capital, at the end of 2022 the accumulated undistributed profits and losses are in the amount of BGN 7,047 thousand, while at the end of the current period they are the accumulated profit in the amount of BGN 2,255 thousand. The other items from the equity units have minor changes, with the company's equity decreasing by BGN 4,744 thousand as of 31.12.2023 compared to the previous period.

Current liabilities increased by 172% or BGN 876 thousand, mainly due to an increase in liabilities for dividends payables and current payables to suppliers. Non-current liabilities also increased by 56% or by BGN 44 thousand.

### 5.3. Income and expenses

With regard to Revenues from contracts with clients, the Exchange recorded a growth compared to 2022 of 12% or BGN 356 thousand, which is mainly due to an increase in revenues from company registration fees by BGN 323 thousand (36%) , Fee for information service by BGN 117 thousand (17%), growth of Monthly commissions for access to trading by BGN 115 thousand (122%) and





decrease of Commissions for transactions on the Stock Exchange by BGN 327 thousand. During the reporting period, the Exchange also realizes revenues from fees for reporting as an Approved publication arrangement in the amount of BGN 93 thousand.

„Financial income“ decreased from BGN 7 836 thousand to 2 917 thousand, as a result of a decrease in the item „Dividend income“. In the other income items, there is an insignificant change in absolute value.

In the main expenditure items, there is a growth of 8% compared to 31.12.2022, which follows the inflationary processes in the country in 2023.

#### 5.4. Basic earnings per share

<i>Basic earnings per share</i>	2019	2020	2021	2022	2023
Average weighted number of shares	6 582 860	6 582 860	6 582 860	6 582 860	6 582 860
Net profit for the year (BGN'000)	404	1 008	9 711	6 869	1 949
<b>Basic net earnings per share (BGN)</b>	<b>0,06</b>	<b>0,15</b>	<b>1,48</b>	<b>1,04</b>	<b>0,30</b>

#### 5.5. Significant events occurring after the date of the annual financial report

No events occurred after December 31, 2023 that would require additional adjustments and/or disclosures.

#### 5.6. Information according to Appendix No. 2 to Art. 10, item 1 of Ordinance 2 to the POSA

5.6.1. The main activities of „Bulgarian Stock Exchange“ AD are related to:

- organization of a regulated market of financial instruments as a trading system;
- organizing and maintaining an information system for securities trading;
- provision of information services and distribution of stock exchange information;
- creation and calculation of indices of the Bulgarian Stock Exchange;
- carrying out supervision by the stock exchange on trading in financial instruments on the markets organized by it.

In connection with its main activity, the Bulgarian Stock Exchange realizes the following main types of income:

- revenues from registration and maintaining the registration of financial instruments;
- income from commissions for transactions with financial instruments;
- income from annual membership fees;
- income from investing funds;
- income from information services;



- revenues from fees for changes in emission parameters;
- income from fees for accessing the trading system.

The total amount of income, including financial income and other income for 2023, is BGN 6,608 thousand, respectively BGN 11 200 thousand for 2022.

Revenues from contracts with customers by operating segments and types of services include:

**Table 10: Structure of revenue from contracts with customers:**

	31.12.2023 BGN'000	31.12.2022 BGN'000
<b>Operational segment "Registration and maintenance of trading financial instruments issues"</b>	<b>1,456</b>	<b>1,061</b>
Company registration fee	1 222	899
Membership fee	160	132
Fee for change of issue parameters	40	22
Fee for non-disclosure of information and fees for temporary suspension of trade	28	8
Fee for exchange code acquisition	3	-
Fee for issue shift	2	-
Fee for admission of an exchange intermediary	1	-
<b>Operational segment „Information service“</b>	<b>921</b>	<b>780</b>
Information service fee	817	700
Data reporting fee APA	93	70
Fee for right to use trademark	11	10
<b>Operational segment „Trade in financial instruments“</b>	<b>1,067</b>	<b>1,247</b>
Commissions for transactions on the Exchange	802	1 129
Monthly commissions for access to trade	209	94
Fee for maintaining remote trading stations	28	23
Monthly connection fee	25	-
Financial sanctions imposed on Stock Exchange members	2	1
Fee for testing algorithm compatibility	1	-
<b>Total</b>	<b>3 444</b>	<b>3 088</b>

**5.6.2. Revenue structure for 2023 and comparison with 2022 (Appendix No. 2; item 2):**

	2023		2022	
	BGN '000	%	BGN '000	%
Revenue from contracts with customers	3 444	52,12%	3 088	27,57%
Other income from the activity	247	3,74%	276	2,46%
Financial income	2 917	44,14%	7 836	69,96%
<b>Total</b>	<b>6 608</b>		<b>11 200</b>	



As at 31.12.2023, the company realized revenue from Bulgarian customers at the amount of BGN 2,693 thousand (31.12.2022: BGN 2,431 thousand), and revenue from foreign customers at the amount of BGN 751 thousand (31.12.2022: BGN 657 thousand).

5.6.3. In the current year, no major transactions and those of essential importance for the activity of the „Bulgarian Stock Exchange“ AD have been concluded. (Appendix No. 2, Item 3)

5.6.4. Information about the transactions concluded between the BSE and related parties during the reporting period is indicated in item 34 of the document „Notes to the annual separate financial statements for 2023“ (Appendix No. 2, item 4)

5.6.5. In 2023, there are no events and indicators of an unusual nature for the BSE, having a significant impact on its activity, and its realized revenues and incurred expenses. (Appendix No. 2; item 5)

5.6.6. In 2023, the BSE did not carry out off-balance sheet transactions. (Appendix No. 2; item 6)

5.6.7. Information on shareholdings and the main investments in the country and abroad of the BSE is presented in item 13 - item 20 of the document „Notes to the annual separate financial statements for 2023“ (Appendix No. 2; item 7)

5.6.8. In 2023, „Bulgarian Stock Exchange“ AD and its subsidiaries „Independent Bulgarian Energy Exchange“ AD and „Financial Market Services“ EOOD did not conclude loan agreements in their capacity as borrowers. (Appendix No. 2; item 8)

5.6.9. As of 31.12.2023, „Bulgarian Stock Exchange“ AD and its subsidiaries „Independent Bulgarian Energy Exchange“ AD and „Financial Market Services“ EOOD have not entered into loan agreements in their capacity as lenders. (Appendix No. 2; Item 9)

#### *Collateral granted to related parties*

*As at 31.12.2022 „Bulgarian Stock Exchange“ AD provided financial collateral under the Financial Securities Contracts Act, transferring ownership of cash at the amount of BGN 400 thousand, under a loan granted by a bank to the associate BD Consults OOD. On 20.12.2023, the obligation of the credit exposure of the associated company in the bank was fully repaid and the collateral was closed.*

5.6.10. In 2023, there was no new issue of securities. (Appendix No. 2; item 10)

5.6.11. In 2023, „Bulgarian Stock Exchange“ AD has not published forecasts for the expected financial results. (Appendix No. 2; item 11)

5.6.12. Risk management in the company is carried out on an ongoing basis by the operational management of the company according to the policy determined by the Board of Directors. The Board of Directors has adopted basic principles of general financial risk management, on the basis of which specific procedures have been developed for the management of individual specific risks, such as currency, price, interest rate, credit and liquidity, and for the risk in the use of non-derivative





instruments. Financial risk management is disclosed in detail in item 33 of the document „Notes to the annual separate financial statements for 2023“ (Appendix No. 2; item 12)

5.6.13. The „Bulgarian Stock Exchange“ AD has not declared any investment intentions for 2024. (Appendix No. 2; Item 13)

5.6.14. In 2023, there were no changes in the basic management principles of the „Bulgarian Stock Exchange“ AD and its subsidiaries Independent Bulgarian Energy Exchange AD and Financial Market Services EOOD. (Appendix No. 2; item 14)

Pursuant to Decision No. 993 of the Financial Supervision Commission dated 03.11.2023, „Collective Funding“ AD received a license to manage a crowdfunding platform that will facilitate the financing of innovative business projects. The Bulgarian Stock Exchange, together with the Central Depository and ClearEX, are the main shareholders of „Collective Financing“ AD. The new crowdfunding platform will contribute to the expansion of investment opportunities, which is in line with the Bulgarian Stock Exchange's aspiration to support innovation and offer modern financial instruments that provide added value for all market participants.

5.6.15. The „Bulgarian Stock Exchange“ AD has established an Audit Committee and an „Internal Audit“ Directorate. (Appendix No. 2; item 15)

The main purpose of the Audit Committee is to assist the Board of Directors in supervising the quality, adequacy and effectiveness of the internal control systems, including and the risk management system. For this purpose, the Audit Committee actively supports the management of the BSE in the preparation of the annual self-assessment of the state of the internal control systems.

The „Internal Audit“ Directorate at the BSE carries out the internal audit activity of the BSE-Group. Since the BSE is the sole owner of the capital of „Independent Bulgarian Energy Exchange“ AD and „Financial Market Services“ EOOD, the two companies fall under the audit universe of the internal audit unit of the BSE. Internal audit carries out independent assessments of regulatory compliance and effectiveness of control mechanisms, risk management and management of activities in the BSE group.

The „Internal Audit“ Directorate prepares and annually updates an Internal Audit Activity Strategy, the current one being for the period 2023-2025.

Depending on the risk assessment that was made of the audit units and the period that has passed since their last inspection and its results, an analysis is made and an Audit Plan is drawn up every year, which includes the audit objects for the following year.

The results of the audit engagements are described in the audit reports of the engagements and are included in the Annual Report on the activities of the Directorate for Internal Audit of the BSE, which is approved by the Board of Directors of the BSE and is provided by the end of January for information in Ministry of Finance.



The „Internal Audit“ Directorate monitors the progress in the implementation of the recommendations given by the auditors and accepted by the audited units, informs the Board of Directors of the Company about its findings and the proposals made for the implementation of corrective measures, when appropriate.

The Head of the Directorate holds regular meetings with the management of the BSE to discuss the results of the work in the field of internal audit for the current year, and an external evaluation is conducted once every five years.

5.6.16. In 2023, no changes were made to the BSE Board of Directors. (Appendix No. 2; item 16)

5.6.17. „Bulgarian Stock Exchange“ AD prepares and discloses a separate document for the annual financial report - „Report of the Board of Directors on the implementation of the remuneration policy for the members of the Board of Directors of the company". In it, the Company discloses the manner in which it applies the Remuneration Policy to the members of the Board of Directors and to the Executive Members. (Appendix No. 2; item 17)

The salaries and other short-term benefits of the key management personnel as of 31.12.2023 amount to BGN 388 thousand (2022: BGN 345 thousand), including:

- Current remuneration: BGN 385 thousand (2022: BGN 340 thousand);
- Social security contributions: BGN 3 thousand (2022: BGN 5 thousand).

5.6.18. As at 31.12.2023, the members of the Board of Directors of „Bulgarian Stock Exchange“ AD do not own shares of the company's capital. „Bulgarian Stock Exchange“ AD has not appointed a procurator. (Appendix No. 2; item 18)

There are no other members of the company's senior management, apart from the members of the Board of Directors. The members of the Board of Directors of the Bulgarian Stock Exchange AD have not been granted options on the Company's shares.

5.6.19. The company is not aware of any arrangements as a result of which changes in the relative share of shares held by current shareholders may occur in the future. (Appendix No. 2; Item 19)

5.6.20. There are no pending judicial, administrative or arbitration proceedings concerning obligations or receivables of „Bulgarian Stock Exchange“ AD. (Appendix No. 2; Item 20)

5.6.21. As at 31.12.2023, the Investor Relations Director of the „Bulgarian Stock Exchange“ AD is Miglena Dimitrova. (Appendix No. 2; item 21)

As of the date of preparation of this annual report and according to the concluded employment contract dated 15.02.2024, the position of Investor Relations Director of the „Bulgarian Stock Exchange“ AD is held by Nadia Koltchakova-Lazarova.

Correspondence address: Sofia, Tri Ushi Street No. 6





Tel. for contacts: +359 2 937 09 40

E-mail: [ir@bse-sofia.bg](mailto:ir@bse-sofia.bg)

5.6.21. The non-financial declaration under Art. 41 of the Accounting Law is attached as a separate document to this report. (Appendix No. 2; Item 22)

**5.7. Information according to Appendix No. 3 to Art. 10, item 2 of Ordinance 2 to the POSA**

5.7.1. There are no securities that are not admitted to trading on a regulated market in the Republic of Bulgaria or another member state. (Appendix No. 3; item 1)

5.7.2. As of 31.12.2023, only the Ministry of Finance owns a share of the company's capital that exceeds 5%, namely 50.05%. (Appendix No. 3; item 2)

5.7.3. There are no shareholders with special controlling rights. (Appendix No. 3; item 3)

5.7.4. There are no agreements between the shareholders that the company is aware of. (Appendix No. 3; item 4)

5.7.5. There are no material contracts of the company that give effect to, are amended or terminated due to a change in control of the company upon implementation of a mandatory tender offer. (Appendix No. 3; item 5)

March 27, 2024

CEO

Manyu Moravenov





## Appendix 1: Members of the Bulgarian Stock Exchange as of 31.12.2023

Inv. Intermediary „ABV Investments“ EOOD	Inv. Intermediary „Focal Point Investments“ AD
Inv. Intermediary „AVS Finans“ AD	Inv. Intermediary „UG Market“ EAD
Inv. Intermediary „Adamant Capital Partners“ AD	CB „Allianz Bank Bulgaria“ AD
Inv. Intermediary „Balkan Advisory Company IP“ EAD	CB „DSK Bank“ AD
Inv. Intermediary „BenchMark Finance“ AD	CB „Bulgarian American Credit Bank“ AD
Inv. Intermediary „Bulbrokers“ EAD	CB „Bulgarian Development Bank“ AD
Inv. Intermediary „Varchev Finance“ EOOD	CB „Investbank“ AD
Inv. Intermediary „De Novo“ EAD	CB „International Asset Bank“ AD
Inv. Intermediary „DV Invest“ EAD	CB „KBC Bank Bulgaria“ EAD
Inv. Intermediary „Dilingova Finansova Kompania“ AD	CB „United Bulgarian Bank“ AD
Inv. Intermediary „Euro - Finance“ AD	CB „Municipal Bank“ AD
Inv. Intermediary „Elana Trading“ AD	CB „First Investment Bank“ AD
Inv. Intermediary „Zagora Finacorp“ AD	CB „Texim Bank“ AD
Inv. Intermediary „Intercapital Markets“ AD	CB „TBI Bank“ EAD
Inv. Intermediary „Capman“ AD	CB „Tokuda Bank“ AD
Inv. Intermediary „Karoll“ AD	CB „D Commerce Bank“ AD
Inv. Intermediary „Capital Invest“ EAD	CB „UniCredit Bulbank“ AD
Inv. Intermediary „MK Brokers“ AD	CB „Central Cooperative Bank“ AD
Inv. Intermediary „First Financial Brokerage House“ EOOD	CB „Eurobank Bulgaria“ AD
Inv. Intermediary „Real Finance“ AD	Tradegate AG Wertpapierhandelsbank
Inv. Intermediary „Sofia International Securities“ AD	WOOD & Company Financial Services, a.s.
Inv. Intermediary „IP Favorit“ AD	



## Appendix 2: beam Market Advisors as of 31.12.2023

Boyanov & Co Law Office	Inv. Intermediary „ABC Finance“ AD
Gugushev & Partners Law Office	Inv. Intermediary „BenchMark Finance“ AD
Dimitrova, Staykova & Partners Law Office	Inv. Intermediary „Dilingova Finansova Kompania“ AD
Mikinski & Partners Law Office	Inv. Intermediary „Elana Trading“ AD
Tokushev & Partners Law Office	Inv. Intermediary „Karoll“ AD
Tsvetkova, Bebov & Partners Law Office	Inv. Intermediary „MK Brokers“ AD
BusinessTax AD	Inv. Intermediary „First Financial Brokerage House“ OOD
Data Owl	Inv. Intermediary „UG Market“ EAD
Investor Relations Services	





Company: **Bulgarian Stock Exchange**

NACE code: **6611**

Type of company: **Publicly-traded company**

Website:

<https://www.bse-sofia.bg/en/>



**Environment**



**Social issues and  
employment**



**Human rights  
protection**



**Anti-corruption**

The company has a policy in the respective field	×	✓	×	✓
The company assigned the respective field to an employee	×	×	×	×
The company participates/supports initiatives in the respective field	✓	×	×	×
The company reports risks in the respective field	×	✓	×	✓
The company applies measures to control the respective field	×	✓	×	✓
The managing bodies take part in the policy assessment and implementation	×	✓	×	✓

## Grounds for preparing a non-financial declaration.

Voluntary information disclosure

## Main information

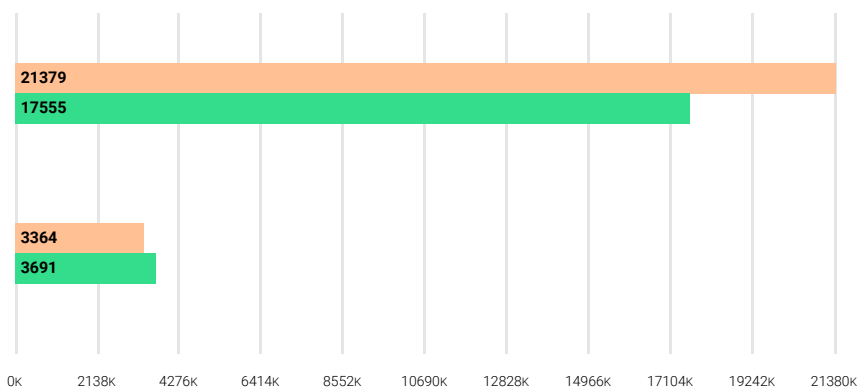


Total value of assets (thsnd BGN)



Net turnover (thsnd BGN)

2022 2023





Company: **Bulgarian Stock Exchange**

NACE code: **6611**

Type of company: **Publicly-traded company**

Website:

**<https://www.bse-sofia.bg/en/>**

## **Sustainable development issues of importance for the company**

The Bulgarian Stock Exchange has defined the sustainability themes and assessed the themes relevant to the Exchange as follows:

Reliable markets;

Corporate Governance and Business Ethics;

Human Capital Development;

Risk Management;

Sustainable Behaviour;

Community Relations;

Sustainable Products;

Product Responsibility;

Privacy.



Company: Bulgarian Stock Exchange

NACE code: 6611

Type of company: Publicly-traded company

Website:

<https://www.bse-sofia.bg/en/>

## Corporate management

### Investor Relations Officer

Nadia Koltchakova-Lazarova

<https://www.bse-sofia.bg/en/issuer-profile/BSE/>

### Business model description

The Bulgarian Stock Exchange is the only licensed operator of a regulated market of financial instruments in Bulgaria within the meaning of Article 152 of the Markets in Financial Instruments Act (MiFIA).

BSE AD is a public company within the meaning of Art. 110(1) of Public Offering of Securities Act.

BSE AD is an organiser of:

- Multilateral Trading Facility (MTF) BEAM SME Growth Market, which provides financing for the activities of small and medium-sized companies in Bulgaria;
- Multilateral Trading Facility (MTF) BSE International - a marketplace that provides local investors with the opportunity to diversify their portfolios with financial instruments issued by some of the world's most well-known and liquid companies.

In addition, the Bulgarian Stock Exchange AD is a provider of data reporting services - operator of a publication mechanism within the meaning of Article 205(2) of MiFID, as well as the only licensed administrator of benchmarks in the country within the meaning of Regulation (EU) 2016/1011.

The main mission of the Bulgarian Stock Exchange AD is to contribute to the creation of conditions for the existence and establishment of the Bulgarian capital market as a well-developed, liquid, reliable and efficient market, which is stable, enjoys public confidence and at the same time ensures the protection of investors in financial instruments, as well as increases their awareness.

### Any changes to the business model occurred

No changes in the company's business model in the reporting period

### Interested parties interaction

The Bulgarian Stock Exchange has identified all major stakeholder groups - issuers, investors, regulators. Regular meetings are organised with all stakeholders at the time of publication of the company's quarterly and annual reports, where the former can put their questions related to the activities of the Exchange to the corporate management.

Meetings are organized with all stakeholders upon publication of the company's quarterly and annual reports, at which the former can ask their questions related to the activities of the Exchange to the corporate management.

### International standards

Bulgarian Stock Exchange AD is ISO 9001/27001 certified.

### Risk policy

[https://download.bse-sofia.bg/BSE-Rules/Part\\_VI-Risk%20Management%20Rules.pdf](https://download.bse-sofia.bg/BSE-Rules/Part_VI-Risk%20Management%20Rules.pdf)

Approval Authority: The risk management policy was adopted by the Board of Directors of BSE.

### Sanctions imposed by regulatory, supervisory, or state authorities during the reporting period if any

No sanctions

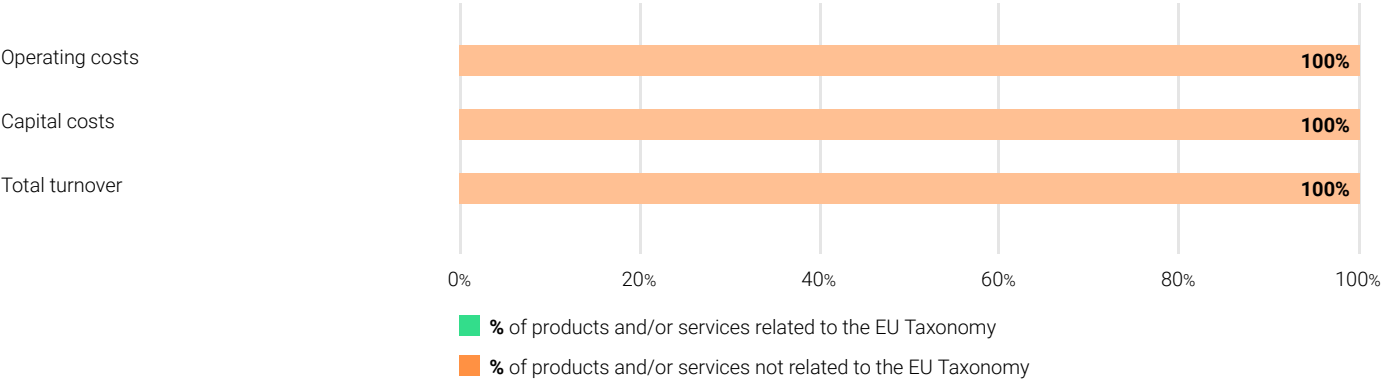


Company: Bulgarian Stock Exchange	NACE code: 6611 Type of company: Publicly-traded company	Website: <a href="https://www.bse-sofia.bg/en/">https://www.bse-sofia.bg/en/</a>
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Environment

Key Result Indicators



How did your company determine what portion of your turnover, capital expenditure and operating expenditure is associated with economic activities eligible under the EU Taxonomy?

All indicators - turnover, capital and operating costs of the Bulgarian Stock Exchange AD are from services that are not related to EU taxonomy compliant economic activities.

(Explanation of the) Basis of the key result indicators calculation

All indicators - turnover, capital and operating costs of the Bulgarian Stock Exchange AD are from services that are not related to EU taxonomy compliant economic activities.

Policies connected to the climate and environment, which the company applies

The Bulgarian Stock Exchange is preparing a comprehensive climate and environment strategy, which is expected to be finalised and approved by mid-2024.

Climate and environmental initiatives in which the company participates or initiates

The Bulgarian Stock Exchange, following the mission to promote responsible investments in sustainable development and to improve environmental, social and good corporate governance performance in Bulgaria, together with the Bulgarian Independent Energy Exchange are the initiators of the establishment of the Green Finance & Energy Centre (the Green Centre) to concentrate the efforts of business, government and other stakeholders towards the transformation of the economy and sustainable development of our country.

In August 2022 the Board of Directors of the Bulgarian Stock Exchange also agreed to follow the ESG Reporting Guidelines. Bulgarian Stock Exchange AD believes that ESG practices are fundamental for both individual companies and investors, and that a focus on ESG can lead to improved and harmonised corporate governance and hence help achieve the 2050 decarbonisation goals.

In August 2022 the Bulgarian Stock Exchange announced its partnership with one of the world's leading providers of data and infrastructure for financial markets - LSEG Data & Analytics (formerly Refinitiv), part of the London Stock Exchange Group. LSEG Data & Analytics will manage and provide data on the sustainable performance of Bulgarian public companies. This data in the form of ratings will be used to select the companies that will be included in the future ESG index of the Bulgarian Stock Exchange.

Environmentally sustainable activities

The company does not carry out environmentally sustainable activities contributing to the fulfillment of environmental goals, according to Article 9 of Regulation 2020/852

Environmentally sustainable objectives

n/a



Company: Bulgarian Stock Exchange

NACE code: 6611  
Type of company: Publicly-traded company

Website:  
<https://www.bse-sofia.bg/en/>



Environment

Environmentally sustainable activities

The company does not carry out environmentally sustainable activities contributing to the fulfillment of environmental goals, according to Article 9 of Regulation 2020/852

Environmentally friendly products and/or services

The company does not develop green products and/or services.

Waste management plan

The company has implemented a waste management plan

Bulgarian Stock Exchange generates household waste in the administrative building where its main activity is carried out.

Undertaken activities to reduce the environmental impact

The company has not taken active measures to mitigate its impact on the environment

Travel: A green travel policy has been introduced. BSE encourages the use of public transport by employees by providing them with free cards for the entire city network. Other : The company has also taken measures to reduce plastic waste generated by replacing the use of mineral water supplied to employees in plastic bottles with the use for drinking purposes of water from the building plumbing system filtered through a reverse osmosis system. Additional measures to mitigate the environmental impact of the activities of the Bulgarian Stock Exchange will be introduced after the adoption of the BSE's overall strategy in 2024.

Environmental impact

The use of products or services of the company

The company does not measure the environmental impact of produced and offered products and services.

The pollution control

The company's activity does not imply significant pollution of the environment.

The generated waste

Bulgarian Stock Exchange generates household waste in the administrative building where its main activity is carried out.

The water quantity used by the company for production and supply of products and services ( in m³)

483.57

The area used by the company for production and supply of products and services ( in m²)

1138

The quantity of rare earth elements the company uses ( in kg)

Company does not use "Rare Earth Elements".

Other natural resources relevant to the company's activities

There are no other natural resources relevant to the operations of the Bulgarian Stock Exchange.

Active measures taken by the company to mitigate the impact on the environment

The company has not taken active measures to mitigate its impact on the environment

Travel: A green travel policy has been introduced.

BSE encourages the use of public transport by employees by providing them with free cards for the entire city network.

Other : The company has also taken measures to reduce plastic waste generated by replacing the use of mineral water supplied to employees in plastic bottles with the use for drinking purposes of water from the building plumbing system filtered through a reverse osmosis system.

Additional measures to mitigate the environmental impact of the activities of the Bulgarian Stock Exchange will be introduced after the adoption of the BSE's overall strategy in 2024.

Total amount of energy consumed within the organisation ( MWh)

105.20

including from renewable sources (MWh)

0

Greenhouse Gas Emissions (GHG) - in Carbon Dioxide Equivalents (kg CO2e)



Company: **Bulgarian Stock Exchange**

NACE code: **6611**

Type of company: **Publicly-traded company**

Website:

**<https://www.bse-sofia.bg/en/>**

## **Greenhouse Gas Emissions (GHG) - Scope 1 and Scope 2**

GHG emissions from Scope 1: Direct emissions (kg CO<sub>2</sub>e) - **17900**

GHG emissions from Scope 2: Indirect emissions (kg CO<sub>2</sub>e) - **61300**

## **Greenhouse Gas Emissions (GHG) - Scope 3**

It is stated that the company does not calculate GHG emissions from Scope 3

## **Environmental risks**

The company does not consider risks arising from climate change and environmental degradation.

## **Objectives and tasks**

Bulgarian Stock Exchange AD is in the process of developing a comprehensive environmental impact strategy, which includes the definition of goals and objectives.



Company: Bulgarian Stock Exchange

NACE code: 6611  
Type of company: Publicly-traded company

Website:  
<https://www.bse-sofia.bg/en/>



Social issues and employment

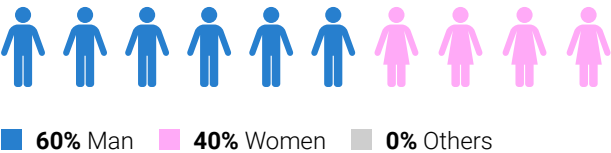
Policies connected to social issues and employment

- Diversity Policy
- Anti-discrimination Policy
- Data Security Policy
- Communications and Disclosure Policy
- Security Policy
- Physical Security Policy

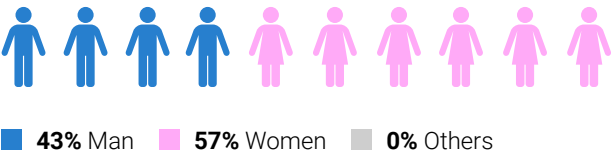
Number of persons employed by the company - 28

Employment diversity

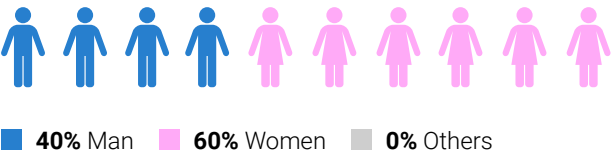
Members of managing bodies



Senior management



Employees





Company: **Bulgarian Stock Exchange**

NACE code: **6611**

Type of company: **Publicly-traded company**

Website:

<https://www.bse-sofia.bg/en/>

## Average employment tenure in the company

15

## Employees left during the reporting period

3

## Accidents at work

0

## Cases of occupational diseases

0

## Average number of hours employees participated in career development training during the reporting period

45

## Unregulated access to data of customers or users during the reporting period

No

## Cases of leakage, theft or loss of customer or user data in the company during the reporting period

No

## Gender pay gap

The company ensures equal starting pay for both men and women, eliminating any gender pay gap at the entry level

## Measures to support work-life balance for employees

Encouragement of taking breaks  
Encouragement of taking vacation days  
Reimbursement of extra hours  
Regular team outings  
Offer flexible and remote working

## Measures to ensure the health and safety of employees at work

We take measures to prevent accidents on building sites, in plants and in projects.  
We eliminate unsafe and dangerous conditions immediately.  
We control hazards and take the best possible precautionary measures against accidents and occupational diseases.  
We regularly develop minimum requirements further internally and keep our suppliers informed about them.  
We follow applicable environmental, health and safety policies, guidelines and laws.  
We have a person who is responsible for occupational health and safety matters and who trains and educates our employees.  
Other. Please specify  
The policy of the Bulgarian Stock Exchange is oriented towards the continuous improvement of the organization for the management of the activity in terms of ensuring healthy and safe working conditions. The following periodic briefings were conducted in 2023:  
- Health and safety briefing - February  
- Fire safety and fire evacuation briefing - May



Company: Bulgarian Stock Exchange

NACE code: 6611  
Type of company: Publicly-traded company

Website:  
<https://www.bse-sofia.bg/en/>



Social issues and employment

Discrimination

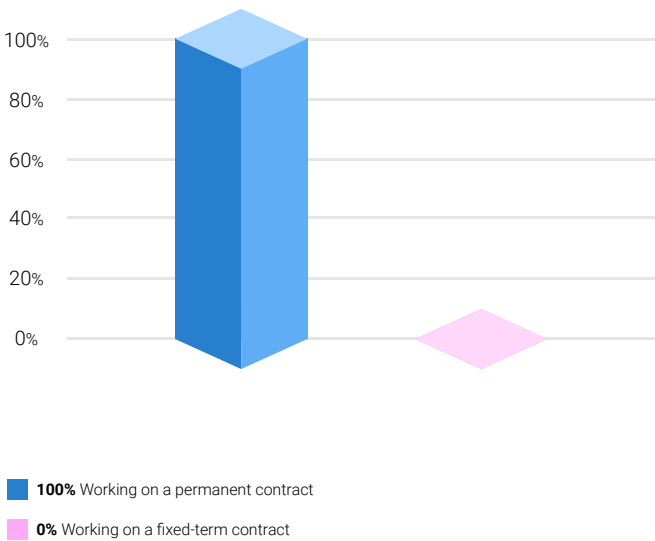
Types of discrimination to be reported

The Bulgarian Stock Exchange has not defined a specific procedure for reporting cases of discrimination. All cases can be reported under the general rules.

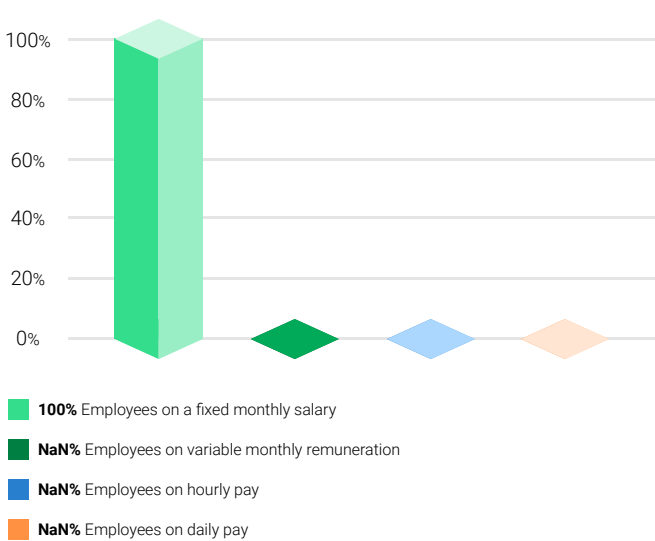
Reported cases of discrimination during the reporting period

0

Types of employment relationship



Types of remuneration



Main risks associated with social issues and employment

The risks of loss of employee motivation, lack of qualified staff, staff turnover, deteriorating health of the team are minimized by applying appropriate measures. Considering the specific activity of the Bulgarian Stock Exchange as an organized securities trading market, the company makes efforts to retain its employees through ongoing training on current topics, the introduction of a social program, additional health insurance, a comfortable working environment, etc.

Objectives and tasks

The main goal of the Bulgarian Stock Exchange is to ensure equality, opportunity for development, continuing education and qualification improvement, as well as a comfortable and safe working environment for employees. The Company stimulates the career development of employees by giving priority to internal candidates when opening new vacant positions.



Company: Bulgarian Stock Exchange

NACE code: 6611

Type of company: Publicly-traded company

Website:

<https://www.bse-sofia.bg/en/>

## Human rights protection

### Policies connected to the human rights protection

The company does not implement a policy to protect human rights

Bulgarian Stock Exchange complies with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work. In addition, the Bulgarian Stock Exchange supports and promotes the basic human rights of employees as they are implemented in various policies and procedures of the Exchange:

Ensuring healthy and safe working conditions;

Ensuring honest and fair remuneration for labor and benefits, working hours, additional bonuses, possibility of remote work;

Workplace security;

Consideration of submitted complaints;

Prohibition of any kind of discrimination;

Prohibition of employment of persons below the legal minimum working age;

Protection of personal data.

### Principles and standards applied

The Convention on the Elimination of All Forms of Discrimination Against Women

The Convention on the Rights of the Child

The United Nations Guiding Principles on Business and Human Rights (UNGPs)

The International Labour Organization Declaration on Fundamental Principles and Rights at Work

The International Convention on the Elimination of All Forms of Racial Discrimination

The Convention on the Rights of Persons with Disabilities

The Charter of Fundamental Rights of the European Union

The United Nations' (UN) Universal Declaration of Human Rights

The Organisation for Economic Co-operation and Development' (OECD) Guidelines for Multinational Enterprises

### Activities carried out in countries designated as high-risk areas

No

### Principles of ensuring compliance with human rights protection policies throughout the supply chain and commercial relationships

Bulgarian Stock Exchange establishes business relations with suppliers of good reputation.

### Cases of human rights violations related to the company's activities

0

### New providers of which due diligence has been carried out for potential and actual adverse impacts on human rights (%)

0

### Main risks associated with human rights protection

The company does not implement policies and has not identified risks related to the protection of human rights.

### Objectives and tasks

Bulgarian Stock Exchange aims to maintain zero discrimination in matters related to the protection of human rights.



Company: Bulgarian Stock Exchange

NACE code: 6611  
Type of company: Publicly-traded company

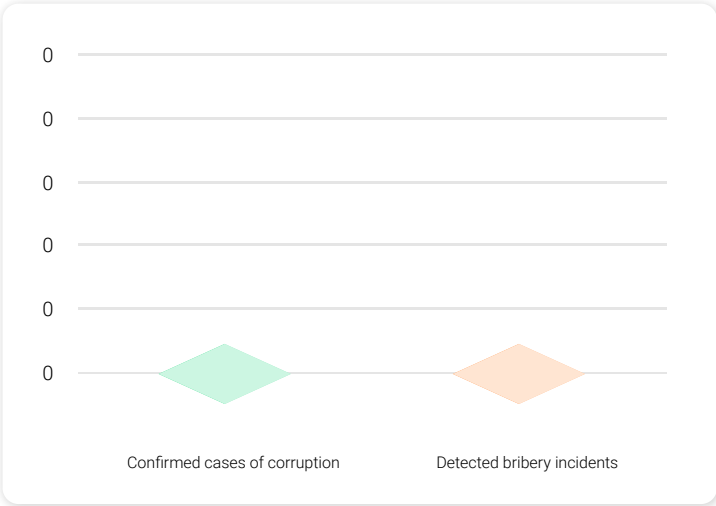
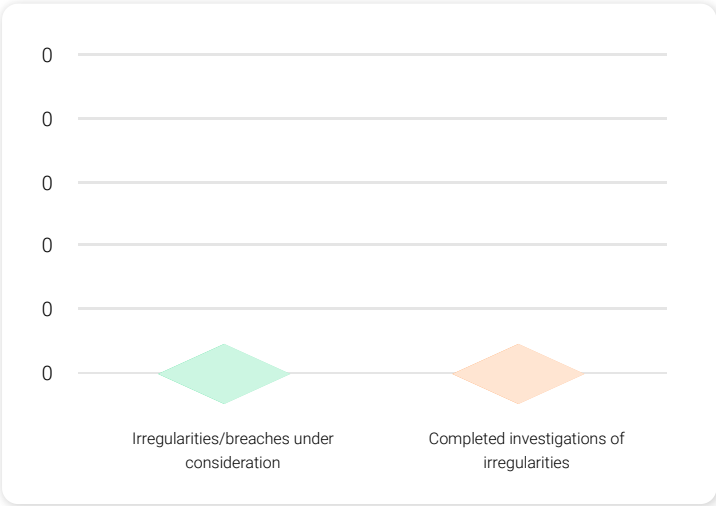
Website:  
<https://www.bse-sofia.bg/en/>



Anti-corruption

Applied policies of anti-corruption prevention and counteraction  
Whistleblower and Complaint Policy

Measures introduced to prevent and combat corruption  
We maintain reporting channels for employees to report suspected violations  
We regularly inform business partners of our commitment to abide by anti-bribery laws and seek a reciprocal commitment from them  
The Bulgarian Stock Exchange has developed and applies Rules for the submission of internal signals by employees.  
The Rules are available at: [https://download.bse-sofia.bg/BSE-Rules/Part\\_X-Whistleblowing\\_Rules\\_EN.pdf](https://download.bse-sofia.bg/BSE-Rules/Part_X-Whistleblowing_Rules_EN.pdf)



Substantial risks related to anti-corruption prevention and combat  
Bulgarian Stock Exchange observes to the principle of collective strategic decision-making, as well as strict compliance with applicable anti-corruption legislation, which minimizes the risk of corrupt practices in the company.



Company: **Bulgarian Stock Exchange AD**

Control system: **One-tier**

Code under NACE.BG: **6611**

Type of company: **Company with transferable securities  
traded on regulated markets in the EU**

### **Code of Good Corporate Conduct approved by the Financial Supervision Commission**

The company partially complies with the National Corporate Governance Code.

The Chairman of the Board of Directors is not an independent member, insofar as he is a member of the management body of a person who is in contractual relations with the exchange (exchange member). Nevertheless, the structure of the Board of Directors is in accordance with the requirements of art. 116a<sup>1</sup>, para. 2 of the Public Offering of Securities Act (POSA).

The remuneration of the executive management specified in the management contract has no variable component. Depending on the financial results achieved, the Board of Directors may set additional incentives for executive members.

The structure of the BoD is in accordance with art. 116a<sup>1</sup>, para. 2 of the Public Offering of Securities Act, but due to the fact that it does not distinguish independent from executive members, the remuneration of the former cannot be determined on the basis of control functions and participation in meetings.

The adopted company Policy for determining the remuneration of the members of the Board of Directors of the BSE does not provide for the possibility of allocating additional incentives to the executive members of the BoD of the company.

The company strictly adheres to best practices regarding disclosure of information, without being formulated in the form of a written policy. Any changes in the disclosure process are authorized by the corporate management.

The Board of Directors has adopted rules for its activities that do not include ethical aspects of it. In 2023, no ethical issues arose between management members, including enforcing compliance with certain written procedures.

The Audit Committee of the Stock Exchange, in accordance with the requirements of the Independent Financial Audit Act, consists of three members: Sirma Ilieva Atanasova, Mariana Stefanova Simova and Radoslav Atanasov Zhelyazov (Decision under item 13 of the agenda of the Annual General Meeting of Shareholders held on 24.06.2021), two of whom are independent. They were elected at the Annual General Meeting of Shareholders (GMS) of the Bulgarian Stock Exchange held on 24.06.2021. The General Meeting held on 07.04.2017 approved the status of the Audit Committee of the company and adopted its Rules of Procedure (Decision under item 10 of the agenda of the Annual General Meeting of Shareholders held on 07.04.2017), and on 24.06.2021 adopted amendments and supplements to the above Statute (Decision under item 14 of the agenda of the Annual General Meeting of Shareholders held on 24.06.2021 ).

The corporate management follows strict and consistent rules for the organization and conduct of each general meeting (regular or extraordinary). The invitation for a GMS shall be prepared with the maximum degree of detail and in accordance with the regulatory requirements, indicating in detail the proposed draft resolutions and allowing each shareholder to get acquainted in advance with the agenda of the meeting from the moment of its announcement. Written procedures for conducting a GMS have not been prepared because the legal framework has explicitly regulated the basic principles of organization and



Company: **Bulgarian Stock Exchange AD**Control system: **One-tier**Code under NACE.BG: **6611**Type of company: **Company with transferable securities  
traded on regulated markets in the EU**

conduct of the General Assembly of a public company, and the specific draft decisions are set out in detail in the invitation.

Any material periodic and incidental information shall be disclosed promptly. The company's activities are carried out entirely in accordance with the current regulations, including the applicable European legislation with direct application in the local legislation. Notwithstanding the above, BSE has developed rules as part of the Quality and Information Security Management and Personal Data Protection Policy, according to which the materiality of any information related to the company is assessed, respectively the need for its disclosure.

The annual and interim accounts are prepared under the supervision of the Executive Director and the Audit Committee, without this being regulated in the form of internal rules.

So far, the company has published only information regarding the work with employees, suppliers and customers, as well as information about the social responsibility of the company. The exchange will focus on disclosure and non-financial information in other aspects of its activities.

BSE has not developed its own rules for taking into account the interests of stakeholders (exchange members, issuers), but when making decisions that directly or indirectly affect these stakeholders, the relevant coordination procedures are carried out.

Any changes in the rules of operation of the Exchange are discussed in advance with professional organizations and participants in the capital market through the relevant consultation procedures.

## **Compliance with a Code of Good Corporate Conduct other than that approved by the Financial Supervision Commission**

The Company does not comply with a Code of Good Corporate Conduct, different from that approved by the Financial Supervision Commission.

## **Internal control system**

The Bulgarian Stock Exchange has established an internal control system that ensures the effective functioning of the reporting and disclosure systems. The internal control system is established and operated in order to identify the risks accompanying the Company's activities and support their effective management.

BSE applies rules and procedures regulating the effective functioning of the reporting and disclosure systems by the company. The rules describe in detail the different types of information created and disclosed by the company, the processes of internal document flow, the different levels of access to the types of information of the responsible persons and the deadlines for processing and management of information flows. The established risk management system ensures the effective implementation of internal control in the creation and management of all company documents, including financial statements and other regulated information that the Company is obliged to disclose in accordance with the legal provisions.



Company: **Bulgarian Stock Exchange AD**

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The main types of risks relevant to the company's activities and their management policy are regulated in Part VI – "Risk Management Rules" of the Rules of Procedure of the Bulgarian Stock Exchange AD.

The risk management policy is applied in an integrated manner and in accordance with all other policies and principles regulated in the internal acts of BSE. The risk management rules of the Exchange document the measures and procedures for identifying, managing and assessing risks, related to the activity of the Exchange, by the order of art. 168, para. 1 of the Markets in Financial Instruments Act.

A detailed description of the risks inherent in the BSE activity is presented in item 4 "Risk factors" of the registration document (pages 12 – 24), representing Part I of the approved by the Financial Supervision Commission Prospectus by Decision № 816 – PC / 15.12.2010 for admission of BSE shares to trading on a regulated market. The prospectus can be found on the BSE website. (<https://www.bse-sofia.bg/bg/shareholders-rights>)

## Governing bodies

### Board of Directors – functions and duties:

The Board of Directors of the Bulgarian Stock Exchange manages independently and responsibly the Company in accordance with the established vision, objectives, strategies of the company and the interests of the shareholders.

The members of the Board of Directors shall guarantee their management in an amount determined by the General Meeting of Shareholders at the equivalent of their quarterly gross remuneration.

The Board of Directors of the Bulgarian Stock Exchange AD establishes and controls the strategic directions for the development of the Company.

The Board of Directors of the Bulgarian Stock Exchange has established and follows the company's risk policy. Under the control of the Board, the risk management and internal audit system of the Bulgarian Stock Exchange AD has been established and operates.

The Board of Directors of the Bulgarian Stock Exchange AD complies with the legal and contractual obligations of the Exchange in accordance with the adopted Statute of the Company and the adopted Rules of Procedure of the Board of Directors.

Under the control of the Board of Directors of the Bulgarian Stock Exchange AD, the financial and information system of the Company was established and operated.

The main obligation of the Board of Directors of the Bulgarian Stock Exchange AD is to provide guidance, approve and control the implementation of: the business plan of the Company, transactions of a substantial nature, as well as other activities established in its founding acts.

The Board of Directors of the Bulgarian Stock Exchange has defined and monitors compliance with the Company's policy regarding disclosure of information and investor relations. Provides the shareholders with the information required by the law and the statutes of the Company.

During their term of office, the members of the Board of Directors shall be guided in their activities by the



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generally accepted principles of integrity and managerial and professional competence.

The Board of Directors of the Bulgarian Stock Exchange AD prepares an annual report on its activities and reports to the General Meeting of Shareholders.

## Election and dismissal of members of the Board of Directors:

The General Meeting of Shareholders elects and dismisses the members of the Board of Directors of the Bulgarian Stock Exchange AD.

BSE is a regulated market of financial instruments and a market operator within the meaning of art. 152 of the Markets in Financial Instruments Act (MFIA). For the organization and professional performance of activity as a regulated market, a license from the Financial Supervision Commission (FSC) is required. At the same time, BSE is a public company within the meaning of art. 110 of the Public Offering of Securities Act (POSA).

As a regulated market, market operator and public company, BSE is a supervised entity of the FSC and operates in compliance with the requirements of the current national and European legislation, as well as in accordance with good practices and principles of modern corporate governance (National Corporate Governance Code).

With regard to the activity carried out by BSE as a regulated market, special requirements apply to the selection, nomination, election and approval of the members of the management and supervisory bodies of the market operator through a Selection Committee for candidates, which are introduced by Directive 2014/65/EU – Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

The management assignment contracts concluded with the members of the Board of Directors shall specify their duties and tasks, the criteria for the amount of their remuneration, their obligations of loyalty to the Company and the grounds for dismissal.

## Structure and competence of the Board of Directors:

The number of members and the structure of the Board of Directors are defined in the Statute of the Bulgarian Stock Exchange AD.

The composition of the Board of Directors elected by the General Assembly guarantees the independence and impartiality of the assessments and actions of its members with regard to the functioning of the Company. The number and qualities of independent directors guarantee the interests of shareholders.

The Board of Directors shall ensure due division of tasks and duties among its members. The executive management of the Bulgarian Stock Exchange AD is composed of independent directors within the meaning of Art. 116a1, para. 2 of the Public Offering of Securities Act, which participate effectively in the work of the Company in accordance with the interests and rights of the shareholders.

The Chairman of the Board of Directors is not an independent member insofar as he is a member of the management body of a person who is in contractual relations with the exchange (exchange member). Nevertheless, the structure of the Board of Directors is in accordance with the requirements of art. 116a1, para. 2 of the POSA. The competences, rights and obligations of the members of the Board of Directors



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follow the requirements of the law, the statutes, the rules of procedure of the Bulgarian Stock Exchange AD and the standards of good professional and management practice.

The members of the Board of Directors of the Bulgarian Stock Exchange AD have the appropriate knowledge and experience that their position requires. After their election, the new members of the Board of Directors are introduced to the main legal and financial issues related to the Company's activities.

The members of the Board of Directors shall have the necessary time to carry out their tasks and duties. The number of companies in the management of which the members of the Board of Directors may participate shall be determined in accordance with art. 158, para. 3 and 4, in connection with art. 14 of the MFIA and art. 20, para. 1, item 12 of the Public Enterprises Act.

The election of the members of the Board of Directors of the Bulgarian Stock Exchange AD shall be carried out through a transparent procedure under the Markets in Financial Instruments Act and in compliance with the Public Offering of Securities Act and the relevant application of the Public Enterprises Act. The procedure shall provide sufficient information on the personal and professional qualities of the candidates for membership. The number of consecutive mandates of the members of the Board of Directors ensures the effective work of the Company and compliance with the legal requirements. According to the Statute of the Bulgarian Stock Exchange AD, the members of the Board of Directors may be re-elected without restriction.

#### Remuneration of the members of the Board of Directors:

The amount and structure of the remuneration of the members of the Board of Directors shall be determined in accordance with the adopted by the General Meeting "Policy for determining the remuneration of the members of the Board of Directors of the Bulgarian Stock Exchange AD" and the Statute.

In accordance with the legal requirements and the good practice of corporate governance, the amount and structure of the remuneration of the members of the Board of Directors of the Bulgarian Stock Exchange AD shall take into account:

The obligations and contribution of each member of the Board to the activities and results of the Company; The possibility of selecting and retaining qualified and loyal members of the Board of Directors;

The need to align the interests of the members of the Board of Directors and the long-term interests of the Company. The remuneration of the executive management specified in the management contract has no variable component.

In accordance with the adopted Remuneration Policy of the Board of Directors, the company does not provide as additional remuneration to members of the Board of Directors shares, stock options and other appropriate financial instruments.

The statutes do not regulate the procedure for providing and using additional incentives by the members of the Board of Directors. Non-executive members of the Council do not benefit from additional incentives.



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The remuneration of independent directors shall be permanent and shall reflect participation in meetings, the performance of their tasks to supervise the actions of the executive management and to participate effectively in the work of the Company.

The disclosure of information about the remuneration of the members of the Board of Directors of the Bulgarian Stock Exchange AD is presented in the annual report of the Company in accordance with the legal norms and statutes of the Company and the Public Offering of Securities Act. Shareholders have easy access to remuneration information. BSE publishes its annual report on the X3News website and on its website in the sub-section "BSE Reports" of the Investor Relations Section.

#### Conflict of interest:

Members of the Board of Directors shall avoid and shall not allow any actual or potential conflict of interest.

The members of the Board of Directors shall immediately disclose conflicts of interest and provide shareholders with access to information about transactions between the Company and members of the Board of Directors or persons related to it.

Any conflict of interest in the Company shall be disclosed to the Board of Directors.

The Bulgarian Stock Exchange AD acknowledges and takes into account the practice that a potential conflict of interest exists when the Company intends to carry out a transaction with a legal entity in which:

- a) a member of the Board of Directors or persons related to it have a financial interest;
- b) a member of the Board is a member of the Management Board, the Supervisory Board or the Board of Directors.

#### Protection of shareholders' rights:

The corporate management of BSE encourages the participation of shareholders in the General Meeting of Shareholders, including by providing the possibility of remote presence through technical means (including the Internet) in cases where this is possible and necessary and does not contradict item 23.2.4. of the National Corporate Governance Code and when a regulatory regulation is created and there is a reliable and secure technical capability.

#### Committees supporting the activities of the Board of Directors – functions and responsibilities:

The activity of the Board of Directors of the Company is supported by an Audit Committee.

By resolution of the General Meeting of Shareholders of the Bulgarian Stock Exchange of 07.04.2017, on the basis of Article 107 of the Independent Financial Audit Act, an Audit Committee was elected.

Chairman of the Audit Committee is Sirma Atanasova.

#### **Functions and responsibilities of the General Meeting of Shareholders**

All shareholders of the Bulgarian Stock Exchange have the right to participate in the General Meeting of Shareholders and express their opinion. Shareholders with voting rights have the opportunity to exercise



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their voting rights at the General Meeting of the Company and through representatives.

The corporate management of the Bulgarian Stock Exchange carries out effective control by creating the necessary organization for the voting of the authorized persons in accordance with the instructions of the shareholders or in the ways permitted by law.

The corporate management of the Bulgarian Stock Exchange AD organizes and conducts the regular and extraordinary General Meetings of the Company's shareholders in compliance with strict rules. They shall ensure equal treatment of all shareholders and the right of each shareholder to express his views on the items on the agenda of the General Meeting.

The corporate management of the Bulgarian Stock Exchange AD organizes and conducts the General Meeting of Shareholders in a way that does not make voting difficult or more expensive.

The corporate management of the Bulgarian Stock Exchange encourages the participation of shareholders in the General Meeting of Shareholders, including by providing the possibility of remote presence through technical means (including the Internet) in cases where this is possible and necessary and does not contradict item 23.2.4. of the National Corporate Governance Code and when a regulatory regulation is created and there is a reliable and secure technical capability.

All members of the corporate management of the Bulgarian Stock Exchange AD attend the general meetings of the shareholders of the Company.

#### Materials for the General Meeting of Shareholders

The written materials prepared by the Bulgarian Stock Exchange and related to the agenda of the General Meeting are specific and clear and do not mislead the shareholders. All proposals regarding major corporate events are presented as separate items on the agenda of the General Meeting, including the profit-sharing proposal.

The Bulgarian Stock Exchange maintains on its website a special section on the rights of shareholders and their participation in the General Meeting of Shareholders.

The corporate management of the Bulgarian Stock Exchange AD complies with the provisions of the Public Offering of Securities Act and assists the shareholders authorized by the court to include additional issues on the agenda of the General Meeting.

The corporate management of the Bulgarian Stock Exchange guarantees the right of shareholders to be informed about the decisions taken at the General Meeting of Shareholders.

#### **Information under Article 10, paragraph 1, letters (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 for takeover bids**

Significant direct or indirect shareholdings within the meaning of Article 85 of Directive 2001/34/EC

There are none.



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### The holders of all securities with special control rights and a description of these rights

BSE have no shares that give special control rights.

There are no restrictions on voting rights, such as restrictions on the voting rights of the holders of a certain percentage or number of votes, deadlines for the exercise of voting rights or systems through which, through cooperation with the company, the financial rights granted to the securities are separated from the holding of the securities in relation to the shares, issued by the Bulgarian Stock Exchange AD.

### Restrictions on voting rights

There are no restrictions on the voting rights of the company's shareholders.

### Rules governing the appointment or replacement of board members and amendments to the memorandum of association

The rules for the election of members of the Board of Directors of the Exchange are laid down in the Statute of the company. According to Art. 21, item 4 of the Statute of the Stock Exchange, the election and dismissal of the members shall be carried out by the General Meeting of Shareholders. The requirements for the members of the Board of Directors are specified in art. 158 of the Markets in Financial Instruments Act (MFIA). According to the provision of art. 158, para. 3 in relation to art. 15, para. 1 of the MFIA, the change in the composition of the persons, who are members of the managing bodies of the market operator or manage the activity of the market operator, shall be carried out after prior approval by the Deputy Chair of the FSC in charge of the Supervision of the Investment Activities Division.

In 2019, the Public Enterprises Act (PPA) was adopted, under which BSE as a company with over 50% state participation is a public enterprise. The PPA applies insofar as the election and dismissal of the members of the Board of Directors is not regulated by the special laws.

### The powers of the company's board members, in particular the right to issue or redeem shares

The powers of the members of the Board of Directors of the Exchange are specified in art. 35 of the company's statute. The right to issue or repurchase shares is within the competence of the General Meeting of Shareholders under art. 21, item 2 of the Statute of the company.

## **Diversity Policy**

### Description of the diversity policy:

The Policy for selection of the members of the Board of Directors (BoD) of the Bulgarian Stock Exchange and for promotion of diversity pursued by the Exchange complies with the regulatory requirements to the management and supervisory bodies arising from the transposition of Directive 2014/65/EU (MiFID II) into the Markets in Financial Instruments Act (MFIA) and its implementing acts, as well as the requirements of the Public Offering of Securities Act (POSA), the Guidelines of the European Securities and Markets Authority (ESMA) on the management bodies of market operators and data reporting service providers and Ordinance No 74 of 9.08.2022 on the requirements for the activity of market operators.

### Implementation of diversity policy:



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Basic principles that are applied in the selection and evaluation of the members of the Board of Directors are:

- equality between women and men in the selection of members of the Board of Directors;
- equality between women and men in making decisions.

By applying these principles, BSE strives to maintain a balanced gender ratio.

#### Objectives of the diversity policy:

The purpose of the Policy is to apply the established standards that should be taken into account when appointing new and evaluating existing members of the management body, as well as to ensure diversity in the selection of members of the management bodies, which will ensure a reliable system of management and control, respectively the good corporate governance of the Bulgarian Stock Exchange AD.

#### Results of diversity policy implementation:

The Board of Directors of BSE consists of 5 (five) individuals with different professional experience, gender and age.





**BULGARIAN  
STOCK EXCHANGE**

**REPORT  
OF THE BOARD OF DIRECTORS  
OF BULGARIAN STOCK EXCHANGE AD  
REGARDING THE IMPLEMENTATION OF THE  
REMUNERATION POLICY FOR  
DIRECTORS OF THE COMPANY, DEVELOPED IN  
ACCORDANCE WITH THE REQUIREMENTS OF  
THE FINANCIAL SUPERVISION COMMISSION REGULATION NO.48 OF  
MARCH 20,2013, ON THE REQUIREMENTS  
FOR REMUNERATION**

**27<sup>TH</sup> MARCH 2024**





## Introduction:

During the period from January 1, 2023, to December 31, 2023, in compliance with the Policy for determining the remuneration of the members of the Board of Directors (the Remuneration Policy, the Policy), Bulgarian Stock Exchange AD (the Company, the Exchange, BSE AD), as a public company, duly complies with the provisions of Ordinance № 48 of the FSC on the requirements for remuneration (Ordinance № 48).

This report is prepared based on Article 12 and Article 13 of Ordinance № 48 and in it, the Company discloses how it implements the Remuneration Policy for the members of the Board of Directors and Executive members.

### ***1. Information regarding the decision-making process in determining the remuneration policy, including, if applicable, information about the mandate and composition of the remuneration committee, the names of external consultants whose services have been used in determining the remuneration policy:***

The policy for determining the remuneration of the members of the Board of Directors of BSE AD is developed by the Board of Directors (BoD) of the company and is adopted and amended by a decision of the General Meeting of Shareholders (GMS).

The decisions of the Board of Directors for the definition, review and implementation of the Remuneration Policy shall be adopted in accordance with the requirements of the Statute of the Company. The policy was adopted by the extraordinary General Meeting of Shareholders held on December 10, 2020. In developing the Policy, all regulatory requirements have been taken into account.

According to the current Remuneration Policy, there is no provision for the establishment of a remuneration committee. External consultants were not used by the Board of Directors in determining the policy.

The remuneration of the members of the Board of Directors is specified in the Company's Articles of Association and is equal to one average monthly salary for the Exchange, calculated for the last calendar year. According to Article 34, Par. 3 of the Company's Articles of Association, the Board of Directors may determine a lower remuneration amount for its members than one average monthly salary.

The Policy for determining the remuneration of the members of the Board of Directors of the Bulgarian Stock Exchange AD aims to establish clear and objective principles in the formation of the remuneration of the members of the management body of the exchange.





## ***2. Information regarding the relative weight of variable and fixed remuneration for members of the executive and supervisory bodies***

The members of the Board of Directors of BSE AD receive a fixed remuneration, which is a fixed monthly payment determined by the General Meeting of Shareholders in accordance with the provisions of the statutes of the Company and the current Remuneration Policy.

The monthly remuneration of the members of the Board of Directors shall be in the amount of one average monthly salary for the Exchange, calculated for the last calendar year. The average salary is formed by the individual gross monthly salary of the employees working under an employment relationship and by the remuneration of the executive members determined in the contracts for management assignment. The gross salary includes the basic salary specified in the respective employment contract and the additional remuneration for acquired work experience and professional experience. The Board of Directors may also determine a smaller amount of the remuneration of its members than provided for in Art. 7, par (1) of the Policy.

For the company's management assigned to them, the executive member is entitled to a fixed remuneration, which is determined by the Board of Directors in the contract for management assignment.

The members of the Board of Directors shall not receive additional remuneration related to the activities carried out by BSE under the Markets in Financial Instruments Act as a market operator, an approved publication mechanism and an administrator of benchmarks.

## ***3. Information regarding the criteria for achieved results, based on which stock options, company shares, or other types of variable compensation are granted, and an explanation of how the criteria under Article 14, Paragraphs 2 and 3 of Ordinance No. 48 contribute to the long-term interests of the company:***

The Remuneration Policy does not provide for the payment of variable remuneration to members of the Board of Directors. BSE pays only fixed remuneration to the members of the Board of Directors, which is not based on achieved results. BSE does not provide for the payment of variable remuneration to the members of the Board of Directors, including in the form of stocks, stock options, rights to acquire shares or other financial instruments. Neither is remuneration to members of the Board based on changes in the Company's share price.

## ***4. Explanation of the applied methods for assessing whether the criteria for achieved results have been met:***

The Remuneration Policy does not provide for the payment of variable remuneration to members of the Board of Directors of BSE AD, linked to criteria for achieved results, including in the form of shares, stock options, rights to acquire shares or other financial instruments.





**5. Explanation regarding the relationship between remuneration and achieved results:**

The Remuneration Policy does not provide for the payment of variable remuneration to members of the Board of Directors of BSE AD, linked to criteria for achieved results, including in the form of shares, stock options, rights to acquire shares or other financial instruments.

**6. The main payments and rationale for the annual bonus payment scheme and/or any other non-monetary additional compensations:**

The members of the Board of Directors of BSE receive a fixed remuneration, which is a fixed monthly payment determined by the General Meeting of Shareholders in accordance with the provisions of the statutes of the company and this policy.

The members of the Board of Directors do not receive additional remuneration related to the activities carried out by BSE AD under the Markets in Financial Instruments Act as a market operator, an approved publication mechanism and an administrator of benchmarks.

**7. Description of the main characteristics of the supplementary voluntary pension scheme and information regarding the contributions paid and/or due by the company on behalf of the respective member of the executive or supervisory body for the relevant financial year, where applicable:**

In respect of the members of the Board of Directors of BSE plc, there is no commitment of the Company for the supplementary voluntary pension scheme and the Company has no liability to make any contribution in favour of the Directors for the financial year under review.

There is no provision for supplementary pension scheme for the members of the Board of Directors other than the supplementary compulsory pension scheme for persons born after 1960.

**8. Information about the periods of deferral of variable compensation payments:**

According to the current Remuneration Policy, there are no provisions for variable compensation to the members of the Board of Directors, and therefore, there is no information regarding deferral periods for their payment.

**9. Information about the compensation policy upon termination of contracts:**

According to the Remuneration Policy adopted by the General Meeting, compensations related to the termination of a contract of a non-executive member of the Board of Directors are not paid.

According to the Remuneration Policy, compensations may be paid to executive members upon termination of their management contracts under the terms of those contracts. Compensations under the preceding sentence shall not be due if the termination of the contract is due to unsatisfactory results and/or culpable behavior of the Executive Director. The





compensation for early termination of the contract may not exceed the amount of the paid annual permanent remuneration of the person for the last 2 years. The management contracts of the executive members provide for compensation of six months' remuneration if, at the date of termination of the contract, he has held office for a period of more than three years.

***10. Information about the period during which shares cannot be transferred and stock options cannot be exercised, for variable compensation based on shares:***

BSE does not provide for the payment of variable remuneration to the members of the Board of Directors, including in the form of stocks, stock options, rights to acquire shares or other financial instruments.

***11. Information about the policy for retaining a certain number of shares until the end of the term of office of members of the executive and supervisory bodies after the expiration of the period under item 10:***

BSE AD does not provide for the payment of variable compensation to members of the Board of Directors, including in the form of shares, stock options, rights to acquire shares, or other financial instruments.

***12. Information regarding the contracts of members of the executive and supervisory bodies, including the duration of each contract, the notice period for termination, and details regarding compensations and/or other due payments in case of early termination:***

Members of the Board of Directors of BSE AD are elected by the General Meeting of Shareholders. The management contracts with the members of the Board of Directors are concluded for a period of 5 years, starting from January 2021. Notwithstanding the expiry of the term of office, the members of the BOD shall continue to perform their duties until their removal as members of the Board of Directors in the Commercial Register and the Register of non-profit legal entities.

The contracts with the Executive members of the Board of Directors are indefinite and remain in force until their release:

- From the Board of Directors as executive members; or
- From the General Meeting of Shareholders as members of the Board of Directors.

In the contracts with the executive members, compensation is provided equivalent to six monthly salaries if, by the termination date of the contract, they have held the position for a period exceeding three years.

Details regarding the envisaged compensations and/or other due payments in case of premature termination are provided in point 9 of this report.





**13. The full amount of remuneration and other material incentives for the members of the Board of Directors for the respective financial year:**

For the year 2023, the members of the Board of Directors of the Company were paid the following remunerations:

Name	Position	Remuneration in BGN
<b>Vasil Golemanski</b>	Deputy Chairman of the Board of Directors	48 088.56
<b>Manyu Moravenov</b>	Executive Director and member of the Board of Directors	192 888.56
<b>Asen Yagodin</b>	Chairperson of the Board of Directors	48 088.56
<b>Hristina Pendicheva</b>	Member of the Board of Directors	48 088.56
<b>Radoslava Maslarska</b>	Member of the Board of Directors	48 088.56

The accrued benefits for the period amount to 3 181.75 BGN.

No other material incentives were paid to the members of the Board of Directors of the Company for the year 2023.

**14. Information regarding the compensation of each individual who has been a member of the management or supervisory body in a public company for a specified period during the respective financial year:**

14.1. The full amount of remuneration paid to the individual for the respective financial year:

Name	Position	Remuneration in BGN
<b>Vasil Golemanski</b>	Deputy Chairman of the Board of Directors	48 088.56
<b>Manyu Moravenov</b>	Executive Director and member of the Board of Directors	192 888.56
<b>Asen Yagodin</b>	Chairperson of the Board of Directors	48 088.56
<b>Hristina Pendicheva</b>	Member of the Board of Directors	48 088.56
<b>Radoslava Maslarska</b>	Member of the Board of Directors	48 088.56

The accrued benefits for the period amount to BGN 3 181.75.





14.2. The remuneration and other material and non-material incentives received by the individual from companies within the same group:

Name	Position	Remuneration in BGN
<b>Vasil Golemanski</b>	Deputy Chairman of the Board of Directors	0
<b>Manyu Moravenov</b>	Executive Director and member of the Board of Directors	0
<b>Asen Yagodin</b>	Chairperson of the Board of Directors	0
<b>Hristina Pendicheva</b>	Member of the Board of Directors	0
<b>Radoslava Maslarska</b>	Member of the Board of Directors	0

14.3. Remuneration received by the individual in the form of profit sharing and/or bonuses, along with the reasons for their provision:

In 2023, none of the members of the Board of Directors of BSE AD received remuneration from the company in the form of profit distribution and/or other bonuses.

14.4. All additional payments for services provided by the individual beyond their usual functions, when such payments are permissible according to contracts entered into with them:

The contracts with the independent members of the Board of Directors of BSE AD do not provide for additional payments for services rendered by the individuals beyond their usual functions.

14.5. The compensation paid and/or accrued upon termination of his functions during the last financial year:

In 2023, there were no changes in the composition of the Board of Directors of BSE.

14.6. Overall assessment of all non-monetary benefits, equated to remuneration, beyond those specified in letters "a" to "d" of Article 13, item 14 of Ordinance No. 48:

In 2023, none of the members of the Board of Directors of BSE AD received non-monetary benefits, considered as remuneration, outside those specified in letters "a" to "d" of Article 13, item 14 of Ordinance No. 48.





14.7. Information regarding all loans granted, payments for social and household expenses, and guarantees provided by the company or its subsidiaries or other entities subject to consolidation in its annual financial statements, including data on the remaining unpaid portion and interest:

In 2023, none of the members of the BSE AD Board of Directors were granted loans, and no one received payments as specified in Article 13, item 14, subparagraph "g" of Ordinance No. 48.

**15. Information regarding shares and/or stock options and/or other stock-based incentive schemes:**

BSE AD does not provide for the payment of variable remuneration to members of the Board of Directors, including in the form of shares, stock options, rights to acquire shares or other financial instruments.

**16. Annual change in remuneration, company results, and the average remuneration for full-time employees of the company who are not directors over the previous at least five financial years:**

Year	2018	2019	%	2020	%	2021	%	2022	%	2023	%
			2019/		2020/		2021/		2022/		2023/
			2018		2019		2020		2021		2022
Gross remuneration of all members of the Board of Directors for the year	118 564.29	128 401.44	8.30	160 347.60	24.88	202 667.40	26.39	229 689.85	13.33	240 442.80	4.68
Average remuneration per member of the Board of Directors per year	25 680.29	32 069.52	24.88	40 533.48	26.39	40 533.48	0.00	45 937.97	13.33	48 088.56	4.68
Company results - profit	415 326.04	403 419.33	-2.95	1 008 095.81	149.89	9 710 614.81	863.26	6 864 648.42	-29.31	1 943 162.03	-71.69
Gross compensation based on full-time employment of employees in the company who are not directors for the year	881 755.98	924 876.22	4.89	1 149 477.69	24.28	1 218 557.19	6.01	1 283 257.73	5.31	1 363 897.71	6.28
Average compensation based on full-time employment for employees in the company who are not directors for the year.	33 914.46	35 572.16	4.89	44 210.68	24.28	45 131.75	2.08	47 528.06	5.31	48 710.63	2.49

Includes 100% of the individuals employed by BSE AD on a full-time basis.





**17. Information on the exercise of the option to reclaim variable compensation:**

BSE AD does not provide for the payment of variable compensation to members of the Board of Directors.

**18. Information on any deviations from the procedure for applying the compensation policy in connection with extraordinary circumstances according to Article 11, paragraph 13 of Ordinance No. 48 of the FSC:**

In 2023, there were no deviations from the procedure for implementing the Remuneration Policy in connection with extraordinary circumstances, as provided for in Article 11, paragraph 13 of Ordinance No. 48 of the FSC.

No extraordinary circumstances occurred in 2023 where the company temporarily did not apply part of the Policy related to the long-term interests and sustainability of the public company or its viability.

**19. Program for implementing the compensation policy for the members of the Board of Directors of BSE AD for the next financial year:**

As of the date of preparation of this report, the Board of Directors of BSE AD has not identified the need to adopt changes to the compensation policy for members of the corporate management approved by the General Meeting of Shareholders of the company.

**Conclusion:**

The present report has been prepared by the Board of Directors of BSE AD following the provisions of Article 12, paragraph 1 and Article 13 of Ordinance No. 48 of the FSC of 20 March 2013 on remuneration requirements (amended and supplemented, issue 41 of 21.05.2019; amended, issue 66 of 20.08.2019; amended and supplemented, issue 61 of 10.07.2020, amended, issue 60 of 20.07.2021; amended and supplemented, issue 64 of 03.08.2021) and represents a standalone document accompanying the company's annual financial statements as of 31.12.2023.

The Board of Directors considers that the principles laid down in the Policy for determining remuneration at present are clearly defined, effective, and sustainable. Changes to the Policy approved by the General Meeting of Shareholders are adopted following its drafting and approval procedures. The Board of Directors is responsible for timely disclosure of the Policy approved by





BULGARIAN  
STOCK EXCHANGE

the General Meeting of Shareholders for the formation of remuneration and any subsequent changes to it.

The Remuneration Policy has been disclosed in a clear and accessible manner on the website of BSE AD.

March 27, 2024

CEO:

Manyu Moravenov





BULGARIAN  
STOCK EXCHANGE

## DECLARATION

Under art. 100n, para. 4, item 4 of the POSA

The signatories:

1. Manu Todorov Moravenov – Chief Executive Officer of the Bulgarian Stock Exchange AD,
2. Iskren Ivanov Nikolov – Executive Director of BD Consults AD (Compiler)

DECLARE that, to the best of its knowledge:

1. The financial statements of the Bulgarian Stock Exchange for 2023, drawn up in accordance with the applicable accounting standards, shall faithfully and fairly reflect information about the assets and liabilities, financial position and profit or loss of the issuer;
2. The annual management report on the activities of the Bulgarian Stock Exchange for 2023 contains a reliable overview of the development, status and results of the issuer's activities, together with descriptions of the main risks and uncertainties it faces.

March 27, 2024

Sofia

Manyu Moravenov,  
Chief Executive Officer of  
the Bulgarian Stock Exchange AD

Iskren Nikolov  
Executive Director  
of BD Consults AD (Compiler)



Annual Separate Financial Statements  
of “Bulgarian Stock Exchange” AD  
for 2023





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Board of Directors

Board Chairperson: Asen Yagodin

Board Members: Hristina Pendicheva  
Manyu Moravenov  
Vasil Golemanski  
Radoslava Maslarska

Country of registration: Republic of Bulgaria

Legal form: Joint-stock company

Accounting and Administrative Services BD Consults AD

Director of Compliance Kalina Angelova-Nikolova

Seat and management address: Republic of Bulgaria  
1301 Sofia  
6, Tri Ushi Street

Non-financial activity: Management of financial markets

Servicing banks:  
Eurobank Bulgaria AD  
United Bulgarian Bank AD  
Teximbank AD  
Bulgarian Development Bank EAD  
Unicredit Bulbank AD  
Bulgarian American Credit bank AD  
First Investment Bank AD  
Tokuda Bank AD  
TBI Bank EAD

Preparation date: 27 March 2024

Auditors: BDO AFA OOD



**BULGARIAN STOCK EXCHANGE AD**  
**SEPARATE STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 December 2023

	Notes	31.12.2023 BGN'000	31.12.2022 BGN'000
Revenue from contracts with customers	3	3 444	3 088
Other operating income	4	247	276
Cost of materials and consumables	5	(36)	(43)
Hired services expense	6	(2 140)	(1 936)
Depreciation and amortisation expense	13,14	(324)	(294)
Employee benefits expense	7	(1 984)	(1 841)
Other operating expenses	8	(180)	(211)
<b>Loss from operations</b>		<b>(973)</b>	<b>(961)</b>
Finance income	9	2 917	7 836
Finance costs	10	(1)	(10)
<b>Finance income/(costs), net</b>		<b>2 916</b>	<b>7 826</b>
<b>Profit before income tax</b>		<b>1 943</b>	<b>6 865</b>
Income tax saving	11	6	4
<b>NET PROFIT FOR THE YEAR</b>		<b>1 949</b>	<b>6 869</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurement of defined retirement benefit plans	26	(21)	46
Net change in the fair value of equity investments at fair value through other comprehensive income	12	54	(43)
Income tax related to items of other comprehensive income that will not be reclassified	11	(5)	4
		<b>28</b>	<b>7</b>
<i>Items that may be reclassified to profit or loss</i>			
Net change in the fair value of debt securities at fair value through other comprehensive income	12	(1)	(148)
Income tax related to items of other comprehensive income that may be reclassified	11	-	16
		<b>(1)</b>	<b>(132)</b>
<b>Other comprehensive income for the year, net of taxes</b>	12	<b>27</b>	<b>(125)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>1 976</b>	<b>6 744</b>
Basic net earnings per share (in BGN)		0.30	1.04

The accompanying notes on pages 5 to 82 form an integral part of the financial statements.

The annual financial statements on pages 1 to 82 was approved by the Board of Directors and was signed on its behalf on 27 March 2024 by:

Executive Director:

Manyu Moravenov

Accounting and Administrative Service (Preparer):

BD Consults AD

Financial statements on which we issued an auditor's report  
BDO AFA OOD, Reg. No 015

Valia Iordanova Iordanova  
General Manager and Registered Auditor in charge of the audit



**BULGARIAN STOCK EXCHANGE AD**  
**SEPARATE STATEMENT OF FINANCIAL POSITION**  
**as at 31 December 2023**

	<i>Notes</i>	<b>31.12.2023 BGN'000</b>	<b>31.12.2022 BGN'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	1 558	1 686
Intangible assets	14	239	330
Investments in subsidiaries	15	5 364	5 364
Investments in joint ventures	17	178	53
Investments in associates	16	231	231
Debt instruments at fair value through other comprehensive income	18	1 026	1 043
Equity instruments at fair value through other comprehensive income	19	861	392
Debt instruments at amortised cost	20	194	192
Deferred tax assets	21	143	143
		<b>9 794</b>	<b>9 434</b>
<b>Current assets</b>			
Trade receivables	22	254	192
Other receivables and prepayments	23	48	71
Receivables from banks under collaterals	24	-	400
Cash and cash equivalents	25	7 459	11 282
		<b>7 761</b>	<b>11 945</b>
<b>TOTAL ASSETS</b>		<b>17 555</b>	<b>21 379</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		6 583	6 583
Reserves		7 209	7 161
Accumulated retained earnings and losses	26	2 255	7 047
		<b>16 047</b>	<b>20 791</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term retirement benefit obligations	27	90	60
Non-current lease liabilities	31	32	18
		<b>122</b>	<b>78</b>
<b>Current liabilities</b>			
Payables to suppliers and other creditors	28	1 088	254
Payables to personnel and for social security	29	235	199
Tax payables	30	49	51
Current portion of lease liabilities	31	14	6
		<b>1 386</b>	<b>510</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17 555</b>	<b>21 379</b>

*The accompanying notes on pages 5 to 82 form an integral part of the financial statements.*

*The annual financial statements on pages 1 to 82 was approved by the Board of Directors and was signed on its behalf on 27 March 2024 by:*

*Executive Director:*

*Manyu Moravenov*

*Accounting and Administrative Service (Preparer):*

*BD Consults AD*

*Financial statements on which we issued an auditor's report  
BDO AFA OOD, Reg. No 015*

*Valia Iordanova Iordanova  
General Manager and Registered Auditor in charge of the audit*



**BULGARIAN STOCK EXCHANGE AD**  
**SEPARATE STATEMENT OF CASH FLOWS**  
**for the year ended 31 December 2023**

	<b>Notes</b>	<b>31 December 2023 BGN'000</b>	<b>31 December 2022 BGN'000</b>
<b>Cash flows from operating activities</b>			
Proceeds from customers		4 319	4 119
Payments to suppliers		(2 094)	(2 582)
Payments to personnel and for social security		(1 899)	(1 604)
Paid taxes (excluding income tax)		(608)	(785)
Bank charges and commissions paid		(5)	(25)
Other proceeds/(payments), net		6	(7)
<b>Net cash flows used in operating activities</b>		<b>(281)</b>	<b>(884)</b>
<b>Причини потоци от инвестиционна дейност</b>			
Proceeds from interest and dividends from investments related to financial assets at fair value through other comprehensive income		56	85
Proceeds from interest and dividends from investments related to financial assets at amortised cost		25	-
Proceeds upon maturity of debt instruments at fair value through other comprehensive income		-	549
Proceeds upon maturity of equity instruments at fair value through other comprehensive income		(415)	(33)
Payments under investments in associates		-	(22)
Payments under investments in joint ventures		(125)	-
Payments for purchase of debt instruments at amortised cost		-	(190)
Payments for purchases of intangible assets		(4)	(3)
Payments for purchases of machinery and equipment		(64)	(246)
Proceeds from sales of machinery and equipment		-	25
Payments under financial collaterals		-	(400)
Proceeds from financial collaterals		400	-
Payments under a loan granted to an associate		(345)	(400)
Proceeds from repayment of loan granted to an associate		345	400
Proceeds from dividends from subsidiaries		2 845	7 784
<b>Net cash flows from investing activities</b>		<b>2 718</b>	<b>7 549</b>
<b>Cash flows from financing activities</b>			
Dividend payments		(6 248)	(2 913)
Lease payments		(12)	(10)
<b>Net cash flows used in financing activities</b>		<b>(6 260)</b>	<b>(2 923)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3 823)</b>	<b>3 742</b>
Cash and cash equivalents at 1 January		11 282	7 540
<b>Cash and cash equivalents at 31 December</b>	<b>25</b>	<b>7 459</b>	<b>11 282</b>

The accompanying notes on pages 5 to 82 form an integral part of the financial statements.

The annual financial statements on pages 1 to 82 was approved by the Board of Directors and was signed on its behalf on 27 March 2024 by:

Executive Director:

Manyu Moravenov

Accounting and Administrative Service (Preparer):

BD Consults AD

Financial statements on which we issued an auditor's report  
BDO AFA OOD, Reg. No 015

Valia Iordanova Iordanova  
General Manager and Registered Auditor in charge of the audit



**BULGARIAN STOCK EXCHANGE AD**  
**SEPARATE STATEMENT OF CHANGES IN EQUITY**  
for the year ended 31 December 2023

	Notes	Share capital	Other reserves	Reserve of financial assets at fair value through other comprehensive income	Accumulated profit and loss	Total equity
		BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Balance at 1 January 2022</b>		<b>6 583</b>	<b>4 036</b>	<b>383</b>	<b>6 154</b>	<b>17 156</b>
<b>Changes in equity for 2022</b>						
Profit distribution for:		-	2 913	-	(6 022)	(3 109)
*dividends		-	-	-	(3 109)	(3 109)
* additional reserve		-	2 913	-	(2 913)	-
<b>Total comprehensive income for the year, including:</b>		-	-	<b>(171)</b>	<b>6 915</b>	<b>6 744</b>
* net profit for the year		-	-	-	6 869	6 869
* other comprehensive income, net of taxes		-	-	(171)	46	(125)
<b>Balance at 31 December 2022</b>	26	<b>6 583</b>	<b>6 949</b>	<b>212</b>	<b>7 047</b>	<b>20 791</b>
<b>Changes in equity for 2023</b>						
Profit distribution for:		-	-	-	(6 720)	(6 720)
*dividends		-	-	-	(6 720)	(6 720)
<b>Total comprehensive income for the year, including:</b>		-	-	<b>48</b>	<b>1 928</b>	<b>1 976</b>
* net profit for the year		-	-	-	1 949	1 949
* other comprehensive income, net of taxes		-	-	48	(21)	27
<b>Balance at 31 December 2023</b>	26	<b>6 583</b>	<b>6 949</b>	<b>260</b>	<b>2 255</b>	<b>16 047</b>

The accompanying notes on pages 5 to 82 form an integral part of the financial statements.

The annual financial statements on pages 1 to 82 was approved by the Board of Directors and was signed on its behalf on 27 March 2024 by:

Executive Director:

Manyu Moravenov

Accounting and Administrative Service (Preparer):

BD Consults AD

Financial statements on which we issued an auditor's report  
BDO AFA OOD, Reg. No 015

Valia Iordanova Iordanova  
General Manager and Registered Auditor in charge of the audit



## 1. BACKGROUND CORPORATE INFORMATION

Bulgarian Stock Exchange AD (the Exchange) is a commercial company established in November 1991. The Company's seat and management address is: Sofia, 6, Tri Ushi Street. The court registration of the company is from 1991 under Decision No. 25156 of 8 November 1991 of Sofia City Court.

On 9 December 2010, an increase by BGN 715,000, from BGN 5,867,860 to BGN 6,582,860, by issuing 715,000 new common dematerialized and voting shares in return for a cash contribution by the company's shareholder, the Ministry of Finance Republic of Bulgaria, was entered into the Commercial Register.

Bulgarian Stock Exchange AD (the Exchange) is a public joint-stock company.

As at 31.12.2023 the capital of Bulgarian Stock Exchange AD is distributed in 6,582,860 common dematerialised and voting-right shares with nominal value BGN 1.00 each.

### 1.1. Ownership and Management

On 21.12.2010, the status of the Exchange as a public company and new Statute of the Company were entered at the Commercial Register.

As at 31.12.2023 the registered share capital of Bulgarian Stock Exchange is BGN 6,583 thousand, distributed into 6,582,860 common registered and voting shares with a nominal value of BGN 1.00 each.

The structure of the share capital with voting rights is as follows:

	31.12.2023	31.12.2022
The state, through the Ministry of Finance	50,05%	50,05%
Other legal entities	22,18%	22,46%
Natural persons	15,78%	15,03%
Investment intermediaries and commercial banks	11,99%	12,46%

Bulgarian Stock Exchange AD is a public company under Art. 110 (1) of the POSA.

The company has a one-tier management system with a Board of Directors (BoD), consisting of five members.

The management, represented by the Board of Directors, consists of the following members as at 31.12.2023:

- Asen Vasilev Yagodin (Chairman),
- Vasil Dimitrov Golemanski (Deputy Chairman),
- Manyu Todorov Moravenov,
- Radoslava Georgieva Maslarska,
- Hristina Stefanova Pendicheva.

Pursuant to Article 40, in conjunction with Art. 39, para 1 of the Statute of Bulgarian Stock Exchange AD, the BSE is represented by the Executive Director – Manyu Todorov Moravenov.



The Audit Committee supports the work of the Board of Directors and plays the role of those charged with governance, performing monitoring and supervision over the internal control system, risk management and financial reporting system of the company.

The members of the Audit Committee are:

- Sirma Atanasova – chairperson,
- Mariana Simova – member,
- Radoslav Zhelyazov – member.

The total number of Company's personnel is 28 as at 31 December 2023 (31 December 2022: 27 employees).

## 1.2. Principal activities

The Company is licensed by means of a permit issued by the State Securities Commission to operate as a stock exchange.

The Company's principal activities in year 2023 include the following types of transactions and deals:

- organising trade in securities and other financial instruments;
- organising and maintaining an information system for trade in securities;
- in its capacity as Approved publication arrangement (APA), Bulgarian Stock Exchange AD performs disclosure of trading reports on behalf of investment intermediaries.

Bulgarian Stock Exchange's main mission is to support the development of an organized capital market to provide exchange members and clients thereof with equal access to market information and equal conditions to trade in securities.

## 1.3. Main indicators of the economic environment

The main indicators of the economic environment that have affected the Company's activities throughout the period 2019 -2023 are presented in the table below:

Indicator	2019	2020	2021	2022	2023
GDP in BGN million*	120 342	120 492	138 979	167 809	182 950
Real GDP growth**	4.0 %	- 4.0 %	7.7 %	3.9 %	1.9 %
Inflation at the end of the period***	3.1 %	0.0 %	6.6 %	14.3 %	5.0 %
Average exchange rate of USD for the year	1.75	1.72	1.65	1.86	1.81
Exchange rate of the USD at the year-end	1.74	1.59	1.73	1.83	1.77
Basic interest rate at the year-end*	0.00	0.00	0.00	1.30	3.80
Unemployment rate at the year-end *	5.9 %	6.7 %	4.8 %	5.4 %	5.6 %
Credit rating of the Republic of Bulgaria according to Standard&Poors (long-term)	BBB	BBB	BBB	BBB	BBB
Credit rating of the Republic of Bulgaria according to Moody's (long-term)	Baa2	Baa1	Baa1	Baa1	Baa1
Credit rating of the Republic of Bulgaria according to Fitch (long-term)	BBB	BBB	BBB	BBB	BBB
Credit rating of the Republic of Bulgaria according to Scope Ratings (long-term)	BBB	BBB	BBB+	BBB+	BBB+

\* Preliminary BNB data for 2023 as at 23 February 2024.

\*\* Preliminary BNB data for 2023 as at December 2023.

\*\*\* Preliminary NSI data for 2023 as at 15 February 2024.



## 2. SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES OF THE COMPANY

### 2.1. Basis for the preparation of the separate financial statements

The separate financial statements of Bulgarian Stock Exchange AD have been prepared in accordance with all International Financial Reporting Standards (IFRS), which comprise Financial Reporting Standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations, approved by the International Accounting Standards Board (IASB), as well as the International Accounting Standards (IAS) and the Standing Interpretations Committee (SIC) interpretations, approved by the International Accounting Standards Committee (IASC), which are effective on 1 January 2023 and have been adopted by the Commission of the European Union. IFRS as adopted by the EU is the commonly accepted name of the general-purpose framework – the basis of accounting equivalent to the framework definition introduced by § 1, p. 8 of the Additional Provisions of the Accountancy Act "International Accounting Standards" (IASs).

For the current financial year, the Company has adopted all new and/or revised standards and interpretations, issued by the International Accounting Standards Board (IASB) and respectively, by the International Financial Reporting Interpretations Committee (IFRIC), which have been relevant to its activities.

The adoption of these standards and/or interpretations, applicable to entities in Bulgaria for annual reporting periods beginning on 1 January 2023 at the earliest, has not caused changes in Company's accounting policies with the exception of some new and the expansion of already introduced disclosures, without leading to other changes in the classification or measurement of individual reporting items and transactions.

The new and/or amended standards and interpretations include:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements (in force for annual periods beginning on or after 1 January 2023, endorsed by EC). *These amendments provide guidelines and examples regarding the application of the materiality concept upon judgements and decisions makings related to disclosures of the accounting policy, such as a) they replace the requirement for disclosing material accounting policies information instead of significant accounting policies; b) they provide clarifications on how the entities can identify material accounting policy information and to give examples of when accounting policy information is likely to be material; c) clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial; d) clarify that accounting policy information is material if users of the entity's financial statements would need it to understand certain material information in the financial statements; and d) clarify that the entity needn't disclose immaterial accounting policy information, this shall not result in omitting or obscuring obscure material accounting information;*
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (in force for annual periods beginning on or after 1 January 2023, endorsed by EC). *These amendments are related to clarifications aimed at a more accurate distinction between changes to the accounting policy, error adjustments and changes to accounting estimates, such as: a) "the definition of a change in accounting estimates" is replaced with a "definition of accounting estimates" – under the new definition, accounting estimates are "monetary amounts in financial*



*statements that are subject to measurement uncertainty”; b) the entity develops and applies accounting estimates if the accounting policies require items in the financial statements to be measured in a way that involves measurement uncertainty; c) a clarification is made that a change in accounting estimate may result from a change in input or valuation technique, as well as from new information or new developments, unless it is the correction of a prior-year error; d) a change in an accounting estimate may affect only the current’s period profit or loss, or the profit or loss of both the current period and future periods;*

- IAS 12 Income Taxes (in force for annual periods beginning on or after 1 January 2023, endorsed by EC). Amendments to IAS 12 – Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction. *The amendments restrict the scope of exemption from recognition of deferred tax liabilities, as a result of which it is not applied for transactions in which equal taxable and deductible temporary differences may arise upon initial recognition. Such transactions are the recognition of a right-of-use asset and lease liability by the lessee at the commencement date of a lease, as well as in the accrual of liabilities for dismantling, removing or restoring included as part of the cost of an asset. Upon the amendments coming into force, the entities should recognize each deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability (for all deductible temporary differences) in accordance with the IAS 12 criteria for transactions related to assets and liabilities arising from a single transaction on or after the beginning of the earliest comparative period presented in the financial statements. The entities recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at that date. These amendments are effective for annual reporting periods beginning on or after January 1, 2023;*

- Amendments to IAS 12 Income Taxes – International Tax Reform – Pillar Two Model Rules (effective immediately after the amendments are issued, as well as for annual periods beginning on or after 1 January 2023, endorsed by EC). *The amendments specify that IAS 12 applies to income (profit) taxes arising from a law enacted or substantively enacted to implement the Pillar Two model rules issued by Organization for Economic Co-operation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes described in those rules, referred to as Pillar Two legislative acts or Pillar Two income taxes. The amendments introduce a temporary exception from the standard’s requirements that allows an entity to neither recognise nor disclose information about deferred tax assets and liabilities related to the legislative adoption of the Pillar Two model rules. The entity should disclose the fact that it has applied the exception. It should however disclose separately its current tax expense related to Pillar Two income taxes, as well as any information that would support users in understanding the effects for the Company from Pillar Two legislative acts. The amendments are applied retrospectively;*

- IFRS 17 “Insurance Contracts” (in force for annual periods beginning on or after 1 January 2023, endorsed by EC). *This is an entirely new accounting standard on all types of insurance contracts, including some guarantees and financial instruments, and includes rules and principles on recognition and measurement, presentation and disclosure. The standard will supersede the*



*effective standard up to date related to insurance contracts – IFRS 4. It establishes an entirely new overall model for accounting for insurance contracts and activities, covering all relevant accounting and reporting aspects, as well as the content and structure of financial statements (presentation and disclosure) of insurance entities. It is not applicable to the Company's operations; therefore, the management has not assessed the application thereof;*

- *Improvements to IFRS 17 Insurance Contracts (in force for annual periods beginning on or after 1 January 2023, endorsed by EC). The amendments are related to the Initial Application of IFRS 17 and IFRS 9 – Comparative Information. They provide a transitional provision regarding the comparative information on financial assets upon initial application of IFRS 17 in order to reduce accounting mismatches between financial assets and liabilities under insurance contracts in the comparative information upon initial application of IFRS 17 and IFRS 9. The application of the changes is optional and only applies to the presentation of comparative information upon initial application of IFRS 17. It is not applicable to the Company's operations; therefore, the management has not assessed the application thereof.*

At the date when these separate financial statements have been approved for issue, there are several new standards and interpretations as well as amended standards and interpretations, issued but not yet in force for annual periods beginning on or after 1 January 2023, which have not been adopted by the Company for early application.

The management has decided that out of them the following are likely to have a potential impact in the future for changes in the accounting policies, and in the classification and value of reporting items in Company's financial statements for subsequent periods, namely:

- *Amendments to IAS 1 "Presentation of Financial Statements" (in force for annual periods beginning on or after 1 January 2024, not endorsed by EC). These amendments address the criteria for classification of liabilities as current or non-current. According to them, an entity classifies its liabilities as current or non-current depending on the rights thereof that are in existence at the end of the reporting period, and the classification is unaffected by expectations about whether it will exercise its right to defer settlement of the liabilities. The classification shall not be impacted by the entity's expectations for or events after the reporting period. The amendments made clear that "settlement" refers to the transfer to a counterparty of cash, equity instruments, other assets or services. The classification does not address derivatives of convertible liabilities, which constitute equity instruments. The amendments are applied retrospectively. Earlier application is permitted, but simultaneously with applying the amendments to IAS 1 Presentation of Financial Statements, Non-current Liabilities with Covenants;*
- *Amendments to IAS 1 "Presentation of Financial Statements, Non-Current Liabilities with Covenants" (in force for annual periods beginning on or after 1 January 2024, not endorsed by EC). These amendments specify that only covenants with which an entity is required to comply on or before the reporting date affect the entity's right to defer the respective liabilities for at least twelve months after the reporting date and respectively, only these are to be considered upon assessing the classification of liabilities as current or non-current. These amendments have an impact on whether the right exists at the reporting date, even if compliance with the*



*conditions is determined thereafter (for instance, a covenant based on the entity's financial position at the reporting date, but assessed thereafter). Covenants calculated based on the entity's financial position after the reporting date (for instance, based on the entity's financial position six months after the reporting date) shall not be considered upon determining the classification of liabilities and the right of deferral thereof. Nevertheless, entities shall disclose information about the covenants comprising an observable period within 12 months from the end of the reporting period, in order to assess the risk of whether the liabilities would become due. The amendments are applied retrospectively. Earlier application is permitted, but simultaneously with the application of amendments to IAS 1 Presentation of Financial Statements regarding the classification of liabilities as current and non-current;*

- *Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024, not endorsed by EC). The amendments are intended to enhance the transparency of accounting from supplier finance arrangements and to enable users of financial statements to assess the effect of those arrangements on an entity's liabilities, cash flows, and liquidity risk, by adding additional disclosures relating to such arrangements. The amendments are related to the requirements to add information to assess the effects of such arrangements on liabilities and cash flows, as follows: a) the terms and conditions of each arrangement; b) the carrying amount of financial liabilities recognised in the entity's statement of financial position that are part of the arrangement and the line item(s) in which those financial liabilities are presented; c) the carrying amount and line item(s) in the statement of financial position of the payments already received from the finance providers (finance institutions); d) the range of payment due dates of financial liabilities under supplier finance arrangements and the comparable range of payment due dates for financial liabilities that are not part of a supplier finance arrangement. e) the type and effect of non-cash changes in the carrying amount of financial liabilities that are part of supplier finance arrangements. Requirements have been added to IFRS 7 to disclose assessment of an entity's exposure to liquidity risk and the potential effect of terminating the arrangements on the entity. The amendments are applied retrospectively; there are exemptions for the non-disclosure of information for periods before the initial application of the amendments, as well as some qualitative disclosures referring to the starting date of the initial application period. Earlier application is permitted;*

- *Amendments to IFRS 16 "Leases" – Lease Liability in a Sale and Leaseback (in force for annual periods beginning on or after 1 January 2024, endorsed by EC). The amendments aim to elaborate requirements to the seller-lessee in measuring lease liabilities in sale and leaseback transactions. They require a seller-lessee to subsequently (after the date of providing the underlying asset) determine lease payments and revised leased payments in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The amendments do not apply to the recognition of gains or losses in relation to partial or full termination of a lease. The amendments are applied retrospectively and in particular with respect to sale and leaseback transactions where the lease payments include variable payments not dependent on an index or percentage. Earlier application is permitted;*



- IFRS 10 (amended) “Consolidated Financial Statements” and IAS 28 (amended) “Investments in Associates and Joint Ventures” – regarding the sale or contribution of assets between an investor and its associates or joint ventures (postponed effective date, to be determined by the IASB). *These amendments address the accounting treatment of the sale or contribution of assets between an investor and its associates or joint ventures. They confirm that the accounting treatment depends on whether the assets sold or contributed constitute in substance a business as defined in IFRS 3. If these assets as an aggregate do not meet the definition of a business, then the investor shall recognise gain or loss only to the extent of other unrelated investor's interests in the associate or joint venture. In cases of sale or contribution of assets, which as an aggregate constitute a business, the investor shall recognise the full gain or loss on the transaction. The amendments will be applied on a prospective basis. IASB postponed the initial date of application of these amendments for an indefinite period.*

The management is in the process of research, analysis and assessment of the effects of the changes that might impact the accounting policy and the classification and presentation of the Company's assets and liabilities.

Additionally, with regard to the stated below new amended standard, which has been issued but not yet in force for annual periods beginning on 1 January 2023, the management has judged that it is likely to have a potential impact resulting in changes in the accounting policies and the financial statements of the Company:

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (in force for annual periods beginning on or after 1 January 2025, not endorsed by EC). *These amendments specify and require entities to apply a consistent approach when determining: a) when a currency is exchangeable or not, by introducing definitions thereof. A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency; b) estimating the spot exchange rate when a currency is not exchangeable, by identifying two mechanisms: 1) the first one is using an observable exchange rate without adjustment, such as a spot exchange rate for a purpose other than that for which an entity assesses exchangeability or the first exchange rate at which an entity is able to obtain the other currency; 2) the second one is through using another estimation technique; c) the information that the entity should disclose when a currency is not exchangeable, in order to allow users of the financial statements to understand the impact thereof on the entity's financial results, financial position, and cash flows. The amendments are applied retrospectively. Earlier application is permitted.*



## **2.2. Comparatives**

The Company provides comparative information in these separate statements for one prior year. Where necessary, comparative data is reclassified to ensure comparability with changes in current year performance.

## **2.3. Measurement basis**

The separate annual financial statements of the Company have been prepared on a historical cost basis except for the financial assets measured at fair value through other comprehensive income.

## **2.4. Functional and presentation currency. Recognition of exchange differences**

The functional currency of the and the presentation company is the Bulgarian Lev. As from 1 January 1999, the Bulgarian Lev is fixed to the Euro, under the law, and the fixed statutory ratio is BGN 1.95583:EUR 1.

The Company keeps its accounting registers in Bulgarian Lev (BGN), which is considered to be its reporting and presentation currency. The information in the separate financial statements and the notes thereto is presented in BGN'000, unless explicitly stated otherwise.

Upon its initial recognition, a foreign currency transaction is recorded in the functional currency whereas the exchange rate to BGN at the date of the transaction or operation is applied to the foreign currency amount. Cash, receivables and payables, as monetary reporting items, denominated in a foreign currency, are recorded in the functional currency by applying the exchange rate as quoted by the Bulgarian National Bank (BNB) for the last working day of the respective month. At 31 December, these amounts are presented in BGN at the closing exchange rate of BNB.

The non-monetary items in the separate statement of financial position, which are initially denominated in a foreign currency, are accounted for in the functional currency by applying the historical exchange rate at the date of the transaction and are not subsequently re-valued at the closing exchange rate.

Foreign exchange gains or losses arising on the settlement or recording of foreign currency commercial transactions at rates different from those at which they were converted on initial recognition, are recognised in the separate statement of comprehensive income in the period in which they arise and are presented net under 'other operating income/(losses)'.

## **2.5. Consolidated financial statements of the Company**

The Company has started the process of preparation of its consolidated annual financial statements for year 2023 in accordance with IFRS effective for year 2023 whereas these separate annual financial statements will be included therein. In accordance with the planned dates, the management expects that the consolidated annual financial statements will be approved for issue not later than 30 April 2024, after which the financial statements will be publicly available to third parties.



## 2.6. Revenue

The Company's usual revenue is from fees for permission to trade of issue of financial instrument, fee for registration of issue of financial instruments, fees for Exchange membership, fees for trading on the Exchange, fees for dissemination of exchange information, fee for use of trademarks (license fees) owned by the Exchange, fees for publishing trading reports on behalf of investment intermediaries in its capacity as Approved Publication Arrangement (APA), etc.

### *Recognition of revenue under contracts with customers*

The Company's revenue is recognised when control of the services promised in the *contract with the customer* are transferred to the customer. Control is transferred to the customer upon *satisfaction of the contractual performance obligations* through provision of the promised services.

### *Measurement of contracts with customers*

The Exchange accounts for a contract with a customer only if upon its enforcement:

- a. it has commercial substance and rationale;
- b. the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform it;
- c. each party's rights can be identified;
- d. the payment terms can be identified; and
- e. it is probable that the Company will collect the consideration to which it is entitled upon performing its performance obligations. In assessing whether collectability of an amount of consideration is probable, the Company considers all relevant facts and circumstances of the transaction, including past experience, customary business practices, published rules and declarations made by the Exchange.

A contract for which any of the above criteria has not yet been met is subject to new assessment in each reporting period. The consideration received under such contracts shall be recognised as a liability (*contract liability*) in the separate statement of financial position, until:

- a. all criteria for recognizing a contract with a customer are met;
- b. the Company meets its performance obligations and has received all or substantially all of the consideration (which is non-refundable); and/or
- c. when the contract is terminated and the consideration received is non-refundable.

For contracts with customers in which there is high uncertainty regarding cash inflows due to serious difficulties of the customer (usually, for customers in bankruptcy and/or insolvency), the recognition of revenue is postponed until all criteria for recognition of a contract with customers are met. The criteria are usually met upon payment by the customer (*Note 2.27*).

Upon the initial assessment of its contracts with customers, the Company makes additional analysis and judgement whether two or more contracts should be combined and accounted for as a single contract, respectively whether the services promised in each separate and/or combined contract should be accounted for as a single and/or multiple performance obligation(s).



Each promise to transfer services which are distinct (in nature and in the context of the contract), and/or a series of distinct services, which have the same nature and model of transfer to the customer, is accounted for as a separate performance obligation.

The Company recognises revenue for each separate performance obligation on an individual contracts basis with customers, by analysing the type, term and conditions of each specific contract. For contracts with similar features, revenue is recognised on a portfolio basis, only if their grouping into a portfolio would not have a materially different impact on the financial statements.

*Measurement of revenue under contracts with customers*

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

*The transaction price* is the amount of consideration to which the Company expects to be entitled to, excluding amounts collected on behalf of third parties. Upon determining the transaction price, the Company takes into consideration the contractual conditions and its customary business practices, including the impact of variable consideration, the existence of a significant financing component in the contract, non-cash consideration, consideration payable to the customer (if any). In contracts with more than one performance obligations, the transaction price is allocated between each performance obligation based on the standalone selling prices of each good and/or service determined based on one of the methods permitted under IFRS 15, priority being given to the method of “observable selling prices”.

*The change in the scope or price* (or both) of the contract is accounted for as a separate contract and/or as part of the existing contract, depending on whether the change is related to the addition of goods and/or services which are distinct, and on the price determined for them. Based on that:

- a. the Exchange accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional services;
- b. the Exchange accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract (future application), if the remaining services are distinct from the services transferred before the contract modification, but the change in the contract price does not reflect the standalone selling price of the services added;
- c. the Exchange accounts for the contract modification as if it were a part of the existing contract (cumulative catch-up adjustment) if the remaining goods or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied.

*Performance obligations under contracts with customers*

In general, the Company has concluded that it acts as a principal in its arrangements with customers unless explicitly disclosed otherwise for certain transactions, as the Company normally controls the services before transferring them to the customer.

Income from fees for maintaining issues of financial instruments for trading and information services: Upon sale of services related to reporting of income from a fee for registered issues of financial instruments, income from annual fees for membership in the Exchange, fees for absent workstation and fees for information services, the control over the services is transferred over the period of provision thereof, as this



reflects the manner of providing and consuming the service. Revenue is recognized *over time*, and the progress (stage of completion) of the contract is measured on the basis of elapsed time (actually invested and/or reported time). This method has been determined as the most appropriate for measuring progress insofar as the services are provided on a monthly basis and are part of a series, and therefore, it best describes the scheme of transfer of control and satisfaction of obligations, respectively the stage of completion.

The assessment of revenue, expenses and/or progress toward completion are reviewed if circumstances change and/or new ones occur. Any subsequent increase or decrease in expected revenue and/or expenses is recognized within profit or loss for the period in which the circumstances that led to the review become known to management.

License Fees: License fees are collected in relation to non-exclusive licenses for the use of Company-owned trademarks (SOFIX). Their amount is defined as a percentage of the contracted amount (usually the arithmetic mean of the assets managed by the client), with a minimum and maximum amount determined.

The Company has determined that the granting of a license constitutes a right of access to the intellectual property of the Company as it exists at any time during the entire term of the license. As a result, the Company considers the granting of licenses to constitute a performance obligation that is satisfied *over time*. Control over the services is transferred over the period of provision thereof, as this reflects the manner in which the service is provided and consumed. Sales revenue is recognized by measuring the degree of fulfilment of the Company's obligations (stage of completion) using a method based on the basis of elapsed time (actually invested and/or reported time).

Revenue from fees for trading in financial instruments: When selling services related to the admission to trading of issues of financial instruments and trading on the Stock Exchange, etc., control over the services is transferred at a upon in time, upon acceptance thereof by the customer.

#### *Transaction price and payment terms*

The transaction price usually includes a fixed sale price (fee), determined according to the "Tariff of Fees" of Bulgarian Stock Exchange AD, and variable consideration. The tariff of fees has been approved by the Board of Directors, is periodically updated, is made public and is available on the Company's website.

#### *Variable consideration*

The variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The forms of variable consideration applicable for the Exchange include:

- *Penalties for default of a party's obligations*, including quality performance by the Company: variable consideration in the form of penalties is only included in the reduction of the transaction price if payment thereof is very probable. The experience of the Company shows that historically it has complied with the requirements of its contracts with customers and has not charged any penalties. The receipt of variable consideration in the form of penalties due by the customer depends on the customer's actions. Therefore, they are included as part of the transaction price only when the uncertainty about receiving them is resolved.
- *Price Discount*: According to the approved Tariff of Fees of the Company, for certain fees the customer is eligible for a discount from the fixed remuneration upon cumulative fulfilment of the conditions specified in the Tariff. The discount is determined in advance and is



deducted from the fee due by the client. In case the client does not fulfil the specified conditions, the discount provided should be recovered.

- *Remuneration dependent on the volume of services provided:* Some fees charged by the Company depend on the volume of services provided to customers over a period of time (usually a calendar year). Initially, the fee is determined on the basis of the service volume requested by the customers, and is prepaid in the beginning of the reporting period. If the requested volume is exceeded, the customer is charged a higher fee, determined according to the Tariff, from the beginning of the contract or the date of renewal thereof (whichever is later).

Any subsequent changes to amount of the variable consideration are recognised as adjustment of revenue (as an increase or a decrease) at the date of change and/or resolving the uncertainty. At the end of each reporting period, the Company updates the transaction prices, including whether the estimated price contains restrictions, so as to accurately present circumstances existing and occurring during the reporting period.

#### *Significant financing component*

The Company has analysed and determined that the period between the point at which a customer pays for the services promised and/or received and the point of transfer of control over these services is within twelve months, and the agreed consideration does not contain a significant financing component.

According to the Tariff, the fees collected by the Company are prepaid for a period of 6 to 12 months. The Company also applies the allowable relief for contracts with customers where the expectation is that the period between payment by the customer and the transfer of control over the promised services is up to 12 months, and does not adjust the transaction price for the impact of the financing component. The collected advances from the customers are stated in the separate statement of financial position as contract liabilities.

#### *Contract costs*

The Company states as contract costs the following:

- the incremental and directly related expenses it incurs upon concluding a contract with a customer, which it expects to recover over a period longer than twelve months (*costs to obtain a contract with a customer*) and
- the expenses it incurs to fulfil a contract with a customer and which are directly related to the specific contract, enhance the generation of resources to be used in the contract fulfilment and the Exchange expects to recover them over a period longer than twelve months (*costs of fulfilling contracts with customers*).

The Company in its primary business activity does not incur direct or specific costs to obtain contracts with customers and costs of fulfilling such contracts, which would have not been incurred if the contracts had not been obtained.

#### *Contract balances*

#### *Trade receivables and contract assets*



Trade receivables constitute the Company's unconditional right to receive consideration under contracts with customers and other counterparts (i.e. it is only dependent on the expiry of a period before payment of the consideration).

The initial measurement, subsequent measurement and impairment of trade receivables are disclosed in *Notes 2.16, Note 2.23 and Note 2.27*.

A contract asset is the Company's right to receive consideration in exchange for goods or services that it has transferred to a customer but is not unconditional (receivable accrual). If by providing the services the Company performs its obligation before the customer to pay the respective consideration and/or before the payment is due, a contract asset is recognised for the consideration earned (which is conditional). Recognised contract assets are reclassified as trade receivables when the right to consideration becomes unconditional. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

#### *Contract liabilities*

The Company states as a contract liability the consideration received from the customer and/or the unconditional right to receive consideration before it has performed its contractual obligations. Contract liabilities are recognised as revenue when (or as) the performance obligations are satisfied.

Contract assets and contract liabilities are presented in other receivables and payables in the separate statement of financial position. They are included in current assets when their maturity is within 12 months or within the Exchange's usual operating cycle, and the others are stated as non-current. Assets and liabilities from a single contract are presented on a net basis in the statement of financial position, even if they result from difference performance obligations in the contract.

Following their initial recognition, trade receivables and contract assets are subject to review for impairment in accordance with the requirements of IFRS 9 Financial Instruments. Impairment losses from contracts with customers are stated separately from other impairment losses, within "other operating expenses".

## **2.7. Expenses**

Expenses are recognised in the Company when they are incurred based on the accrual and matching concepts.

Deferred expenses are put off and recognised as current expenses in the period when the contracts, whereto they refer, are performed.

## **2.8. Finance income and costs**

Finance income is included in the separate statement of comprehensive income (within profit or loss for the year) when earned and comprises: interest income on debt securities at fair value through other comprehensive income, interest income on debt securities at amortised cost, and dividend income.

Finance costs are included in the separate statement of comprehensive income (within profit or loss for the year) when incurred separately from finance costs and comprise: interest costs, incl. bank charges and other



direct costs on bank loans and repo transactions, foreign exchange losses and borrowing costs, net, loss on impairment of transactions in financial assets, as well as interest costs on lease liabilities.

Finance costs are stated separately from finance income on the face of the separate statement of comprehensive income (within profit or loss for the year).

#### *Effective interest rate method*

Under IFRS 9, interest income and costs are recognized by using the effective income approach for all financial instruments at amortised cost and at fair value through other comprehensive income.

The effective interest rate is defined as the rate that accurately discounts future cash inflows and outflows which are expected to be generated over the life term of a given financial instrument or over a shorter period, if appropriate, to its acquisition price. Upon calculating the effective interest rate, all contractual conditions of the respective financial instrument are taken into consideration, including other inherent costs which are directly attributable to the instrument and essentially form part of the effective interest rate, but without expected credit losses. Interest income and costs include amortization of each discount or premium or other differences between the initial amount of interest-bearing instruments and the amount thereof at maturity, calculated based on the effective interest rate.

#### *Recognition of interest income*

For financial assets classified within Stages 1 and 2, interest income is recognized based on the effective interest rate on the gross carrying amount of the instrument.

For financial assets classified within Stage 3, interest income is recognized based on the effective interest rate on the instrument's amortised cost. When the financial asset is recovered (improvements occur) and is no longer classified as credit-impaired, and there is observable available cash flow, then the recognition of interest income is again done on gross basis.

## **2.9. Property, Plant and Equipment**

Property, plant and equipment ((fixed tangible assets) are presented in the separate financial statements at revalued amount less the accumulated depreciation and impairment losses in value.

#### *Initial measurement*

Upon their initial acquisition, property, plant and equipment are valued at acquisition cost (cost), which comprises the purchase price, including customs duties and any directly attributable costs of bringing the asset to working condition for its intended use. The directly attributable costs include the cost of site preparation, initial delivery and handling costs, installation costs, and professional fees for people involved in the project, non-refundable taxes, etc.

The Company has set a value threshold of BGN 500, below which the acquired assets, regardless of having the features of fixed assets, are treated as current expense at the time of their acquisition.

#### *Subsequent measurement*

The chosen by the Company approach for subsequent measurement of property, plant and equipment, is the revaluation model under IAS 16, i.e. measurement at revalued amount less any subsequent accumulated depreciation and subsequent accumulated impairment losses.



### *Subsequent costs*

Repair and maintenance costs are recognised as current expenses as incurred. Subsequent costs incurred in relation to property, plant and equipment having the nature of replacement of certain components, significant parts and aggregates or improvements and restructuring, are capitalised in the carrying amount of the respective asset whereas the residual useful life is reviewed at the capitalisation date. At the same time, the non-depreciated part of the replaced components is derecognised from the carrying amount of the assets and is recognised in the current expenses for the period of restructure.

### *Depreciation methods*

The Company applies the straight-line depreciation method for property, plant and equipment. Depreciation of an asset begins when it is available for use. Land is not depreciated. The useful life of the groups of assets is dependent on their physical wear and tear, the characteristic features of the equipment, the future intentions for use and the expected obsolescence and is as follows:

- Buildings - 50 years;
- Installations - 7 years;
- Machinery and equipment – from 3 to 6 years;
- Motor vehicles - 4 years;
- Computers - 2 years;
- Furniture and fixtures - 6.7 years.

The useful life set for non-current assets is reviewed at the end of each year and in case of any material deviation from the future expectations of their period of use, the latter is adjusted prospectively.

### *Impairment of assets*

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount might permanently differ from their recoverable amount. If any indications exist that the estimated recoverable amount of an asset is lower than its carrying amount, the latter is adjusted to the recoverable amount of the asset. The recoverable amount of property, plant and equipment is the higher of fair value less costs to sell or the value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market conditions and assessments of the time value of money and the risks, specific to the particular asset. Impairment losses are recognised in the separate statement of comprehensive income (within profit or loss for the year).

### *Gains and losses on disposal (sale)*

Tangible fixed assets are derecognised from the separate statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration that the Exchange expects to be entitled to (sales revenue) and the carrying amount of the asset on the date when the recipient obtains control thereon. They are stated net under 'other operating income/(losses), net' on the face of the separate statement of comprehensive income (within profit or loss for the year).



## **2.10. Intangible Assets**

Intangible assets are stated in the separate financial statements at acquisition cost less accumulated amortisation and any impairment losses in value.

These include mainly software licenses and a license for the trading system used at the parent company.

The Company applies the straight-line amortisation method for the intangible assets with determined useful life from 2 to 7 years.

The carrying amount of the intangible assets is subject to review for impairment when events or changes in the circumstances indicate that the carrying amount might exceed their recoverable amount. Then impairment is recognised as an amortisation expense in the separate statement of comprehensive income (within profit or loss for the year).

Intangible assets are derecognised from the separate statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale. The gains or losses arising from the sale of an item of intangible assets are determined as the difference between the consideration that the Exchange expects to be entitled to (sales revenue) and the carrying amount of the asset on the date when the recipient obtains control thereon. They are stated net within "other operating income/(losses) on the face of the separate statement of comprehensive income (within profit or loss for the year).

## **2.11. Investments in subsidiaries**

A subsidiary is a company that is controlled directly or indirectly by the company as investor. Having control means that the investor is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

Long-term investments, representing shares in subsidiaries, are presented in the separate financial statements at acquisition cost being the fair value of the consideration paid and/or agreed to be paid, including any directly attributable costs incurred on the acquisition less accumulated impairment. If the payment is deferred for more than one year of the date of the transaction, the consideration due is discounted and included in the present value of the investment, and the difference is recognised as interest over the deferred payment period. These investments are not traded on stock exchanges.

The investments in subsidiaries held by the Company are subject to annual impairment review. Upon ascertaining conditions for impairment, it is recognised in the separate statement of comprehensive income (within profit or loss for the year) as finance cost.

In purchases and sales of investments subsidiaries the date of trading (conclusion of the deal) is applied.

Investments are derecognised when the rights related thereto are transferred to third parties as a result of occurrence of legal rights for that and thus the control of the economic benefits from the investments is being lost. The income from their sale is presented in finance income/finance costs of the separate statement of comprehensive income (within profit or loss for the year).



## **2.12. Investments in associates**

An associate is a company in which the investor (the Company) exercises significant influence.

Long-term investments, representing shares in associates, are presented in the separate financial statements at acquisition cost being the fair value of the consideration paid and/or agreed to be paid, including any directly attributable costs incurred on the acquisition less accumulated impairment.

Long-term investments, representing shares in associates, are presented in the separate financial statements at acquisition cost being the fair value of the consideration paid and/or agreed to be paid, including any directly attributable costs incurred on the acquisition less accumulated impairment.

Company's investments in associates are subject to annual review for impairment. Where conditions for impairment are identified, the impairment is recognised in the statement of comprehensive income (within profit or loss for the year).

In purchases and sales of investments in associates the date of trading (conclusion of the deal) is applied.

Investments in associates are derecognised when the rights related thereto are transferred to third parties as a result of occurrence of legal rights for that and thus the control over the economic benefits from the respective specific type of investments are being lost. Gain/(loss) on disposal is presented respectively as 'finance income' or 'finance costs' in the separate statement of comprehensive income (within profit or loss for the year).

## **2.13. Investments in joint ventures**

A joint venture is a company or another entity established by virtue of a contractual arrangement between the parent company as an investor and one or more other parties (companies) that start a common business undertaking, and on which the joint venturers (including the parent, which also has such a status) have a joint control. Joint control exists when it is contractually agreed that the strategic financial and operating decisions, relating to the joint venture, shall require mandatory unanimous consent of the joint venturers. The latter have rights to the net assets of the joint venture.

Investments in joint ventures are presented in the separate financial statements at acquisition cost being the fair value of the consideration paid and/or agreed to be paid, including any directly attributable costs incurred on the acquisition.

The investments in joint ventures held by the Company are subject to annual review for impairment. Where conditions for impairment are identified, the impairment is recognised in the statement of comprehensive income (within profit or loss for the year) as finance cost.

Investments in joint ventures are derecognised when the rights related thereto are transferred to third parties as a result of occurrence of legal rights for that and thus the control over the economic benefits from the respective specific type of investments are being lost. Gain/(loss) on disposal is presented respectively as 'finance income' or 'finance costs' in the separate statement of comprehensive income (within profit or loss for the year).



## **2.14. Financial instruments measured at fair value through other comprehensive income**

Investments in financial assets at fair value through other comprehensive income are non-derivative financial assets constituting:

- a) debt securities in which contractual cash flows give rise to solely payments of principal and interest and which the Company holds within a business model for the purpose of both collection of contractual cash flows and sale of assets.
- b) equity instruments – stocks and shares in the capital of other entities (non-controlling interest) held with a long-term perspective.

### *Initial measurement*

Investments (financial assets) measured at fair value through other comprehensive income are initially measured at acquisition cost, which is the fair value of consideration paid, including direct costs to acquire the investment (financial asset).

All purchases and sales of equity instruments are recognised at the transaction's "trade date", i.e. the date on which the Company undertakes to purchase or sell the asset.

### *Subsequent measurement*

The Company's investments (financial assets) at fair value through other comprehensive income are subsequently measured at fair value (*Note 2.26*).

Long-term investments, constituting debt securities with fixed or identifiable payments and fixed maturity are subsequently measured in the separate statement of financial position at fair value in accordance with the following policy: "determining the fair value directly based on market prices (broker prices) – "last 'bid' price" at the last workday of the respective reporting period (year), i.e. direct (unadjusted) prices (Level 1).

The effects from subsequent remeasurement to fair value are carried within a separate component of the statement of comprehensive income (in other comprehensive income), respectively in the reserve for financial assets at fair value through other comprehensive income.

Debt securities are recognized in the separate statement of comprehensive income (within profit or loss for the year) upon disposal (sale) of the respective investment, and are carried to the item "finance income" or "finance costs".

Long-term investments, constituting debt securities at fair value through other comprehensive income are subject to review for impairment of credit losses. Expected credit loss is the part of the adverse change in the fair value due to increased credit risk. These assets continue to be stated at fair value in the separate statement of financial position, and the amount of the accumulated credit loss impairment is recognized within other comprehensive income as part of the remeasurement reserve. Impairment expenses are recognized in the separate statement of comprehensive income (within profit or loss for the year) and are stated within "finance costs". In the subsequent derecognition of the instrument, the accumulated credit loss allowance is recognized within profit or loss for the period.

The interest income and effects of foreign exchange remeasurement related to long-term investments (financial assets) at fair value through other comprehensive income, constituting debt securities with fixed



or identifiable payments and fixed maturity (debt instruments) are recognized and stated in the separate statement of comprehensive income (within profit or loss for the year) within the item “finance income”, respectively – “finance costs”. Interest income is determined based on the effective interest method.

The other changes in the fair value of long-term investments constituting debt instruments are recognized within other comprehensive income. Upon derecognition, the cumulative change in the fair value, recognized within other comprehensive income, is carried to profit or loss.

Long-term investments (financial assets) constituting equity investments (shares in other entities (non-controlling interest)) are not traded on an active market and have no market quotes. They are subsequently remeasured and presented in the separate statement of financial position at fair value, determined by using the income approach, respectively – the discounted cash flows approach, as the main measurement technique (Level 3). The fair value of equity instruments is determined with the help of a licensed appraiser.

The effects of subsequent remeasurement of equity instruments to their fair value are stated within a separate component of the separate statement of comprehensive income (within other comprehensive income), respectively – within the reserve of financial assets at fair value through other comprehensive income. The cumulative effects of change in the fair value stated through this reserve are transferred to retained earnings upon disposal (sale) of the respective investment.

Long-term investments in equity instruments are not subject to impairment.

Dividend income related to long-term investments (financial assets) constituting equity investments (shares in other entities (non-controlling interest)) is recognized as current expense upon the occurrence of the right to obtain dividend and are stated in the separate statement of comprehensive income (within profit or loss for the year) within “finance income”.

## **2.15. Financial assets measured at amortised cost**

Investments in financial assets at amortised costs are assets that constitute debt securities with fixed or identifiable payments and fixed maturities. The Company accounts for debt securities at amortised cost when they are held within a business model whose main aim is to contractual cash flows that include solely payments of principal and interest.

These assets are initially measured at acquisition cost, and subsequently – at amortised cost, using the effective interest method, less the amount of expected credit losses, if any.

Income therefrom is recognized based on the effective interest method and is stated in the separate statement of comprehensive income (within profit or loss for the year) within “finance income”.

## **2.16. Trade and other receivables**

Trade receivables constitute the Company’s unconditional entitlement to consideration under contracts with customers and other counterparties (i.e. it is only dependent on the passage of time before payment of the consideration).

### *Initial measurement*



Trade receivables are initially recognised and carried at fair value based on the transaction price, which is usually equal to the invoice amount, unless they contain a significant financial component, which is not additionally charged. In this case they are recognised at their present value determined by applying a discount rate which is equal to the interest rate specific to the customer-debtor.

#### *Subsequent measurement*

The Company holds trade receivables only for the purpose of collecting contractual cash flows and subsequently measures them at amortised cost less the amount of impairment accumulated for expected credit losses (*Note 2.27*).

#### *Impairment*

The Company applies the expected credit losses model for the entire term of all trade receivables, using the simplified approach under IFRS 9, and based on the matrix model for loss percentage (*Note 20 and Note 2.27*).

The impairment of receivables is recognized and presented within 'Other operating expenses' on the face of the separate statement of comprehensive income (within profit or loss for the year).

### **2.17. Cash and cash equivalents**

Cash includes cash on hand and cash at current accounts, and cash equivalents – bank deposits with original maturity up to three months, and funds in deposits with longer maturity which are readily available to the Company under its agreements with the banks over the deposits' terms (*Note 2.23 Financial instruments*).

#### *Subsequent measurement*

Cash and cash equivalents at banks are subsequently measured in the separate financial statements at amortised cost, less the impairment accumulated for expected credit losses (*Note 2.27*).

For the purpose of preparation of the separate statement of cash flows:

- Cash and cash equivalents do not include: a/interest charged on fixed-term deposits with banks, if and as far as in case of potential early termination of the deposit contract with the bank, the Company would lose the interest accrued at 31 December; b/cash in fixed-term bank deposits with original maturity over 3 months, for which the Company has restrictions or material sanctions and restrictions for free use during the deposit's term; and well c/cash in accounts that are permanently blocked;
- cash proceeds from customers and cash paid to suppliers are presented at gross amount, including value added tax (20%);
- VAT paid on supply of property, plant and equipment and intangible assets is presented as cash paid to suppliers in operating activities;
- Interest received on current bank accounts is stated as operating activities;
- Interest received on mortgage bonds is stated within investment activities, as far as in their substance these transactions investment of Company's available resources;
- Payments related to leases (interest and principal) related to right-of-use assets and lease liabilities recognized in the separate statement of financial position are stated within financing activity and payments related to short-term leases and leases of low value assets are stated as payments for operations.



## **2.18. Trade and other payables**

Trade and other current amounts payable are carried to the separate financial statements at original invoice amount, which is the fair value of the consideration to be paid in the future for goods and services received. In case of payments deferred over a period exceeding the common credit terms, where no additional interest payment has been envisaged or the interest considerably differs from the common market interest rates, the payables are initially valued at their fair value based on their present value at a discount rate applicable for the Exchange, and subsequently – at amortised cost, following deduction of the interest incorporated in their nominal value, determined using the effective interest method (*Note 2.27*).

## **2.19. Leases**

At the lease inception, which is the earlier of the date of a lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease, the Exchange performs analysis and assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

There is transfer of control over the use of the asset when the Company in its capacity as client simultaneously receives:

- the right to manage the use of a certain asset – to determine the manner and purpose of using the asset throughout its term of use;
- the right to obtain essentially directly or not all economic benefits of the asset's use over its term of use – through the use, holding or sub-lease of the asset.

### **2.19.1. The Company as lessee**

The Company applies the requirements of IFRS 16 for all leases in which it is a lessor and for all leases in which it is a lessee, with the exception of leases with a lease term of 12 months and leases of low value assets, which are recognized directly as current expenses within comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.

The Company has not elected to apply the practical expedient of IFRS 16, which allows a lessee, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use assets and lease liabilities in the separate statement of financial position at the commencement date of the lease, i.e. the date on which a lessor makes an underlying asset available for use by the lessee.



*a) Right-of-use assets*

Right-of-use assets are initially stated at acquisition cost, which includes the amount of the initial measurement of the lease liability, any initial direct costs, any initial direct costs incurred by the Exchange in its capacity as lessee, and any lease payments made at or before the commencement date, less any lease incentives received.

Upon the subsequent measurement of the right-of-use asset, the requirements if IAS 16 are applied, by using the acquisition cost less the depreciation accumulated and the impairment accrued. The Company depreciates right-of-use assets over the shorter of the useful life and lease term. If ownership over the asset is transferred under the lease until the end of the lease term, the Exchange depreciates it over its useful life.

All adjustments to the lease liability also adjust the right-of-use asset, and it is completely depreciated – they are stated as current expense within current profit or loss.

Right-of-use assets are tested for impairment in accordance with IAS 36 *Impairment of Assets*, by applying an impairment determination and reporting policy analogous to the one for property, plant, and equipment. The recoverable amount of right-of-use assets is the higher of the fair value less disposal costs, or value in use. To determine assets' value in use, future cash flows are discounted to their present amount, by applying a pre-tax discount rate reflecting the market conditions and time value of money and the risks inherent to the respective asset. Impairment losses are determined as the difference between the recoverable and carrying amount (when the recoverable amount is lower than the carrying amount) and are carried to the separate statement of comprehensive income (within profit or loss for the year) as other expenses.

Right-of-use assets are presented within property, plant and equipment in the separate statement of financial position, and depreciation thereof – within depreciation and amortization expenses in the separate statement of comprehensive income.

*b) Lease liabilities*

Lease liabilities are initially measured at the present value of the lease payments that are not paid at this date. They include:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the exercise price of the purchase options, if the Company, in its capacity as lessee, is reasonably certain to exercise this option;
- payments of penalties for terminating the lease, of the lease term reflects the exercise of an option to terminate the lease;
- the amount expected to be payable by the Company to lessor under residual value guarantees.

Variable lease payments that do not depend on an index or a rate, but are dependent on performance or use of the underlying asset, are not included in the measurement of the lease liability and the right-of-use asset. They are recognised as current expenses in the period when the event or circumstance resulting in these payments arises.

Lease payments are discounted using the interest rate implicit in the lease, of that rate can be readily determined, or the Company's incremental borrowing rate, which it would have to pay to borrow over a



similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company applies as incremental borrowing rate the rates in BNB's interest rate statistics, adjusted so as to reflect the term and counterparts of leases.

Lease payments (instalments) contain a certain ratio of the finance cost (interest) and the respective portion of the lease liability (principal). Interest costs for the lease are presented in the separate statement of comprehensive income (within profit or loss for the year) for the lease period on a periodic basis, so as to achieve constant periodic rate of interest on the remaining balance of the lease liability, and are presented as "finance costs – interest cost".

Lease liabilities are stated on a separate line in the separate statement of financial position.

The Company subsequently measures the lease liability by:

- increasing the carrying amount to reflect the interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made;
- remeasuring the carrying amount to reflect any reassessment or lease modifications of the lease;
- residual value guarantees are reviewed and if necessary, adjusted, at the end of each reporting period.

The Company remeasures the lease liabilities (and makes corresponding adjustments to the related right-of-use assets) whenever:

- the lease term has changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

#### *c) Short-term leases and leases of low-value assets*

The Company has elected the exemption from recognition of right-of-use assets and lease liabilities under IFRS 16 for short-term leases of buildings and motor vehicles and for low-value assets constituting printers and other equipment which the Company considers to be at a low value when new and are independently used at the Company without dependence or close relation to other assets.

Payments related to short-term leases and leases of low-value assets are recognised directly as current expenses in the separate statement of comprehensive income (within profit or loss for the year) on a straight-line basis over the lease term.



### **2.19.2. The Company as lessor**

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease; all other leases are classified as operating leases.

When the Company is an interim lessor, it accounts for the main lease and the sub-lease as two separate leases. The sub-lease is classified as finance or operating lease depending on the right-of-use asset of the main lease.

#### *Operating lease*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The underlying asset which is subject to the lease shall remain and be stated within the Company's separate statement of financial position.

### **2.20. Pensions and other payables to personnel under the social security and labour legislation**

The employment and social security relations with workers and employees of the Company are based on the Labour Code and the provisions of the effective social security legislation in Bulgaria.

#### *Short-term benefits*

Short-term benefits to hired personnel in the form of remuneration, bonuses and social payments and benefits (due for payment within 12 months after the end of the period when the employees have rendered the service or have satisfied the required terms) are recognised as an expense in the separate statement of comprehensive income (within profit or loss for the year) for the period when the service thereon has been rendered and/or the requirements for their receipt have been met, unless a particular IFRS requires capitalisation thereof to the cost of an asset, and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount.

At each date of separate balance sheet, the Company measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated amounts of employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

#### *Long-term retirement benefits*

##### *Defined contribution plans*

A major duty of the Company as employer in Bulgaria is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund, and for health insurance. The rates of the social security and health insurance contributions are regulated in the Social Security Code (SSC), as well as in the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the SSC.



These pension plans, applied by the Company in its capacity as an employer, are defined contribution plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service.

The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security scheme at the Company.

The contributions payable by the Company under defined contribution plans for social security and health insurance, are recognised as a current expense in the separate statement of comprehensive income (within profit or loss for the year) unless a particular IFRS requires this amount to be capitalised to the cost of an asset, and as a current liability at their undiscounted amount along with the accrual of the respective employee benefits to which the contributions.

#### *Defined benefit plans*

In accordance with the Labour Code, the Company in its capacity as an employer in Bulgaria is obliged to pay an indemnity at the amount of the respective employee's gross remuneration for two months upon termination of employment relations due to retirement. If the employee has acquired within the company of the same group ten years' service over the last twenty years, the indemnity amounts to the gross remuneration for six months. In their nature these are unfunded defined benefit schemes.

The calculation of the amount of these liabilities necessitates the participation of qualified actuaries in order to determine their present value at the date of the financial statements, at which they are presented in the separate statement of financial position, and respectively, the change in their value – in the separate statement of comprehensive income as follows: (a) current and past service costs, interest costs and the gains/losses on a curtailment and settlements are recognised immediately when incurred and are presented in current profit or loss under 'employee benefits expense'; and (b) effects from remeasurement of obligations that in substance represent actuarial gains and losses are recognised immediately when occurred and are presented to other comprehensive income in the item 'remeasurement of defined benefit pension plans'. Actuarial gains and losses arise from changes in the actuarial assumptions and experience adjustments.

At the date of issue of the separate financial statements, the Company assigns certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations upon termination of employment relations due to retirement. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation, and using the interest rates of long-term government bonds of similar term, quoted in the respective country where the company itself operates.

#### *Termination benefits*

In accordance with the local provisions of the employment and social security regulations of the Exchange companies, the employer is obliged, upon termination of the employment contracts of employees prior to retirement, to pay certain types of indemnities. The Company recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, including



based on an announced plan (for instance, for restructuring), to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents in the case of voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the separate statement of financial position at their present value.

## **2.21. Share capital and reserves**

Bulgarian Stock Exchange AD is a joint-stock company and is obliged to register with the Commercial Register a specified **share capital**, which should serve as a security for the creditors for execution of their receivables. Shareholders are liable for the obligations of the Company up to the amount of the capital share held by each of them and may claim returning of this share only in liquidation or bankruptcy proceedings. The Company reports its share capital at the nominal value of the shares registered in the court.

According to the requirements of the Commercial Act and the Statute, the Company is obliged to set aside a *Reserve Fund (statutory reserve)* by using the following sources:

- at least one tenth of the profit, which should be allocated to the Fund until its amount reaches one tenth of the share capital or any larger amount as may be decided by the General Meeting of Shareholders;
- any premium received in excess of the nominal value of shares upon their issue (share premium reserve);
- other sources as provided for by a decision of the General Meeting.

The amounts in the Fund can only be used to cover annual loss or losses from previous years. When the amount of the Fund reaches the minimum value specified in the Articles of Association, the excess may be used for share capital increase.

The reserve for financial assets at fair value through other comprehensive income is formed by the difference between the carrying amount of financial assets at fair value through other comprehensive income and the fair values thereof at the date of remeasurement. This reserve is transferred to current gains and losses in the separate statement of comprehensive income (within profit or loss for the year) – for debt securities at fair value through other comprehensive income, respectively within accumulated profit – for equity securities, when the financial assets are disposed of (sold) by the Company.

## **2.22. Income Taxes**

*Current income taxes* of the Bulgarian companies of the Company are determined in accordance with the requirements of the Bulgarian tax legislation – the Corporate Income Taxation Act (CITA). The nominal income tax rate in Bulgaria for 2023 is 10% (2022: 10%).

*Deferred income taxes* are determined using the liability method on all temporary differences of the Company existing at the separate financial statements date, between the carrying amounts of the assets and liabilities and their tax bases.



Deferred tax liabilities are recognised for all taxable temporary differences, with the exception of those originating from recognition of an asset or liability, which has not affected the accounting and the taxable profit/(loss) at the transaction date.

Deferred tax assets are recognised for all deductible temporary differences and the carry-forward of unused tax losses, to the extent that it is probable they will reverse and a taxable profit will be available or taxable temporary differences might occur, against which these deductible temporary differences can be utilised, with the exception of the differences arising from the recognition of an asset or liability, which has affected neither the accounting nor taxable profit /(loss) at the transaction date.

The carrying amount of all deferred tax assets is reviewed at each reporting date and reduced to the extent that it is probable that they will reverse and sufficient taxable profit will be generated or taxable temporary differences will occur in the same period, whereby they could be deducted or compensated.

Deferred taxes related to items directly credited or charged as other components of comprehensive income or as an equity item in the separate statement of financial position, are also reported directly in the respective component of the comprehensive income or the equity item in the statement of financial position.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period and type of operations when the asset is realised or the liability – settled (repaid) on the basis of the tax laws that have been enacted or substantively enacted, and at tax rates of the country under the jurisdiction of which the respective deferred asset or liability is expected to be recovered or settled.

Deferred tax assets of the Company are presented net against the deferred tax liabilities of this company when it is the tax payer in the respective jurisdiction (Republic of Bulgaria), and this is only in cases where the company is legally entitled to perform or receive net payments of current tax liabilities or income tax receivables.

As at 31 December 2023 deferred income taxes are measured at a tax rate at the amount of 10% (31 December 2022: 10%).

## **2.23. Financial instruments**

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

### **2.23.1. Financial assets**

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

At initial recognition, financial assets are classified in three groups, as subsequently measured: at amortised cost; at fair value through other comprehensive income, and at fair value through profit or loss.

The Company initially measures financial assets at fair value, and in the case of financial assets which are not stated at fair value through profit and loss, the direct transaction costs are added. An exception to this rule are trade receivables that do not contain a significant financing component – they are measured based on the transaction price determined under IFRS 15 *Revenue from contracts with customers* (Note 2.16).



Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Exchange commits to purchase or sell the asset.

The classification of financial assets at their initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and on the Exchange's business model for management thereof. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result solely from collecting contractual cash flows, selling the financial assets, or both.

#### *Subsequent measurement*

For the purpose of subsequent measurement, financial assets are classified in the following four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with "recycling" of cumulative gains or losses (equity instruments)
- Financial assets at fair value through other comprehensive income without "recycling" of cumulative gains or losses (equity instruments)
- Financial assets at fair value through profit or loss

#### *Classification groups*

##### *Financial assets at amortised cost*

The Company measures a financial asset at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest method. They are subject to impairment. Gains and losses are recognised in the separate statement of comprehensive income (within profit or loss for the year) upon asset disposal, modification or impairment.

The Company's financial assets at amortised cost usually include: cash and cash equivalents at banks, trade and other receivables from counterparts and third parties (*Note 2.17 and Note 2.16*) and debt securities.

##### *Financial instruments at fair value through other comprehensive income (debt instruments)*

The Company measures its debt instruments at fair value through other comprehensive income, when both of the conditions below are satisfied:

- the financial asset is held and used within a business model with the purpose of both collecting contractual cash flows and sale; and



- the conditions of the financial asset contract give rise to cash flows on specific dates that constitute only payment of principal and interest on the outstanding portion of the principal.

Regarding debt instruments at fair value through other comprehensive income, the income from interest, foreign exchange remeasurement and impairment losses, incl. the recovery thereof, are recognized in the separate statement of comprehensive income (within profit or loss for the year) and are calculated using the approach applied to financial assets at amortised cost. The other changes in fair value are recognized within other comprehensive income, respectively – in the reserve of financial assets at fair value through other comprehensive income. Upon derecognition, the cumulative change in the fair value recognized in other comprehensive income is stated (recycled) through profit or loss.

The Exchange's debt instruments at fair value through other comprehensive income usually include: sovereign securities issued by the Republic of Bulgaria carried to item "financial assets at fair value through other comprehensive income" in the separate statement of financial position.

*Financial instruments at fair value through other comprehensive income (equity instruments)*

At initial recognition, the Company may make an irrevocable election to classify certain equity instruments as financial instruments at fair value through other comprehensive income, but only if they meet the equity definition under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined at an individual level, on an instrument by instrument basis.

At derecognition of these assets, gains and losses from measurement to fair value, recognised in other comprehensive income, are not transferred to (recycled through) profit or loss. Dividends are recognised as "financial income" in the statement of comprehensive income (within profit or loss for the year) when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated as financial instruments at fair value through other comprehensive income are not subject to impairment test.

The Company has made an irrevocable election to classify into this category minority equity investments which it holds in the long term and in relation to its business interests in these entities. Significant part of these instruments are listed. They are presented in the statement of financial position within the „Other long-term equity investments" item.

*Financial assets at fair value through profit or loss*

The Company classifies as financial assets at fair value through profit or loss instruments held for trading, as well as financial instruments measured upon initial recognition as financial assets at fair value through profit or loss, or financial assets for which an obligation exists for measurement at fair value according to IFRS 9. Financial assets are classified as held for trading if they have been acquired for the purpose of sale or re-acquisition within a short period. Derivatives are also classified as held for trading, unless classified as effective hedges.

The management classifies a financial instrument upon its initial recognition as a financial instrument at fair value through profit or loss only if thus it will eliminate or significantly reduce accounting discrepancies resulting from the recognition of gains and losses on different measurement basis of certain assets and liabilities for which a correlation exists between measurements. The classification is done at the level of individual instruments.



The Company does not have a practice of often investing in such financial assets.

#### *Reclassification of financial assets*

The Company does not reclassify its financial assets after their initial recognition, unless in exceptional circumstances related to change in the business model for management thereof. The reclassification of financial assets is applied prospectively, as from the date of the change causing it, and:

- a) upon reclassification of financial assets at amortised cost to financial assets at fair value through other comprehensive income, the fair value is determined at the date of reclassification, and any gain or loss on the difference between the amortised cost and the fair value is recognized within other comprehensive income. The effective interest rate and the estimate of expected credit losses are not adjusted as a result of the reclassification.
- b) upon reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss, the fair value is determined at the date of reclassification, and any gain or loss on the difference between the amortised cost and the fair value is recognized within profit or loss.
- c) upon reclassification of financial assets at fair value through other comprehensive income to financial assets at amortised cost, the fair value of the respective asset at the reclassification date is determined to be its “found” amortised cost. The cumulative gain or loss accumulated in other comprehensive income, is derecognized from equity (reserve of financial assets at fair value through other comprehensive income) and is adjusted against the fair value of the financial asset at the reclassification date. The financial asset is measured on the reclassification date as if it has always been measured at amortised cost, and the adjustment affects other comprehensive income, but does not affect current profit or loss. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
- d) upon the reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss, the assets continue to be measured at fair value. The gain or loss accumulated in other comprehensive income is recycled from equity (reserve of financial assets at fair value through other comprehensive income) into current profit or loss.

#### *Impairment of financial assets*

The Company recognises an allowance (impairment provision) for expected credit losses for all debt instruments which are not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### *Trade receivables*

In order to calculate expected credit losses for *trade receivables and contract assets*, the Company has elected and applies a simplified approach based on an expected credit losses calculation matrix (based on final loss percentage) and does not monitor subsequent changes in their credit risk. In this approach, it recognises an allowance (impairment provision) based on lifetime expected credit losses at each reporting date.



### *Cash*

Regarding cash in banks, the Company applies the general approach for calculation of expected credit losses, by determining loss given default by using the credit rating of the financial institutions in which the Company has deposited its cash. For this purpose, it uses the credit ratings of the banks determined by internationally recognized rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg. Based on that, on the one hand, public data is used to determine PD (probability of default) referring to the rating of the respective bank, and on the other hand, based on a change in the rating of the respective bank, the Exchange determined the presence of increased credit risk. Loss given default is measured depending of the presence of guaranteed and/or secured amounts in the bank accounts.

### *Debt instruments at fair value through other comprehensive income*

Regarding debt instruments at fair value through other comprehensive income, the Exchange applies an impairment model based on low credit risk, based on the general approach for calculation of expected credit losses. At each reporting date, the Company determines whether the debt instrument continues to have low credit risk, by using all the available information about the respective debt instrument. In this consideration, the Company assesses the internal credit rating of the debt instruments.

In certain cases, however, the Company may review and classify a financial asset as non-performing if internal and/or external information indicates that there is little probability of the Company receiving the outstanding contractual amounts before credit enhancements held thereby are collected.

### *Derecognition*

A financial asset (or, when applicable, a portion of a financial asset or a group of similar financial assets) is derecognised from the separate statement of financial position of the Company, when:

- the rights to cash flows from the asset have expired, or
- the rights to cash flows from the asset have been transferred or the Company has assumed an obligation to pay in full the cash flows received, without undue delay, to a third party under a transfer agreement, in which: a) the Company has transferred substantially all risks and rewards from ownership of the asset; or b) the Company has neither transferred nor retained substantially all risks and rewards from ownership of the asset, but has transferred control thereon.

When the Company has transferred its right to obtain cash flows from the asset or has concluded a transfer agreement, it assesses the extent to which it has retained the risks and rewards of ownership. When the Company has neither transferred, not retained substantially all risks and rewards from ownership of the financial assets, it continues to recognise the asset transferred to the extent of its continuing interest therein. In this case, the Exchange also recognises the respective liability. The transferred asset and the related liability are measured on a basis reflecting the rights and obligations that the Company has retained.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Company may be required to pay.



### **2.23.2. Financial liabilities**

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

The Company's financial liabilities include trade and other payables. At initial recognition, they are usually classified as assets at amortised cost.

All financial assets are initially recognised at fair value, and in the case of loans and borrowings and trade and other payables, net of direct transaction costs.

#### *Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification. They are usually classified and measured at amortised cost, using the effective interest method.

#### *Derecognition*

Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the separate statement of comprehensive income (within profit or loss for the year).

### **2.23.3. Offsetting (netting) of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the separate statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

This requirement results from the concept of the economic substance of the Company's relations with a given counterparty stating that in the simultaneous presence of these two requirements the expected actual future cash flow and rewards for the Exchange is the net flow, i.e. the net amount reflects the Company's actual right and obligation resulting from these financial instruments – in all cases to only receive or pay the net amount. If the two conditions are not simultaneously met, it is assumed that the Company's rights and obligations with respect to these offsetting financial instruments are not exhausted in all situations by only the payment or receipt of the net amount.

The offsetting policy is also related to the measurement, presentation and management of actual credit risk and the liquidity risk pursuant from these offsetting instruments.

The criteria applied to establish the "current and legally enforceable entitlement to offsetting" are:

- lack of dependence on a future event, i.e. it should not only be applicable upon the occurrence of a future event;
- the offsetting should be enforceable and legally defensible during (cumulatively):
  - the usual business operations;
  - in case of default/delay, and



- in case of insolvency

The applicability of criteria is measured against the requirements of the Bulgarian legislation and the contractual relations between the parties. The condition of “presence of current and legally enforceable right to offsetting” is always and mandatorily assessed together with the second condition – for “mandatory settling of these instruments on a net basis”.

#### **2.24. Net earnings per share**

Basic net earnings per share are calculated by dividing net profit or loss attributable to ordinary equity holders of the by the weighted average number of ordinary shares outstanding during the period.

The weighted average number of ordinary shares outstanding during the period is the number of ordinary shares outstanding during at the beginning of the period, adjusted by the number of ordinary shares bought back (including Company shares acquired and held by its subsidiaries, which according to the Bulgarian trade legislation are considered equal to treasury shares) or issued during the period multiplied by a time-weighting factor. This factor represents the number of days that the shares are outstanding as a proportion of the total number of days in the period.

In case of a capitalisation, bonus issue or splitting, the number of the outstanding ordinary shares as at the date of such event, is adjusted as to reflect the proportional change in the number of outstanding ordinary shares as if the event has occurred in the beginning of the earliest presented period.

Diluted net earnings per share are not calculated because no dilutive potential ordinary shares have been issued.

#### **2.25. Segment reporting**

The Company identifies its reporting segments and discloses segment information in accordance with the organisational and reporting structure used by the management of the parent company. Operating segments are business components which are regularly measured by members of the management who take operating decisions by using financial and operating information prepared specifically on the segment for the purposes of current monitoring and assessment of results and allocating Company's resources.

Company's operating segments are currently monitored and directed separately as each of them represents a separate business area that offers various products and bears various business risks and rewards. The operating segments that the Company's management monitors, measures and controls risks and return therefrom are defined based on the main business operations performed on the Exchange, namely: a/trade in financial instruments; b/ information services; and c/registration and provision of financial instruments for trading.

##### *Information by operating segments*

The Company uses one basic measuring unit – gross margin (profit) for measuring the results in the operating segments and allocation of resources between them. It is defined as the difference between segment revenue and segment expenses directly attributable to the respective segment.



Segment assets, liabilities, respective revenue, expenses and results include those that are and can be directly attributable to the respective segment as well as such that can be allocated on a reasonable basis. Usually they include: (a) for revenue – service revenue; (b) for expenses - raw materials and consumables used, hired services expense, depreciation and amortization expenses and employee benefits expense; (c) for assets – intangible assets, trade receivables, payables to suppliers, current liabilities to personnel and for social security. Capital expenditures (investments) by business segments are differentiated expenses incurred in the period of acquisition or construction of segment non-current assets, which are expected to be used for more than one period.

The Company manages its property, plant and equipment, investments in subsidiaries and investments held to maturity, and taxes at company level, and they are not allocated at segment level.

The results of the operations regarded as accidental ones compared to the main types of operations (activities) of the Company as well as revenue, expenses, liabilities and assets that are not subject to allocation are stated separately in the item 'total at Company level'. In general, these amounts include: other operating income unless originating from the operation of a particular segment, administrative expenses, interest income and expenses, realised and unrealised gains and losses from foreign currency transactions and investments, investments in other companies, other receivables and tax accounts.

The applied accounting policy for segment reporting is based on that used by the Company for the preparation of its statutory financial statements for public purposes.

## **2.26. Fair value measurement**

Some of Company's assets and liabilities are measured and presented and/or just disclosed at fair value for financial reporting purposes. These include, on a recurring basis: financial assets at fair value through other comprehensive income, financial assets at amortised cost, certain trade and other receivables and payables.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the designated as a principal market and the most advantageous market are markets to which the Company must have an access.

Fair value is measured from the perspective of using the assumptions and judgments that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

The Company applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information. It uses mainly the income approach, and the most frequently applied technique is the discounted cash flows method.

All assets and liabilities that are measured and/or disclosed in the financial statements at fair value, are categorised within the following fair value hierarchy, namely:



- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to certain adjustments; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company applies mainly Levels 1 and 3 fair values.

The Company's investments, constituting debt securities with fixed or determinable payments and fixed maturity dates (government securities - bonds) classified as financial assets at fair value through other comprehensive income, are measured and presented in the separate statement of financial position at fair value (Level 1). The measurement policy provides a choice between the lesser of the two values for the type of bond issue:

a) for global bond issues:

- last bid price for the respective issue, published by international financial instruments information agencies /Bloomberg or Reuters/ for the last business day of the current period (year) and
- median value of at least three additional quotes of last bid price for the last business day of the current period (year), received from actively trading dealers (Bulgarian and/or foreign banks and investment intermediaries) of the issue.

b) for issues traded on domestic market:

- last bid price for the respective issue, published by international financial instruments information agencies /Bloomberg or Reuters/ for the last business day of the current period (year) and
- the lowest of at least three additional quotes of last bid price for the last business day of the current period (year), received from actively trading dealers (Bulgarian and/or foreign banks and investment intermediaries) of the issue.

The Exchange's equity investments, constituting stocks or shares in the capital of other companies or entities (non-controlling interest) and not listed on a Bulgarian or foreign regulated market of financial instruments (Shares of the capital of "Central depository" AD and EuroCTP B.V.) are subsequently measured at fair value, defined by developing unobservable output, because there is no observable data for these investments (Level 3). The calculations are made by an external expert – licensed appraiser, appointed by the Company's management, who has expert knowledge and experience in company valuation.

For the assets and liabilities measured at fair value in the financial statements on a recurrent basis, the Company assesses at each balance sheet date whether a transfer of hierarchy levels is required in the fair value of an asset or liability, depending on the input available and used to date.

The Company has developed internal rules and procedures for the measurement of the fair value of the different types of assets and liabilities.

The Company uses external expertise to determine the fair value of investments in shares in the capital of other companies and entities (non-controlling interest), classified as financial assets at fair value through other comprehensive income. The application of valuation approaches and techniques and inputs used in case of measuring fair value are required to be discussion and coordination between the Company management and the external experts as well as the adoption of the external valuation reports issued thereby - particularly in relation to the significant assumptions and the final conclusions and proposals for



the fair value. The final fair value estimates are subject to approval by the Company's Executive Director and Board of Directors.

For the purposes of financial management, the Company's management monitors the fair value (Level 1) of financial assets held to maturity held by the Exchange, closely following the market situation on local and international markets, the general interest rates, the current market prices of the holdings, as far as they exist, as well as their respective liquidity.

In accordance with Company accounting policy, at the end of each reporting period the specifically designated individual, engaged with measurements, performs a general analysis of collected in advance information about the movement in the values of assets and liabilities of the Group companies that are subject to valuation or to a disclosure at fair value, the type of available data and the possible factors for the observed changes is made by an person appointed thereto and an approach to measure the fair values of the assets and liabilities as of that date is offered for approval to the CEOs of the Company. The approach and valuation are further consulted with external experts, if necessary. The results from the process of fair value measurement are presented to the Company's independent auditors.

For the purposes of fair value disclosures, the Company has grouped the respective assets and liabilities on the basis of their nature, basic characteristics and risks as well as of the fair value hierarchical level.

## **2.27. Critical accounting judgments on applying the Exchange's accounting policies. Key estimates and assumptions of high uncertainty**

Upon recognition of revenue and preparation of the separate annual financial statements the management makes different judgements, estimates and assumptions, which impact the stated revenue, expenses, assets and liabilities under contracts and the corresponding disclosures. As a result of the uncertainty of these assumptions and estimates significant adjustments may arise in the carrying amount of the affected assets and liabilities in the future, respectively the expenses and revenue stated.

### **2.27.1. Recognition of revenue from annual maintenance fees**

The Company collects a maintenance fee for registered issues of financial instruments. At the end of each reporting period, the management performs a special survey and analysis of the likelihood of collection of this type of revenue and of cases where there is uncertainty about cash inflows due to serious difficulties of the paying companies, especially when they are in liquidation and / or bankruptcy proceedings, the recognition of the income is postponed until the date of its eventual actual collection (payment by the respective debtor of the Exchange).

The amount of fees due under contracts with customers for which the management has determined that there is a probability of default and, accordingly, for which no revenue has been recognized, with accumulation for the last three years amounts to BGN 64 thousand, incl. fees only as of 31 December 2023 - BGN 45 thousand (31 December 2022: BGN 63 thousand, including fees for 2022: BGN 38 thousand).

The remaining key judgments and assumptions that have a significant impact on the amount and timing of the recognition of revenue from client contracts are disclosed in *Note 2.6* and relate to the identification of



performance obligations, the manner of transfer of control for each performance obligation and determining the transaction price, including variable consideration and the amount thereof.

### **2.27.2. Expected credit losses**

The measurement of expected credit losses for financial assets stated at amortised cost (receivables under contracts with customers, other receivables and cash and cash equivalents) and for financial assets at fair value through other comprehensive income (debt instruments) is an area that requires the use of complex models and material assumptions for future economic conditions and the credit behaviour of customers and debtors (for instance, the probability of counterparties not meeting their obligations and the pursuant losses).

In order to apply these requirements, the Exchange's management makes a number of material judgements, such as: a) determining criteria to identify and measure significant credit risk increases; b) selection of suitable models and assumptions to measure expected credit losses; c) establishing groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses, d) establishing and assessing the correlation between historical default rates and the behaviour of certain macro indicators to reflect the effects of forecasts for these macro indicators in the calculation of expected credit losses.

#### *Impairment approach for cash and cash equivalents*

The Company has adopted the general approach for calculating expected credit losses on cash and cash equivalents. For this purpose, the Company applies a model, based on the credit rating of financial institutions with which the Company has deposited its cash. These credit ratings are mainly of the following institutions: Moody's, Standard and Poor's, Fitch, Bulgarian Credit Rating Agency. Based on this, on the one hand, PD (probability of default) indicators are set by using public data about PD referring to the rating of the respective bank, and on the other hand, through the change in the rating of the respective bank from one period to the next, the Company assesses the presence of increased credit risk. Loss given default (LGD) is measured using the formula for calculation of credit losses,  $ECL = PD \times LGD \times EAD$ , where:

- ECL is the expected credit losses indicator;
- EAD is the exposure at default indicator;
- PD is the probability of default indicator;
- LGD is the loss given default indicator.

In determining LGD, guaranteed and/or secured amounts in the respective bank accounts are taken into consideration.

Based on the analyses made and based on the ratings of the servicing banks and the PD referring thereto, the management has determined that expected credit losses on cash and cash equivalents are insignificant. Therefore, the Company has not recognised expected credit losses on cash at either 31 December 2023 or 31 December 2022 (*Note 25*).

#### *Impairment approach for debt instruments at fair value through other comprehensive income*

Expected credit loss is a part of the adverse change in the fair value due to increased credit risk. Upon determining expected credit losses on debt instruments at fair value through other comprehensive income, the Company applies a model based on low credit risk and at the end of each reporting period. The Company



determined whether the debt instrument can be classified as one with low credit risk, and for the purpose reviews the instrument's internal or external credit rating. Moreover, the Company determines whether there is a significant increase in credit risk when contractual payments are over 90 days past due. The Company classifies a financial instrument as non-performing when contractual payments are more than 180 days past due.

The Company's debt instruments at fair value through other comprehensive income constitute Bulgarian sovereign securities – bonds. Upon determining loss given default, the credit rating applied is the credit rating of the Republic of Bulgaria as determined mainly by the following institutions: Moody's, Standard and Poor's, Fitch.

Based on an analyses made of the credit rating of debt securities held by the Company and the PD corresponding thereto, the management has determined that expected credit losses are insignificant as at 31 December 2023 and 31 December 2022; therefore, the Company has not recognised impairment of debt instruments at fair value through other comprehensive income (*Note 18*).

*Impairment approach for current trade receivables, including from related parties*

The Company applies a simplified approach and a provisioning matrix to calculate expected credit losses (ECL) on trade receivables, including receivables from related parties. The provision rates are based on days past due.

The provisioning matrix is initially based on detailed historical observation of default rates and final loss in the Company and the movement of receivables by delay groups. The Company makes the matrix precise so as to adjust historically ascertained dependence for credit losses with forecast information by also using forecast macroeconomic data. The historical default rates are updated and the effects of changes in the estimates are analysed.

The assessment of the relation between observable historical default rates, the forecast economic conditions and expected credit losses is a significant accounting judgement. The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The historical credit losses of the Company and the forecast economic conditions may deviate from actual collection rates in the future.

The analyses made of the historical behaviour of trade receivables over the next three years show 100% collection over the credit period; therefore, the management has determined that expected credit losses on trade receivables, including from related parties, are insignificant. Moreover, no specific correlation has been established between the behaviour of certain macro indicators and the collection of trade receivables. Therefore, the Company has not recognised provision for impairment, at either 31 December 2023 or 31 December 2022.

*Impairment approach for other individual receivables*

The Company has adopted the common approach to calculation of impairment of expected credit losses on some individual receivables, in accordance with IFRS 9. For this purpose, the Exchange applies a model of individualized probability-weighted scenarios regarding collection and future cash flows, making assumptions for loss given default (LGD).

Upon determining losses, all guaranteed and/or collaterals and/or insurance receivables are taken into consideration. Thus, in the final step, by using all these parameters and following discount, the expected credit loss for the respective period of the respective financial assets is calculated.



Stage 1 includes receivables which are classified as “performing” according to the internal risk classification scheme developed. These are receivables from debtors with low default rates, regular servicing, without considerable aggravation of key indicators (financial and non-financial), and without amounts past due. The expected impairment loss for such receivables is calculated based on default probability for the next 12 months and the Exchange’s expectation for loss amount upon exposure default over the next 12 months.

Stage 2 includes granted receivables and guarantees granted classified as “suspicious”. These are receivables and guarantees granted, with respect to which (based on a set of indicators) a significant aggravation of the credit risk related to the debtor has been established as compared to the exposure’s initial recognition. The expected impairment loss for these receivables is calculated based on the default probability for the lifetime of the receivable, which is considered to be credit-unimpaired, and the Company’s expectations for loss amount upon exposure default over the lifetime.

Stage 3 includes receivables which are classified as “non-performing”. These are receivables for which evidence exists that the asset is credit-impaired, i.e. a credit event has occurred (according to the policy on default event eligibility). Therefore, an analysis is performed of a system of indicators used to identify the occurrence of credit losses. Impairment losses are calculated based on probability-weighted scenarios for the Exchange’s expectations for the loss amount of the non-performing credit-impaired exposure throughout its lifetime.

#### *Impairment of receivables from a bank in bankruptcy*

The Company’s management, in prior periods (before 2022) made a decision to recognise 100% impairment of a ceded receivable under a deposit with a bank initially placed under special supervision in June 2014, and subsequently declared bankrupt in April 2015. The gross amount of the receivable is BGN 1,214 thousand (Note 23).

Under the cession agreement dated 2014, the selling price of the ceded receivable is to be paid under deferred payment conditions. In 2017, a business case was filed with the Sofia City Court on claims of the bank’s appointees in bankruptcy against the debtor to declare as void the offsetting and cession performed with the Company. In addition, in the cession agreement dated 2014, the debtor and the Company explicitly agreed that of at any point after the conclusion thereof a dispute arises regarding the effectiveness of the offsetting, the payment terms shall be suspended between the parties until the completion of the respective court procedures to resolve the dispute by means of an effective court resolution.

The judgement regarding the amount of the recognised 100% impairment in prior years was made by the management based on the ruling on the case by Sofia City Court in 2019, declaring as void with respect to the appointees in bankruptcy of the bank in bankruptcy the offsetting with receivables between the debtor and the Company, which was subsequently appealed.

By means of a ruling dated 2021 the Constitutional Court of the Republic of Bulgaria declared as anti-constitutional certain provisions of the Bank Bankruptcy Act. The ruling of the Constitutional Court created favourable conditions to exercise the Company’s rights under the Cession Agreement dated 2014. Respectively, by means of a decision of 2021 of the Sofia Appellate Court, the 2019 Sofia City Court was repealed, whereby on the grounds of the Bank Bankruptcy Act (Art. 59, Para 5) it was declared void with respect to the appointees in bankruptcy of the bank in bankruptcy.



The ruling of the Sofia Appellate Court was appealed against before the Supreme Cassation Court, but by means of a final ruling issued in 2022 the cassation appealed was not permitted for consideration in essence and the decision of the Sofia Appellate Court was enforced.

Respectively, the court proceedings on the dispute completed with an enforced ruling of the Appellate Court in 2022 declaring the cession void, and the debtor should, under the agreement, continue payments.

As at 31 December 2023 the management again conducted an analysis to determine the collectability of the receivable, taking into consideration the newly arisen circumstances that occurred at the date of preparation of these financial statements and are related to the preliminary negotiations held to conclude a contract for sale of the impaired receivable. As a result of this analysis, the management has determined that there still exists high uncertainty regarding the probability for partial collection of the receivable under the cession agreement; therefore, it did not state partial reversal of the 100% impairment in the Company's financial statements as at 31 December 2023.

### **2.27.3. Impairment of investments in subsidiaries, associates, and joint ventures**

The Company's investments in subsidiaries, associates, and joint ventures are subject to annual impairment review. The following are considered to constitute indicators for impairment: a significant reduction in volume (over 25%) or discontinuing the investee's operation; loss of market share and significant groups of customers, stating losses for a prolonged period, non-use of key assets for a prolonged period, as well as reporting negative net assets or assets below the registered share capital, trend of aggravating financial indicators, as well as a decrease in market capitalisation.

The key assumptions used in the analysis and calculations are determined individually for each company, and reflect its specific activity, business environment and risks. The tests, assumptions and judgements of management in the forecasts and impairment estimates of investments in subsidiaries are made through the perspective of its intentions and plans for the future development of these subsidiaries, respectively its expectations to generate future economic benefits (cash flows), incl. results achieved and possibilities for future development, generating target revenue, business lines, synergies, profitability, expectations for future sales, etc.

As a result of the analysis and estimates made by the management, no conditions and indicators, respectively need, have been identified to recognise impairment of investments in subsidiaries, associates and joint ventures at either 31 December 2023 or 31 December 2022 (*Note 15, Note 16 and Note 17*).

### **2.27.4. Measurement of the fair value of equity investments**

When the fair value of equity investments carried to the separate statement of financial position cannot be measured based on quoted prices on active markets, the fair value thereof is determined by using other valuation models and approaches, including by applying the discounted cash flows approach. The input used in these models is collected from observable markets, where possible, and where not – to determine the fair value certain degree of judgement is applied. This judgement involves the examination, analysis and assessment of inputs, for instance, liquidity risk, credit risk, and volatility. Changes in the assumptions regarding these factors may impact the amount of the fair value of the financial instruments stated.



The main key assumptions and components of the valuation models, as well as information about the fair values determined as at 31 December 2023 or 31 December 2022 are disclosed in *Note 19*.

#### **2.27.5. Leases**

Upon identification and classification of a lease or a lease component of a contract, the Company's management makes a number of important judgements:

- Whether there is a lease, including whether the contract contains an identifiable asset and whether it transfers control over the use thereof for the lease term;
- Determining the lease term;
- Determining the incremental interest rate of leases.

The Company has two operating lease agreements under the repealed IAS 17. It performed an analysis and determined that: 1/ the first agreement does not meet the conditions for recognition of a right-of-use assets, as far as control over the identified asset is held jointly with a third party; b/ the second agreement also contains a lease, but it is not short-term, and the Company holds control over the identified asset used over the respective lease term. The asset identified in this contract is premises for the Company's collocation equipment.

Upon determining the lease term, the management has determined the non-cancellable period of the lease, together with the periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option; and the periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. Regarding these options and the probability for exercise thereof, the management has considered a number of factors, such as: the importance of the underlying asset for the Company's operations, costs related to termination of the lease and identification of another asset for the company's needs, prior experience with these assets and with the lessors, etc.

The lease identified by management as such, under which control is transferred over the identified asset used, is concluded with an indefinite term. Based on the above assumptions and based on the management's intentions, it has determined that the lease term is 5 years.

Upon occurrence of an important event or a significant change in circumstances which are within the Company's control and affect certainty regarding the extension/termination options, it remeasures the lease term.

In the cases when the Company is a lessee and cannot readily determine the interest rate to discount lease liabilities, it uses the incremental borrowing rate it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In case of leases where no similar borrowing exists, the Company seeks observable data such as market levels of loans and publicly available bank statistics, and performs Company-specific calculations and adjustments to reflect its own credit rating based on an internal methodology for risk coefficients (based on comparison and analysis of interest on own loans with banking statistical data).

Based on this, the management has determined that the incremental borrowing rate for the lease identified thereby is 3%.



As at the date of the financial statements, the Company's management performs an impairment review of right-of-use assets. If indicators exist that the approximate recoverable amount is lower than their carrying amount, the latter is impaired to the recoverable amount of assets.

#### **2.27.6. Actuarial calculations**

Upon determining the present value of retirement benefit obligations, the Exchange has used calculations made by certified actuaries and based on assumptions for mortality rates, staff turnover rates, future salary levels and discount factors, which have been determined by the management to be reasonable and applicable for the Exchange (*Note 2.21 and Note 27*).

#### **2.27.7. Recognition of deferred tax assets**

Upon recognition of deferred tax assets by the management, the probability of reversal of temporary taxable differences is assessed, as well as the Company's abilities to generate in the future sufficient taxable profit to offset these differences and/or the existence of taxable temporary differences for the respective period.

As at 31 December 2023, the accumulated tax losses amount to BGN 4,402 thousand, including tax loss originating in 2023 – BGN 839 thousand, originating in 2022 – BGN 862 thousand, in 2021 - BGN 650 thousand, in 2020 – BGN 1,073 thousand, tax loss originating in 2019: BGN 978 thousand (31 December 2022: BGN 3,563 thousand, including tax loss originating in 2022: 862 thousand, originating in 2021: BGN 650 thousand, originating in 2020: BGN 1,073 thousand, and tax loss originating in 2019: BGN 978 thousand). The management has determined that at the date of issuance of these separate financial statements it is uncertain if and to what extent within the legal term for tax loss carryforward (5 years) the Company will generate sufficient taxable profit; therefore, a more conservative approach has been applied.

Therefore, as at 31 December 2023, no deferred tax losses have been recognised, at the amount of BGN 440 thousand (31 December 2022: BGN 356 thousand), related to taxable losses.

The Company has recognised deferred tax assets in relation to the remaining deductible temporary differences which are mainly the result of impairment of other receivables and depreciation and amortisation of property, plant and equipment and intangible assets, as far as it has determined that in the future these can be offset against future profit or taxable temporary differences (*Note 2.22 and Note 21*).



### 3. REVENUE FROM CONTRACTS WITH CUSTOMERS

#### 3.1. Information on types of revenue

Revenues from contracts with customers by operating segments and types of services include:	2023 BGN'000	2022 BGN'000
<b>Operational segment "Registration and maintenance of trading financial instruments issues"</b>	<b>1,456</b>	<b>1,061</b>
Company registration fee	1,222	899
Membership fee	160	132
Fee for change of issue parameters	40	22
Fee for non-disclosure of information and fees for temporary suspension of trade	28	8
Fee for exchange code acquisition	3	-
Fee for issue shift	2	-
Fee for admission of an exchange intermediary	1	-
<b>Operational segment "Information service"</b>	<b>921</b>	<b>780</b>
Information service fee	817	700
Data reporting fee APA	93	70
Fee for right to use trademark	11	10
<b>Operational segment "Trade in financial instruments"</b>	<b>1,067</b>	<b>1,247</b>
Commissions for transactions on the Exchange	802	1,129
Monthly commissions for access to trade	209	94
Fee for maintaining remote trading stations	28	23
Monthly connectivity fee	25	-
Financial sanctions imposed on Stock Exchange members	2	1
Fee for testing algorithm compatibility	1	-
<b>Total</b>	<b>3,444</b>	<b>3,088</b>

Revenue from contracts with customers as at 31 December 2023 includes:

- There is no revenue which in the beginning of the period was recognized as contract liabilities;
- Revenue at the amount of BGN 64 thousand from performance obligations which have been satisfied and/or partially satisfied in prior periods, but for which the management has determined that there is a probability of non-payment (*Notes 2.6 and 2.27.1*).

All unsatisfied and/or partially satisfied performance obligations of the Company as at 31 December 2023 are under contracts whose expected performance period is one year or less.

#### 3.2. Contract performance obligations

The performance obligations are disclosed in detail in *Note 2.6*.

#### 3.3. Contract balances

	31.12.2023 BGN'000	31.12.2022 BGN'000
Receivables under contracts with customers, net of impairment ( <i>Note 22</i> )	254	192



#### 4. OTHER OPERATING INCOME

Other operating income includes:

	<b>2023</b>	<b>2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Revenue from consulting services	180	180
Rental income	42	38
Funding under BeamUpLab programme	17	25
Income on dividend payables written off	5	3
Other	3	30
<b>Total</b>	<b>247</b>	<b>276</b>

#### 5. COST OF MATERIALS AND CONSUMABLES

Materials and consumables used include:

	<b>31.12.2023</b>	<b>31.12.2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Fuel and spare parts	20	17
Office supplies and hygienic materials	16	25
Stationery	-	1
<b>Total</b>	<b>36</b>	<b>43</b>

#### 6. HIRED SERVICES EXPENSE

Hired services expenses include:

	<b>31.12.2023</b>	<b>31.12.2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
License fees	808	715
Subscriptions, audit and other consulting services	563	401
Accounting administration and correspondence services	265	253
Office maintenance	170	182
Membership fees	112	77
Advertising	96	66
Communication	42	48
Current repairs	39	120
Rentals	17	23
Taxes and charges	12	12
Insurance	11	14
Other	5	25
<b>Total</b>	<b>2,140</b>	<b>1,936</b>

As at 31 December 2023, expenses have been charged for statutory audit of the separate and consolidated annual financial statements at the amount BGN 32 thousand (2022: BGN 19 thousand). No tax consultations or other non-audit services were provided in year 2023 by the statutory auditors.



## 7. EMPLOYEE BENEFITS EXPENSE

The employee benefits expense includes:

	2023 BGN'000	2022 BGN'000
Current wages and salaries	1,631	1,516
Social security and health insurance contributions on current wages and salaries	164	158
Social benefits and payments	58	48
Accruals for unused leaves	109	96
Accruals for social security and health insurance on unused leaves	13	12
Accruals for retirement benefit obligations (Note 27)	9	11
<b>Total</b>	<b>1,984</b>	<b>1,841</b>

## 8. OTHER OPERATING EXPENSES

Other operating expenses include:

	2023 BGN'000	2022 BGN'000
Entertainment allowance	75	83
Trainings and seminars	46	86
Business trips	43	23
Sponsorship and funding	11	11
Other trademarks and licenses	1	1
Other	4	7
<b>Total</b>	<b>180</b>	<b>211</b>

## 9. FINANCE INCOME

Finance income includes:

	2023 BGN'000	2022 BGN'000
Dividend income	2,845	7,784
Interest income on debt securities at fair value through other comprehensive income	40	51
Interest income on bank deposits	24	1
Interest income on debt securities at amortised cost	8	-
<b>Total</b>	<b>2,917</b>	<b>7,836</b>

## 10. FINANCE COSTS

Finance costs include:

	2023 BGN'000	2022 BGN'000
Interest costs on lease liabilities	1	-
Other cost	-	10
<b>Total</b>	<b>1</b>	<b>10</b>



## 11. TAXATION

The main components of the income tax expense in the profit or loss for the reporting period ended 31 December are:

<b>Separate statement of comprehensive income (profit or loss for the year)</b>	<b>2023 BGN'000</b>	<b>2022 BGN'000</b>
Tax loss for the period as per tax return	(839)	(862)
Current tax expense	-	-
Deferred income taxes from:		
Occurrence and reversal of temporary differences	6	4
<b>Total income tax saving carried to the separate statement of comprehensive income (within profit or loss for the year)</b>	<b>6</b>	<b>4</b>

<b>Reconciliation of the income tax saving determined according to the accounting result</b>	<b>2023 BGN'000</b>	<b>2022 BGN'000</b>
Accounting profit for the year	1,943	6,865
Tax expense	(194)	(687)
From unrecognized amounts on tax returns, related to:		
increases: BGN 8 thousand (31 December 2022: BGN 18 thousand)	-	-
decreases: BGN 2,845 thousand (31 December 2022: BGN 7,783 thousand)	284	777
Unrecognised deferred tax assets on tax loss	(84)	(86)
<b>Total</b>	<b>6</b>	<b>4</b>

Tax effects related to other comprehensive income are as follows:

	<b>2023 BGN'000</b>			<b>2022 BGN'000</b>		
	<b>Value before tax</b>	<b>Tax Saving/ (Expense)</b>	<b>Value net of taxes</b>	<b>Value before tax</b>	<b>Tax Saving/ (Expense)</b>	<b>Value net of taxes</b>
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurement of defined retirement benefit plans	(21)	-	(21)	46	-	46
Net change in the fair value of financial assets through other comprehensive income	54	(5)	49	(43)	4	(39)
<b>Items that may be reclassified to profit or loss</b>						
Net change in the fair value of debt securities at fair value through other comprehensive income	(1)	-	(1)	(148)	16	(132)
<b>Total other comprehensive income for the year</b>	<b>32</b>	<b>(5)</b>	<b>27</b>	<b>(145)</b>	<b>20</b>	<b>(125)</b>



## 12. OTHER COMPREHENSIVE INCOME

Other comprehensive income includes:

	2023 BGN '000	2022 BGN '000
<b>Items that will not be reclassified to profit or loss</b>		
Remeasurement of defined retirement benefit plans	(21)	46
Net change in the fair value of equity financial assets through other comprehensive income	54	(43)
	<b>33</b>	<b>3</b>
<b>Items that may be reclassified to profit or loss</b>		
Net change in the fair value of debt securities at fair value through other comprehensive income	(1)	(148)
	<b>(1)</b>	<b>(148)</b>
Income tax related to other comprehensive income	(5)	20
<b>Total other comprehensive income for the year</b>	<b>27</b>	<b>(125)</b>



### 13. PROPERTY, PLANT AND EQUIPMENT

	Buildings		Computers and office equipment		Motor vehicles		Other		Advances for the acquisition of PPE		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Book value	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Balance at 1 January</b>	1,669	1,669	698	655	204	203	395	364	9	76	2,975	2,967
Additions	35	-	26	23	2	1	-	4	37	163	100	191
Transfer	-	-	23	40	-	-	23	190	(46)	(230)	-	-
Disposals	(18)	-	(26)	(20)	-	-	-	(163)	-	-	(44)	(183)
<b>Balance at 31 December</b>	1,686	1,669	721	698	206	204	418	395	-	9	3,031	2,975
<b>Accumulated depreciation</b>												
<b>Balance at 1 January</b>	(595)	(558)	(489)	(440)	(62)	(12)	(143)	(243)	-	-	(1,289)	(1,253)
Depreciation charge for the period	(39)	(37)	(82)	(69)	(50)	(50)	(58)	(42)	-	-	(229)	(198)
Depreciation written-off	19	-	26	20	-	-	-	142	-	-	45	162
<b>Balance at 31 December</b>	(615)	(595)	(545)	(489)	(112)	(62)	(201)	(143)	-	-	(1,473)	(1,289)
<b>Carrying amount at 31 December</b>	<b>1,071</b>	<b>1,074</b>	<b>176</b>	<b>209</b>	<b>94</b>	<b>142</b>	<b>217</b>	<b>252</b>	<b>-</b>	<b>9</b>	<b>1,558</b>	<b>1,686</b>
Including carrying amount of right-of-use assets ( <i>Note 31</i> ) at 31 December	33	4	-	-	12	17	-	-	-	-	45	21
<b>Carrying amount at 1 January</b>	<b>1,074</b>	<b>1,111</b>	<b>209</b>	<b>215</b>	<b>142</b>	<b>191</b>	<b>252</b>	<b>121</b>	<b>9</b>	<b>76</b>	<b>1,686</b>	<b>1,714</b>

The book value of fully depreciated machinery and equipment as presented in the separate statement of financial position as at 31 December 2023 is BGN 472 thousand (31 December 2022: BGN 609 thousand).



#### 14. INTANGIBLE ASSETS

	<b>Software</b>	
	<b>2023</b>	<b>2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Book value</b>		
<b>Balance at 1 January</b>	<b>817</b>	<b>814</b>
Additions	4	3
Disposals	(6)	-
<b>Balance at 31 December</b>	<b>815</b>	<b>817</b>
<b>Accumulated amortisation</b>		
<b>Balance at 1 January</b>	<b>(487)</b>	<b>(391)</b>
Amortisation charge	(95)	(96)
Amortisation written-off	6	-
<b>Balance at 31 December</b>	<b>(576)</b>	<b>(487)</b>
<b>Carrying amount at 31 December</b>	<b>239</b>	<b>330</b>
<b>Carrying amount at 1 January</b>	<b>330</b>	<b>423</b>

The book value of fully amortised intangible assets used in the Company's operations as at 31 December 2023 is BGN 158 thousand (31 December 2022: BGN 164 thousand). At the end of the year, fully depreciated inventories were written-off at the amount of BGN 6 thousand (31 December 2022: none).

#### 15. INVESTMENTS IN SUBSIDIARIES

The investments of Bulgarian Stock Exchange AD in subsidiaries include the following interests:

	<b>2023</b>	<b>2022</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Independent Bulgarian Energy Exchange EAD	5,244	5,244
Financial Market Services EOOD	120	120
<b>Total</b>	<b>5,364</b>	<b>5,364</b>

As at 31 December 2023 Bulgarian Stock Exchange AD holds 100% in the capital of its two subsidiaries.

On 5 February 2018 Bulgarian Stock Exchange AD acquired 100% of the capital of Independent Bulgarian Energy Exchange EAD from Bulgarian Energy Holding EAD – sole owner of the capital of IBEX. The amount of the investment was BGN 5,244 thousand, including BGN 61 thousand direct costs on the transaction related to acquiring the investment. The change in ownership was registered in the Commercial Register on 15 February 2018.

The Exchange is the sole owner of the capital of Financial Market Services EOOD, registered by virtue of Decision No. 2 of Sofia City Court of 6 March 2007. In 2019, by means of a decision of the sole owner, the



share capital of the subsidiary Financial Market Services EOOD was increased by BGN 80 thousand, from BGN 40 thousand to BGN 120 thousand. The change was registered in the Register of Non-Business Legal Entities on 12 September 2019. On 29 August, a change was entered in the Register of Non-Business Legal Entities in the name, from Financial Markets Services EOOD to Financial Market Services EOOD.

As at 31 December 2023 the Company has performed review for impairment of investments in subsidiaries and has not found indicators of the carrying amount of investments exceeding their recoverable amount.

## 16. INVESTMENTS IN ASSOCIATES

As at 31 December, the amount of investments in associates includes, measured using the equity method, is as follows:

Company	31.12.2023 BGN '000	% Interest	31.12.2022 BGN '000	% Interest
Clear EX AD	206	40.00%	206	40.00%
BD Consults AD	25	24.50%	25	24.50%
<b>Total</b>	<b>231</b>		<b>231</b>	

### CLEAR EX AD

The associated company Clear EX AD was established on 21 April 2020 by Bulgarian Stock Exchange AD and Central Depository AD with a capital of BGN 100 thousand. The principal activity of Clear EX AD is the provision of services as a clearing house in connection with futures and options transactions concluded on an exchange licensed pursuant to the conditions of the Stock Exchanges Act, as well as other activities permitted by the law. The initial share capital is BGN 100 thousand, distributed in 100,000 dematerialized registered voting shares with nominal value of BGN 1 (one) each. The shareholding in the capital of the company by CD AD and BSE AD is respectively 60% and 40%.

In December 2020, by means of a decision of the Extraordinary General Meeting of Shareholders of Clear EX AD dated 16 December 2020, and in accordance with a decision and meeting minutes of the Board of Directors of Bulgarian Stock Exchange AD No 78/15 December 2020, it its capacity as holder of 40,000 shares, BSE participated in the proposed increase of the capital of Clear EX AD by issuance of 400,000 common registered dematerialised shares, under the following conditions:

BSE registers and acquires a portion of the new shares corresponding to its interest prior to the capital increase – 40%, namely 160,000 new shares, in accordance with the effective legal requirements and restrictions.

For the registered shares, the Exchange made contributions at a total amount equal to the nominal value of BGN 160,000 by means of: a/ cash contribution at the amount of BGN 139,880; and b/ non-cash contribution (contribution in kind) of the 40 shares held by BSE AD in Central Depository AD at the amount of BGN 20,120, in accordance with the conclusion of the triple expert valuation dated 8 September 2020. Additionally, the investment was increased with the direct expenses incurred for legal consultations in relation to the investment, at the amount of BGN 6 thousand.



On 14 September 2023 Clear EX AD obtained license No KK-01 to perform activities as a clearing house pursuant to Decision No 38/14 September 2023 on the grounds of Art. 8, Para 1 of SEA.

#### ***BD CONSULTS AD***

BD Consults OOD was established on 21 April 2020 by Bulgarian Stock Exchange AD and Central Depository AD. The subject of activity of BD Consults OOD includes administrative, financial and record keeping services, as well as other activities permitted by the law. The capital of the company is BGN 5 thousand, distributed into 5,000 shares with a nominal value of BGN 1 (one) each. The shareholding in the capital of the company by CD AD and BSE AD is respectively 50.02% and 49.98%.

In 2022 the company's capital was increased to BGN 100 thousand, allocated as follows: CD AD – 42.5%, Clear EX AD – 33%, and BSE AD – 24.5%.

On 7 September 2023, the company BD Consults OOD was transformed into a joint-stock company.

As at 31 December 2023 Bulgarian Stock Exchange AD performed review for impairment of the investments in associates and did not find indicators that the carrying amount of investments exceeds their recoverable amount.

### **17. INVESTMENTS IN JOINT VENTURES**

The investments of Bulgarian Stock Exchange AD in joint ventures include the following interests:

<b>Company</b>	<b>31.12.2023</b>	<b>%</b>	<b>31.12.2022</b>	<b>%</b>
	<b>BGN '000</b>	<b>interest</b>	<b>BGN '000</b>	<b>interest</b>
Collective Financing AD	125	49.00%	-	-
SEE Link DOO, Skopje	53	33.33%	53	33.33%
<b>Total</b>	<b>178</b>		<b>53</b>	

#### ***COLLECTIVE FINANCING AD***

On 19 June 2023 Bulgarian Stock Exchange AD, Central Depository AD and Clear X AD made a collection contribution to establish the company Collective Financing AD, whose principal activity is the provision of services for collective financing through organising, managing, and operating a collective financing platform pursuant to Art. 164, item 9 of SPOSA. On 3 November 2023, pursuant to Decision No 993 - ДУКФ the company obtained a license from the Financial Supervision Commission to perform its operations, and on 13 November 2023 it was entered in the Trade Registry. The company's capital is BGN 150 thousand, distributed into 150,000 shares with nominal value BGN 1 (one) each. The interests in the company's capital are: BSE AD – 49%, CD AD – 32%, and Clear X AD – 19%.

As at 31 December 2023 Bulgarian Stock Exchange AD performed review for impairment of the investments in associates and did not find indicators that the carrying amount of investments exceeds their recoverable amount.

#### ***SEE LINK DOO SKOPJE***

On 15.04.2014, pursuant to a joint venture agreement between Bulgarian Stock Exchange AD, Macedonian Securities Exchange AD Skopje and Zagreb Exchange AD, the joint venture SEE Link DOO Skopje was incorporated with registered address at 75 Ortse Nikolov street, Skopje, Macedonia, whose principal activities include provision of computer and IT services. Under the conditions of the agreement, each party



holds 33.3% of the capital of the company incorporated. The interest of Bulgarian Stock Exchange AD, measured at historical acquisition cost, amounts to BGN 53 thousand.

As at 31 December 2023 Bulgarian Stock Exchange AD performed review for impairment of the investments in joint ventures and did not find indicators that the carrying amount of investments exceeds their recoverable amount.

## 18. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Debt instruments at fair value through other comprehensive income include an issue of government securities - bonds purchased at a premium, issued by the Ministry of Finance of the Republic of Bulgaria, as follows:

### 31.12.2023

Issue	Currency	Issue date	Maturity	Coupon %	Par Value '000	Fair value '000	Fair value BGN'000
BG2040210218	EUR	29.10.2010	29.09.2025	5.75%	500 EUR	525 EUR	1,026
							<u>1,026</u>

### 31.12.2022

Issue	Currency	Issue date	Maturity	Coupon %	Par Value '000	Fair value '000	Fair value BGN'000
BG2040210218	EUR	29.10.2010	29.09.2025	5.75%	500 EUR	533 EUR	1,043
							<u>1,043</u>

The annual effective interest rate on the EUR-denominated bonds is 3.86%. The maturity of coupon payments of the bonds is twice a year, on March 29 and September 29.

## 19. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company's investments in equity instruments at fair value through other comprehensive income constitute stocks and shares in other entities (minority interest), as follows:

Name	31.12.2023		31.12.2022	
	BGN '000	%	BGN '000	%
EuroCTP B.V.	442	2.80	-	-
Advance for acquisition of investment in EuroCTP B.V.	-	-	27	-
Central Depository AD	414	4.51	360	4.51
Bulgarian Economic Forum Association	5		5	
<b>Total</b>	<b>861</b>		<b>392</b>	



#### EUROCTP B.V.

The company EuroCTP B.V. was incorporated on 23 August 2023 in Amsterdam, the Netherlands, and Bulgarian Stock Exchange AD is among the 26 participants from EU members in this company (of which 14 are European exchanges). The organization aims to encourage the transparency and access to market data for all investors by providing a fully consolidated overview of the European capital market. Its objectives include creation of consolidated data providing an overall and standardized view on trade with the European Union in the interest of all market participants and the presentation of well-managed, stable, and sustainable data of economic rationale and in accordance with the applicable laws and regulations.

As at 31 December 2023 Bulgarian Stock Exchange AD made contributions at the total amount of BGN 442 thousand (31 December 2022: BGN 27 thousand) in relation to the company's incorporation. Legislative amendments are pending in relation to the newly established company, as well as a capital increase and collecting a final contribution. The company will operate independently in the future process of selection of consolidated data in the European Union. Bulgarian Stock Exchange AD will represent small exchanges in the company's Supervisory Board.

#### CENTRAL DEPOSITARY AD

Central Depository AD is a business entity established in 1996 to maintain the national registration system and the system for settlement of corporate dematerialized securities. The state, through the Ministry of Finance, holds 43.70% of the shares in the share capital of Central Depository AD. Bulgarian Stock Exchange AD holds 4.51% of the shares of Central Depository AD as at 31 December 2023.

#### BULGARIAN ECONOMIC FORUM ASSOCIATION

Bulgarian Economic Forum Association is an NGO established in 1998 whose main aims are to popularize the business climate in Bulgarian and South-Eastern Europe among potential foreign investors and to facilitate dialogue between the government and business. Its members are key industrial chambers and associations, major companies, financial institutions, public organisations, etc.

The table below presents the Company's debt and equity instruments measured through other comprehensive income which are measured on a recurring basis at fair value in the separate statement of financial position:

#### *Fair value hierarchy*

	<b>Fair value 31.12.2023 BGN'000</b>	<b>Level 1 BGN'000</b>	<b>Level 3 BGN'000</b>
Debt instruments at fair value through other comprehensive income	1,026	1,026	-
Equity instruments at fair value through other comprehensive income	861	-	861
<b>Total</b>	<b>1,887</b>	<b>1,026</b>	<b>861</b>



	Fair value 31.12.2022 BGN'000	Level 1 BGN'000	Level 3 BGN'000
Debt instruments at fair value through other comprehensive income	1,043	1,043	-
Equity instruments at fair value through other comprehensive income	392	-	392
<b>Total</b>	<b>1,435</b>	<b>1,043</b>	<b>392</b>

The table below presents the reconciliation between the opening and closing balances of Level 1 and Level 3 fair values:

	(Level 1) BGN'000	(Level 3) BGN'000	Total BGN'000
<b>Balance at 1 January 2022</b>	<b>1,775</b>	<b>402</b>	<b>2,177</b>
Interest income accrued on effective interest rate basis, included in the current profit for the year ( <i>Note 9</i> )	51	-	51
Coupon interest received	(84)	-	(84)
Maturity of debt securities at fair value through other comprehensive income	(551)	-	(551)
Capital increase	-	6	6
Acquisition of equity instruments at fair value through other comprehensive income	-	27	27
Unrealized gain/(loss) included within other comprehensive income ( <i>Note 12</i> )	(148)	(43)	(191)
<b>Balance at 31 December 2022</b>	<b>1,043</b>	<b>392</b>	<b>1,435</b>
Interest income accrued on effective interest rate basis, included in the current profit for the year ( <i>Note 9</i> )	40	-	40
Coupon interest received	(56)	-	(56)
Acquisition of equity instruments at fair value through other comprehensive income	-	415	415
Unrealized gain/(loss) included in other comprehensive income ( <i>Note 12</i> )	(1)	54	53
<b>Balance at 31 December 2023</b>	<b>1,026</b>	<b>861</b>	<b>1,887</b>

#### *Valuation techniques and significant unobservable inputs*

The table below shows the valuation techniques as at 31 December 2023 used for fair value calculation at Level 3, and the significant unobservable inputs used.

Investments in stocks and shares of other entities (minority interest)	Valuations approaches and techniques	Significant unobservable inputs
<b>Level 3</b>	<i>a) income approach</i>	* annual forecast rate of change in free cash flows
	Valuation technique:	* terminal growth
	Discounted cash flows method (FCFE)	* discount rate



*Quantitative information about fair value (Level 3)*

The table below presents quantitative information about fair value calculations where significant unobservable inputs have been used (Level 3):

Valuation technique	Unobservable inputs	Range <i>Weighted average</i>	Correlation between significant unobservable inputs and fair value measurement - sensitivity to key assumptions
Discounted cash flows			The estimated fair value would increase (decrease) if:
	* annual forecast rate of change in free cash flows/revenue	* 31.12.2023: 2.00 – 2.80% (31.12.2023: average weighted: 2.40%) (31.12. 2022: 2.00% – 3.00% (31.12.2022: weighted average: 2.50%)	* The estimated annual growth rate of free cash flow is higher (lower);
	* terminal growth	* 31.12.2023: 2.00-3.00% (31.12.2023: average weighted: 2.40%) (31.12.2022: 2.00% - 3.00%) (31.12.2022: weighted average: 2.50%)	* The terminal growth is higher (lower);
	* discount rate	* 31.12.2023: 9.01% (31.12.2023: average weighted: 9.01%) (31.12.2022: 10.05%) (31.12.2022: weighted average: 10.05%)	* Discount rate is lower (higher).

*Sensitivity analysis*

The sensitivity analysis of the fair value of investments in stocks and shares of other companies and entities (minority interest) Level 3 in terms of significant unobservable inputs is based on reasonably possible changes (increase or decrease) of each of these indicators: a. estimated annual rate of change in free cash flow; b. terminal growth; c. discount rate; assuming that the rest remain unchanged.

## 20. DEBT INSTRUMENTS AT AMORTISED COST

The Company's investments in debt instruments at amortised cost are government securities – BGN-denominated bonds purchased with a discount, issued by the Ministry of Finance of the Republic of Bulgaria, as follows:

**31 December 2023**

Issue	Currency	Date of issue	Maturity date	Coupon interest	Nominal amount	Amortised cost	Fair value
				%	BGN'000	BGN'000	BGN'000
BG2030022219	BGN	13.10.2022	28.03.2028	3.20%	200	194	196



### 31 December 2022

Issue	Currency	Date of issue	Maturity date	Coupon interest	Nominal amount	Amortised cost	Fair value
				%	BGN'000	BGN'000	BGN'000
BG2030022219	BGN	13.10.2022	28.03.2028	3.20%	200	192	185

As at 31 December 2023 the investments in government securities are presented at amortised cost. Coupon interest payments for the bonds are payable twice per year, on 28 March and 28 September, until the maturity date.

The fair value of bonds is measured at Level 1 and constitutes the current market price of the issue held as at 31 December 2023.

## 21. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December *deferred taxes* are related to the following items in the separate statement of financial position:

Item description	temporary difference	tax 10%	temporary difference	tax 10%
	31.12.2023 BGN'000	31.12.2023 BGN'000	31.12.2022 BGN'000	31.12.2022 BGN'000
Property, plant and equipment	183	18	173	17
Accruals for unused leaves	207	21	171	17
Accruals for long-term retirement benefit obligations	115	11	107	11
Impairment of receivable under cession	1,214	122	1,214	122
<b>Total deferred tax assets</b>	<b>1,719</b>	<b>172</b>	<b>1,665</b>	<b>167</b>
Financial assets at fair value through other comprehensive income	(290)	(29)	(237)	(24)
<b>Total deferred tax liabilities</b>	<b>(290)</b>	<b>(29)</b>	<b>(237)</b>	<b>(24)</b>
<b>Net deferred income tax assets/ (liabilities)</b>	<b>1,429</b>	<b>143</b>	<b>1,428</b>	<b>143</b>

Upon recognizing deferred tax assets, the probability of reversal of the individual differences and the abilities of the Company to generate sufficient taxable profit in the future have been taken into account.

The change in the balance of deferred tax assets / (liabilities) is as follows:



Deferred tax assets/(liabilities)	Balance at 1 January 2023 BGN'000	Recognised within profit or loss for the year BGN'000	Recognized within other comprehensive income BGN'000	Balance at 31 December 2023 BGN'000
Impairment of receivable under cession agreement	122	-	-	122
Property, plant and equipment	17	1	-	18
Accruals for unused leaves	17	4	-	21
Long-term retirement benefit obligations	11	-	-	11
Financial assets measured at fair value through other comprehensive income	(24)	-	(5)	(29)
<b>Total</b>	<b>143</b>	<b>5</b>	<b>(5)</b>	<b>143</b>

Deferred tax assets/(liabilities)	Balance at 1 January 2022 BGN'000	Recognised within profit or loss for the year BGN'000	Recognized within other comprehensive income BGN'000	Balance at 31 December 2022 BGN'000
Impairment of receivable under cession agreement	122	-	-	122
Property, plant and equipment	16	1	-	17
Accruals for unused leaves	15	2	-	17
Long-term retirement benefit obligations	10	1	-	11
Financial assets measured at fair value	(43)	-	19	(24)
<b>Total</b>	<b>120</b>	<b>4</b>	<b>19</b>	<b>143</b>

Deferred tax assets at the amount of BGN 440 thousand have not been recognised in the separate statement of financial position as at 31 December 2023 (31 December 2022: BGN 357 thousand) related to tax losses to carryforward.

The statutory term for carryforward of deductible tax differences resulting from tax losses is five years from the date of occurrence and expires, as follows:

Amount of tax loss to carryforward BGN '000	year of occurrence	Term
839	2023	2028
862	2022	2027
650	2021	2026
1,073	2020	2025
978	2019	2024
<b>4,402</b>		



## 22. TRADE RECEIVABLES

Trade receivables include receivables under contracts with customers at the amount of BGN 254 thousand (31 December 2022: BGN 192 thousand).

Trade receivables are related to fees due for services rendered according to the regulations of the Exchange (transaction commissions, fees for: registration, internet and online trade and information services), which are usually paid upon receipt of the service or within 2 days needed for the settlement.

The usual credit period (the usual return of receivables) is up to 30 days. Receivables are interest-free, in BGN – BGN 46 thousand (31 December 2022: BGN 68 thousand), and in EUR – BGN 208 thousand (31 December 2022: 124 thousand).

The Company applies the simplified approach under IFRS 9 for measuring expected credit losses on trade receivables, recognizing expected losses over the life term of the instrument for all trade receivables (*Note 2.27*).

## 23. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments include:	31.12.2023 BGN'000	31.12.2022 BGN'000
Prepaid expenses	38	57
<i>Receivable under a cession of a deposit from bank in bankruptcy (Note 2.27)</i>	1,214	1,214
<i>Allowance for impairment of expected credit losses on receivable under a cession of a deposit from bank in bankruptcy</i>	(1,214)	(1,214)
Cession receivable, net	-	-
<i>Other receivables</i>	10	14
<b>Other receivables, net</b>	<b>48</b>	<b>71</b>

<u>Prepaid expenses include:</u>	31.12.2023 BGN'000	31.12.2022 BGN'000
Advances for services	21	20
Insurance	8	9
Subscription	6	26
Additional health insurance	3	2
<b>Total</b>	<b>38</b>	<b>57</b>

The movement in the impairment allowance for expected credit losses on other receivables is presented in the table below:

	31.12.2023 BGN'000	31.12.2022 BGN'000
<b>Balance in the beginning of the year</b>	<b>(1,214)</b>	<b>(1,214)</b>
Impairment charged	-	-
Impairment written-off	-	-
<b>Balance at the end of the year</b>	<b>(1,214)</b>	<b>(1,214)</b>



As at 31 December 2023, other receivables include receivable under a cession agreement dated 2014 for a deposit with a bank initially placed under special supervision in June 2014 and declared bankrupt in April 2015, at the gross amount of BGN 1,214 thousand. The receivable is 100% impaired (31 December 2022: 100% impaired) (*Note 2.27.2*).

The initial amount of the receivables acquired under a cession contract is BGN 1,314 thousand, and the nominal amount - BGN 1,752 thousand. The payments received by the Company under the cession agreement amount to BGN 178 thousand, and the interest accrued for the 2014-2016 period is BGN 78 thousand.

The receivable under the cession agreement was subject to multiple litigations and disputes, finally completed in 2022.

At the date of these financial statements, the Company is in the process of initial preliminary negotiations for potential realization of the ceded receivable.

## 24. RECEIVABLES FROM BANKS UNDER COLLATERALS

As at 31 December 2022 Bulgarian Stock Exchange AD provided financial collateral under the Financial Securities Contracts Act, transferring ownership of cash at the amount of BGN 400 thousand, under a loan granted by a bank to the associate BD Consults OOD. The term of the commitment was until 20 December 2023 or until the full repayment of all payables of the credit exposure of the associate with the bank.

As at 31 December 2023, the receivable under the financial collateral was repaid.

## 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include:

	31.12.2023 BGN'000	31.12.2022 BGN'000
Cash in current accounts	5,497	10,287
Deposits with original maturity up to 12 months	1,699	993
Special-purpose current account	259	-
Cash in hand	4	2
<b>Cash and cash equivalents, net:</b>	<b>7,459</b>	<b>11,282</b>

	31.12.2023 BGN'000	31.12.2022 BGN'000
Cash and cash equivalents		
In BGN	7,199	11,030
In other currencies	260	252
<b>Total</b>	<b>7,459</b>	<b>11,282</b>

The cash and cash equivalents with banks stated as at 31 December 2023 are in BGN – BGN 7,193 thousand (31 December 2022: BGN 11,030 thousand) and in EUR – BGN 260 thousand (31 December 2022: BGN 252 thousand). The interest rates on deposits range from 0.014% to 1.75% (2022: from 0% to 1.75%) depending on the amounts therein and the market conditions.



## 26. SHARE CAPITAL AND RESERVES

	31.12.2023 BGN'000	31.12.2022 BGN'000
Share capital	6,583	6,583
Other reserves	6,949	6,949
Reserve of financial assets at fair value through other comprehensive income	260	212
Retained earnings	2,255	7,047
<b>Total</b>	<b>16,047</b>	<b>20,791</b>

### Share capital

As at 31 December 2023, the registered share capital of Bulgarian Stock Exchange AD amounts to BGN 6,583 thousand (31 December 2022: BGN 6,583 thousand), distributed in 6,582,860 ordinary, registered voting shares with nominal value of BGN 1 each.

The shares of the Company are listed for trading on Bulgarian Stock Exchange AD.

As at 31 December 2023 the share capital of the Bulgarian Stock Exchange AD amounts to BGN 6,582,860, of which BGN 3,295,000 is held by the Ministry of Finance.

At an Annual General Meeting of the shareholders of Bulgarian Stock Exchange AD, held on 29 June 2023, a decision was made to distribute 2022 post-tax profit at the amount of BGN 6,868,500.67 in full (100%) for shareholder dividend. The dividend paid pursuant to the decision of the General Meeting of Shareholders dated 29 June 2023 amounts to BGN 6,720 thousand, and the difference amounting to BGN 149 thousand is due to the dividend related to IBEX AD treasury shares. This dividend is stated within retained earnings, since under the law it is not due.

At the Annual General Meeting of the shareholders of the Exchange, held on 30 July 2020, a decision was made for the buyback of shares of Bulgarian Stock Exchange AD by Independent Bulgarian Energy Exchange EAD (a sole-owner entity controlled by BSE), as from 15 December 2020, with the following parameters:

- Maximum number of shares subject to buyback – 300,000 shares;
- Buyback period – not longer than 3 years;
- Buyback price per share – between BGN 4.50 and 6.00 per share.

This buyback is made equal, pursuant to the Commercial Act, to treasury shares.

The information regarding the buyback was reported in a timely manner to the Financial Regulation Commission, the regulated market and the public, on the grounds of Art. 17, §1, in conjunction with Art. 7 of Regulation No 596/2014 of the European Parliament and the Council, as well as Art. 11, Para 8 and Art. 100s, Para 3 and 4 of POSA.

As at 31 December 2023 the total number of shares bought by Independent Bulgarian Energy Exchange AD is 142,219, with total acquisition price BGN 719 thousand (2022: 142,219 shares with total acquisition price BGN 719 thousand).



**Company's reserves** are summarised in the table below:

	<b>31.12.2023</b> <b>BGN'000</b>	<b>31.12.2022</b> <b>BGN'000</b>
Statutory reserves	658	658
Additional reserves	6,291	6,291
Reserve for financial assets at fair value through profit or loss other comprehensive income	260	212
<b>Total</b>	<b>7,209</b>	<b>7,161</b>

Statutory reserves, amounting to BGN 658 thousand (31 December 2022: BGN 658 thousand), include the Reserve Fund of the Exchange, formed by distribution of the Company's profit.

The additional reserves, amounting to BGN 6,291 thousand (31 December 2022: BGN 6,291 thousand), are formed by profit distributions pursuant to a decision of the shareholders. They can be used for dividend distribution, capital increase and for covering loss.

The Company distributes and pays dividends on the grounds on the ban on dividend distribution in the repealed Art. 21, Para 2 of POSA (State Gazette, issue 86/2006) and an amendment to the Statute of the Company and a decision of the General Meeting.

<b>Additional reserves</b>	<b>2023</b> <b>BGN'000</b>	<b>2022</b> <b>BGN'000</b>
<b>Balance at January 1</b>	<b>6,291</b>	<b>3,378</b>
from profit distribution	-	2,913
<b>Balance at 31 December</b>	<b>6,291</b>	<b>6,291</b>

The reserve of financial assets at fair value through other comprehensive income as at 31 December 2023 amounts to BGN 260 thousand (31 December 2022: BGN 212 thousand) and has been formed by the effects of subsequent remeasurement of financial assets at fair value through other comprehensive income.

The movement in the reserve of financial assets at fair value through other comprehensive income is as follows:

	<b>2023</b> <b>BGN'000</b>	<b>2022</b> <b>BGN'000</b>
<b>Balance at January 1</b>	<b>212</b>	<b>383</b>
Net income from remeasurement of financial assets at fair value through other comprehensive income	53	(191)
Income tax on remeasurement of financial assets at fair value through other comprehensive income	(5)	20
<b>Balance at 31 December</b>	<b>260</b>	<b>212</b>



As at 31 December 2023, the accumulated retained profit and losses component of BGN 2,255 thousand (31 December 2022: BGN 7,047 thousand) also includes the accumulated actuarial loss at the amount of BGN 21 thousand (31 December 2022: actuarial gain of BGN 46 thousand) stated upon remeasurement of defined pension benefit plans in relation to IAS 19 Employee Benefits.

Accumulated retained profit and loss	2023 BGN'000	2022 BGN'000
<b>Balance at January 1</b>	<b>7,047</b>	<b>6,154</b>
Allocation for additional reserves from profit	-	(2,913)
Profit distribution for dividend	(6,720)	(3,109)
Current profit for the period/ year	1,949	6,869
Actuarial gains/(losses) from remeasurement	(21)	46
<b>Balance at 31 December</b>	<b>2,255</b>	<b>7,047</b>

Basic net earnings per share	2023 BGN'000	2022 BGN'000
Average weighted number of shares	6,582,860	6,582,860
Net profit for the year	1,949	6,869
<b>Basic net earnings per share</b>	<b>0,30</b>	<b>1,04</b>

The Company does not calculate the indicator “basic diluted net earnings per share”, as there are no issued diluted shares.

## 27. RETIREMENT BENEFIT OBLIGATIONS

The long-term retirement obligations to personnel include the present value of the obligation of the Company to pay indemnities to the hired personnel at the date of the separate statement of financial position on coming of age for retirement.

In accordance with the Labour Code in *Bulgaria* each employee is entitled to indemnity on retirement at the amount of two gross monthly salaries, and if he or she has worked for at least 10 years out of the last 20 years of the service period for the same entity or group of entities – six gross monthly salaries at the time of retirement.

This is a defined benefit plan (*Note 2.20*).

To determine these obligations, the Exchange has performed an actuarial valuation, using the services of a certified actuary.

The change in the present value of retirement benefit obligations is as follows:



	31.12.2023 BGN '000	31.12.2022 BGN '000
<b>Present value of obligations at 1 January</b>	<b>60</b>	<b>95</b>
Interest expense for the period	3	1
Current service costs for the period	6	10
Payments under retirement benefit obligations	-	-
<b>Effects of remeasurement in the year, including:</b>	<b>21</b>	<b>(46)</b>
<i>Actuarial (gains)/losses from adjustments due to past experience</i>	<i>8</i>	<i>17</i>
<i>Actuarial (gains)/losses from adjustments to demographic assumptions</i>	<i>(1)</i>	<i>(1)</i>
<i>Actuarial (gains)/losses from changes in financial assumptions</i>	<i>14</i>	<i>(62)</i>
<b>Present value of obligations at 31 December</b>	<b>90</b>	<b>60</b>

The amounts carried to the separate statement of comprehensive income for long-term retirement benefits are as follows:

	31.12.2023 BGN'000	31.12.2022 BGN '000
Current service cost	6	10
Interest cost	3	1
<b>Components of defined benefit plans expenses recognised within profit or loss (Note 7)</b>	<b>9</b>	<b>11</b>
Effects of remeasurement of retirement benefit obligations:		
Actuarial gains/losses arising from experience adjustments	8	17
Actuarial (gains)/losses from adjustments to demographic assumptions	(1)	(1)
Actuarial gains/losses arising from changes in financial assumptions	14	(62)
<b>Components of defined benefit plans expenses recognised within other comprehensive income (Note 12)</b>	<b>21</b>	<b>(46)</b>
<b>Total</b>	<b>30</b>	<b>(35)</b>

The following actuarial assumptions were used for calculating the present value of the obligations as at 31 December 2023:

- The discount factor is calculated by using 4.03% annual interest rate as basis (2022: 6%). The assumption is based on yield data for long-term government securities with 10-year maturity;
- The assumption for the future level of the salaries is based on the information provided by the Company's management and amounts to 1% annual growth compared to the prior reporting period (2022: 1%);
- Mortality rate – in accordance with the table on the total mortality rate of the population in Bulgaria, issued by the National Statistics Institute for the period 2020 - 2022 (2022: 2019 - 2021);
- Staff turnover rate – for 2023, a normal distribution probability is used at the amount of NORMDIST (t; 14; 4; 1), from 2 to 12% for the five age groups formed (2022: between 2 and 12%).



This defined benefit plan exposes the Company to the following risks: investment risk, interest risk, longevity risk and salary growth related risk: The management of the Company defines them as follows:

- investment risk – as far as this is unfunded plan, the Company should monitor and balance currently the forthcoming payments under it with the ensuring of sufficient cash resources. The historical experience and the liability structure show that the annual resource required is not material compared to the commonly maintained liquid funds;
- interest risk – any increase in the yield of government securities with similar term will increase the plan liability;
- longevity risk – the present value of the retirement benefit liability is calculated by reference to the best estimate and updated information about the mortality of plan participants;
- An increase in life expectancy would result in a possible increase in the liability. A relative stability of this indicator has been observed in the recent years; and
- salary growth related risk – the present value of the retirement benefit liability is calculated by reference to the best estimate of the future increase in plan participants' salaries. Such an increase would increase the plan liability.

The sensitivity analysis of the main actuarial assumptions is based on the reasonably possible changes of these assumptions at the end of the reporting period, assuming that all other assumptions are held constant.

The effects of the change (increase or decrease) of:

- salary growth – 1.00%
- discount rate – 0.50%
- staff turnover rate – 1 nos.

Effects on the amount of the obligation stated from change in the main assumptions:

	<b>2023</b>		<b>2022</b>	
	<b>Increase BGN '000</b>	<b>Decrease BGN '000</b>	<b>Increase BGN '000</b>	<b>Decrease BGN '000</b>
Change in salary growth	6	(6)	-	-
Change in discount rate	(4)	4	(1)	1
Change in staff turnover rate	(8)	8	(3)	3

The weighted average duration of the defined benefit obligation to personnel is 19.04 years (2022: 10.1 years).

The expected indemnity payments upon retirement under the defined benefit plan for the following five years are as follows:

<b>Forecast payments</b>	<b>Old age and length of service retirement BGN '000</b>
Payments in 2024	-
Payments in 2025	-
Payments in 2026	30
Payments in 2027	-
Payments in 2028	-
<b>Total</b>	<b>30</b>



No illness-related retirement payments are expected over the next five years.

## 28. PAYABLES TO SUPPLIERS AND OTHER CREDITORS

The payables to suppliers and other creditors include:

	31.12.2023 BGN'000	31.12.2022 BGN'000
Dividend payables	581	191
Payables to suppliers	507	63
<b>Total</b>	<b>1,088</b>	<b>254</b>

*Dividend payables* at the amount of BGN 581 thousand (31 December 2022: BGN 191 thousand) constitute unpaid dividends to shareholders of Bulgarian Stock Exchange AD from the distribution of profit for years 2022, 2021, 2020, 2019, 2018.

The payments to suppliers as at 31 December 2023 are current, for service supplies for 2023, and are denominated in BGN – BGN 507 thousand (31 December 2022: BGN 63 thousand).

The payables to suppliers as at 31 December 2023 include current payables due in January 2024.

## 29. PAYABLES TO PERSONNEL AND FOR SOCIAL SECURITY

Payables to personnel and for social security include:

	31.12.2023 BGN'000	31.12.2022 BGN '000
Payables for unused compensated leaves	187	151
Payables for social security and health insurance on current personnel costs	27	25
Payables for social security and health insurance on compensated leaves	21	20
Payables for salaries and consideration to the BoD	-	3
<b>Total</b>	<b>235</b>	<b>199</b>

## 30. TAX PAYABLES

	31.12.2023 BGN'000	31.12.2022 BGN '000
Individual income taxes	29	25
VAT	10	14
Taxes on expenses and dividend tax	10	12
<b>Total</b>	<b>49</b>	<b>51</b>



The tax liabilities are current.

Until the date of issuance of these separate financial statements, the following audits and inspections have been carried out:

- VAT audit – tax audit performed until 30 October 2022
- Full tax audit – until 31.12.2002
- Inspection by the National Social Security Institute – until 30.06.1999

Tax audit is carried out within five years from the end of the year in which the tax return was submitted for the specific liability. The revision confirms the final tax liability of the respective taxable entity, unless otherwise provided by the law.

### 31. LEASES

Assets and liabilities recognized in the separate statement of financial position

*Right-of-use assets* are included in the separate statement of financial position within property, plant and equipment (*Note 13*).

The following items and amounts related to leases are presented in the separate statement of financial position:

	<b>Buildings and vehicles</b>	
	<b>2023</b>	<b>2022</b>
	<b>BGN '000</b>	<b>BGN '000</b>
<i>Book value</i>		
<b>Balance at 1 January</b>	<b>46</b>	<b>45</b>
Increases/additions	37	1
Decreases/disposals	(18)	-
<b>Balance at 31 December</b>	<b>65</b>	<b>46</b>
<i>Accumulated depreciation</i>		
<b>Balance at 1 January</b>	<b>(26)</b>	<b>(16)</b>
Depreciation charge	(13)	(10)
Depreciation written off	19	-
<b>Balance at 31 December</b>	<b>(20)</b>	<b>(26)</b>
<b>Carrying amount at 1 January (<i>Note 13</i>)</b>	<b>20</b>	<b>29</b>
<b>Carrying amount at 31 December (<i>Note 13</i>)</b>	<b>45</b>	<b>20</b>



The lease liabilities as at 31 December 2023 are as follows:

	2023 BGN'000	2022 BGN'000
<b>1 January</b>	<b>24</b>	<b>31</b>
Increases	36	1
Interest accrued	1	1
Payments	(15)	(9)
<b>Balance at 31 December, including:</b>	<b>46</b>	<b>24</b>
<b>non-current portion</b>	<b>32</b>	<b>18</b>
<b>current portion</b>	<b>14</b>	<b>6</b>

**Expenses recognised in the separate statement of comprehensive income**

	Notes	2023 BGN'000	2022 BGN'000
Expenses on depreciation of right-of-use assets (IFRS 16)	13	20	26
Interest expenses on lease liabilities – IFRS 16 (included within finance costs)	10	1	1
Income from lease of movable and immovable property	4	42	38

The total cash outflow under leases as at 31 December 2023 amounts to BGN 15 thousand (2022: BGN 9 thousand).

*Company's leases and reporting thereof*

**Lessee**

The Company has concluded two leases – for real estate and a vehicle. The real estate lease is concluded for an indefinite period, unless terminated by any of the parties. The Company has performed an analysis and has determined that the lease term is 5 years. The management's assumptions and the set of criteria used to determine the lease term are disclosed in *Note 2.27*.

**Lessor**

The Company has concluded one lease with a subsidiary in its capacity as lessor to lease premises. The lease has a residual term of 5 years, and the estimated contract payments amount to BGN 45 thousand/year.



## 32. SEGMENT REPORTING

The segmental reporting in the Company is organised based on the core business activities carried out by the Exchange: a) trading in financial instruments; b) information services; and c) the registration and maintenance of issues for trading regulated market.

The items of revenue, expenses and results of business segments include:

	Trading in financial instruments		Information services		Registration and maintenance of issues for trading		Total	
	2023 BGN'000	2022 BGN'000	2023 BGN'000	2022 BGN'000	2023 BGN'000	2022 BGN'000	2023 BGN'000	2022 BGN'000
<b>Revenue by segments</b>	1,067	1,247	921	780	1,456	1,061	3,444	3,088
Cost of materials and consumables	(11)	(16)	(8)	(8)	(15)	(14)	(34)	(38)
Hired services expense	(981)	(913)	(364)	(165)	(584)	(350)	(1,929)	(1,428)
Amortisation and depreciation expenses	(162)	(171)	(58)	(46)	(92)	(64)	(312)	(281)
Employee benefits expense	(304)	(339)	(453)	(464)	(561)	(538)	(1,318)	(1,341)
Other expenses	(40)	(74)	(34)	(46)	(54)	(63)	(128)	(183)
<b>Total operating expenses</b>	(1,498)	(1,513)	(917)	(729)	(1,306)	(1,029)	(3,721)	(3,271)
<b>Segment result</b>	<b>(431)</b>	<b>(266)</b>	<b>4</b>	<b>51</b>	<b>150</b>	<b>32</b>	<b>(277)</b>	<b>(183)</b>
Unallocated operating income from operations							247	276
Unallocated operating expenses from operations							(943)	(1,054)
<b>Loss from operations</b>							<b>(973)</b>	<b>(961)</b>
Finance income							2,917	7,836
Finance costs							(1)	(10)
<b>Profit before taxes</b>							<b>1,943</b>	<b>6,865</b>
Income tax expense							6	4
<b>Net profit for the year</b>							<b>1,949</b>	<b>6,869</b>



**The assets and liabilities of the business segments include:**

	Trading in financial instruments		Information services		Registration and maintenance of issues for trading		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Assets by business segments</b>								
Trade receivables	23	13	211	124	2	-	236	137
<b>Segment assets</b>	23	13	211	124	2	-	236	137
Unallocated assets							17,319	21,242
<b>Total assets</b>							<b>17,555</b>	<b>21,379</b>
<b>Liabilities by business segments</b>								
Trade and other payables	390	-	390	-	-	-	390	-
Payables to personnel and social security	57	51	57	32	73	50	168	133
<b>Segment liabilities</b>	447	51	447	32	73	50	558	133
Unallocated liabilities							950	455
<b>Total liabilities</b>							<b>1,508</b>	<b>588</b>

The Company has capital expenses related to the business segment Trading in financial instruments. Purchase of software from DBAG in relation to the transition to the new T7 trading system and the purchased SCILA surveillance software.

As at 31 December 2023, expenses were stated for the amortisation in relation to business segments, at the amount of BGN 312 thousand (31 December 2022: BGN 181 thousand).

As at 31 December 2023, the Company has not stated non-cash expenses, other than amortisation, in relation to the business segments (2022: none).

Bulgarian Stock Exchange AD operates only on the territory of the Republic of Bulgaria.

As at 31 December 2023 the Company realised revenue from Bulgarian customers at the amount of BGN 2,693 thousand (31 December 2022: BGN 2,431 thousand) and the revenue from foreign customers at the amount of BGN 751 thousand (2022: BGN 657 thousand).

The total revenue from transactions with the biggest customers of the Company and the respective business segment are as follows:

		2023 BGN'000	%
Customer 1	Foreign customer	736	21%
Customer 2	Bulgarian customer	140	4%
Customer 3	Bulgarian customer	125	4%
Customer 4	Bulgarian customer	102	3%



		<b>2022</b> <b>BGN'000</b>	<b>%</b>
Customer 1	Foreign customer	652	21%
Customer 2	Bulgarian customer	194	6%
Customer 3	Bulgarian customer	136	4%
Customer 4	Bulgarian customer	127	4%

### 33. FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Company can be exposed to a variety of financial risks the most important of which are market risk (including currency risk, risk of a change in the fair value and price risk), credit risk, liquidity risk and risk of interest-bearing cash flows. The general risk management is focused on the difficulty to forecast the financial markets and to achieve minimizing the potential negative effects that might affect the financial results and position of the Exchange. Its policy in this area is related to assessment of the market circumstances in relation to the investments made and the forms for maintenance of free liquid funds. Some of the mechanisms applied are also related to the analysis and search for applicable solutions for determining relevant prices of the services offered by Bulgarian Stock Exchange AD. The main objective of risk management is preventing undue risk concentrations.

Risk management is currently performed by the management of the Company in accordance with the policy defined by the Board of Directors. The Board of Directors has approved the basic principles of general financial risk management, on the basis of which specific procedures have been established for management of the separate specific types of risk such as currency, price, interest, credit and liquidity risk and the risk of use of non-derivative instruments.

Categories of financial instruments:

Financial assets	<b>31.12.2023</b> <b>BGN '000</b>	<b>31.12.2022</b> <b>BGN '000</b>
<b>Financial assets at fair value through other comprehensive income</b>	<b>1,887</b>	<b>1,435</b>
Debt instruments measured at fair value through other comprehensive income	1,026	1,043
Equity instruments measured at fair value through other comprehensive income	861	392
<b>Financial assets at amortized cost</b>	<b>7,907</b>	<b>12,066</b>
Debt instruments at amortized cost	194	192
Trade receivables	254	192
Receivables from banks under collaterals	-	400
Cash and cash equivalents	7,459	11,282
<b>Total</b>	<b>9,794</b>	<b>13,501</b>



Financial liabilities	31.12.2023 BGN '000	31.12.2022 BGN '000
<b>Financial liabilities at amortized cost</b>	<b>1,134</b>	<b>278</b>
Dividend payables	581	63
Trade payables and payables to other creditors	507	191
Lease liabilities	46	24
<b>Total</b>	<b>1,134</b>	<b>278</b>

## Market risk

### a. Currency risk

The Company is not exposed to a currency risk because almost all of its operations and transactions are denominated in BGN and/or in EUR, as far as the latter has a fixed rate towards the Bulgarian lev under a law.

### b. Price risk

The Company is exposed to a price risk with respect to the securities held thereby, classified as financial assets at fair value through other comprehensive income, including due to the concentration in the type of securities. The management assesses this risk as low, due to the conservative nature of investments – mainly in Bulgarian government securities. The management has established procedures for current monitoring of changes in the prices, profitability and maturity structure of the government securities held thereby, respectively – for taking timely measures and actions in case of indicators of long-term negative trends, especially now, in the global economic crisis, respectively, current and in-depth analysis of the debt servicing and the future servicing abilities of the Bulgarian state.

The Company's management has not considered the possibility for investments in corporate debt instruments, due to the unacceptable credit risk and low liquidity. Due to the long maturity term and the potential probability over the next 5 years to have to need the funds invested in long-term government securities, the management has decided to classify them as "financial assets at fair value through other comprehensive income (debt instruments)", which necessitates the periodic remeasurement of these assets, respectively – carrying the effects thereof to a separate remeasurement reserve (through other comprehensive income) within the capital of the Company.

At the date of preparation of the separate financial statements, the management has determined that the funds invested in long-term government securities are at this stage not immediately necessary for performing the operating activities of the Company.

## Credit risk

The Company's financial assets are concentrated in the following groups: cash (current accounts and term deposits), investments held to maturity, investments available for sale (government securities and minority shareholding in other entities), trade and other receivables.



Credit risk is the risk that any of the Company's counterparts will fail to discharge in full and within the normally envisaged terms the amounts due under trade receivables. Trade receivables are presented in the separate statement of financial position net, following deduction of the accrued impairment of expected credit losses. Impairment has been made where and when events occurred that identified loss given default based on prior experience.

The Company does not have a significant concentration of credit risk since the Company performs specialised services to their customers, which are mainly investment intermediaries and banks in Bulgaria.

They have a good financial position, long history and business relations with the Exchange and do not permit violations of credit conditions according to its regulations with respect to the payment of the fees due for the services provided the Exchange.

For long-term government securities issued by the Republic of Bulgaria, a credit risk exists, but it is assumed to be low, due to the high credit rating of the state at this stage.

The Company's policy is to make sales with immediate payment – mainly fees for exchange trade, which are paid after two days from the settlement. The collection of receivables is currently and strictly controlled by the department responsible for registrations, trade, the financial department, as per the policy of the Company. For this purpose, a daily review is performed of outstanding positions by clients, and of the proceeds received, performing reconciliation and analysis. The fees for initial registration and maintenance of registration by customers are paid prior to their access to active trading.

In order to limit the risk regarding cash and deposits placed, it is the Company's policy to distribute them among current accounts and deposits with various terms in different financial institutions in Bulgaria.

<b>Financial assets, 31.12.2023</b>	<b>Overdue BGN '000</b>	<b>Non- matured BGN '000</b>	<b>No maturity BGN '000</b>	<b>Total BGN '000</b>
<b>Financial assets at fair value through other comprehensive income</b>	-	1,026	861	1,887
Debt instruments at fair value through other comprehensive income	-	1,026	-	1,026
Equity instruments at fair value through other comprehensive income	-	-	861	861
<b>Financial assets at amortised cost</b>	-	2,406	5,501	7,907
Debt instruments measured at amortised cost	-	194	-	194
Trade receivables	-	254	-	254
<i>Other receivables</i>	1,214	-	-	1,214
<i>Impairment of other receivables</i>	(1,214)	-	-	(1,214)
<i>Other receivables, net of impairment</i>	-	-	-	-
Cash and cash equivalents	-	1,958	5,501	7,459
<b>Total</b>	-	3,432	6,362	9,794



<b>Financial assets, 31.12.2022</b>	<b>Overdue BGN '000</b>	<b>Non- matured BGN '000</b>	<b>No maturity BGN '000</b>	<b>Total BGN '000</b>
<b>Financial assets at fair value through other comprehensive income</b>	-	<b>1,043</b>	<b>392</b>	<b>1,435</b>
Debt instruments at fair value through other comprehensive income	-	1,043	-	1,043
Equity instruments at fair value through other comprehensive income	-	-	392	392
<b>Financial assets at amortised cost</b>	-	<b>1,777</b>	<b>10,289</b>	<b>12,066</b>
Debt instruments measured at amortised cost	-	192	-	192
Trade receivables	-	192	-	192
Receivables from banks under collaterals	-	400	-	400
<i>Other receivables</i>	<i>1,214</i>	-	-	<i>1,214</i>
<i>Impairment of other receivables</i>	<i>(1,214)</i>	-	-	<i>(1,214)</i>
Other receivables, net of impairment	-	-	-	-
Cash and cash equivalents	-	993	10,289	11,282
<b>Total</b>	-	<b>2,820</b>	<b>10,681</b>	<b>13,501</b>

The cash, including payment operations, are limited to banks with good reputation and liquidity (*Note 25*).

### Liquidity risk

The liquidity risk is the adverse situation when the Company encounters difficulty in meeting unconditionally its obligations within their maturity. It conducts a conservative liquidity management policy thereby constantly maintaining an optimal liquid cash reserve, good ability to finance its business operations, performing continuous monitoring over actual and forecast cash flows by periods going forward and maintaining a balance between the maturity limits of the Company's assets and liabilities. The Exchange generates and maintains a significant volume of liquid funds and does not need loan capital to perform its operating activities. The maturity and timely payment of payables are currently monitored by the financial department of the Company, and daily information is maintained on the cash available and forthcoming payments. The available cash is invested in term deposits with banks, with usual original maturity of 1-12 months, which are considered to be relatively low-risk instruments with relatively high profitability.

As at 31 December 2023 and 31 December 2022, the non-derivative financial liabilities of the Company at the two dates of the separate statement of financial position have one month residual maturity compared to the contracted one.

### Risks of interest-bearing cash flows

Overall, the Company has a significant portion of interest-bearing assets. Revenue and operating cash flows are stable, predictable and relatively slightly dependent on changes in market interest rates, as far the main portion of the interest-bearing assets are with fixed rate - investments held to maturity - bonds (denominated in EUR), available-for-sale investments (government securities in BGN and EUR), and term deposits with banks (in BGN and EUR).



	Fixed rate	Floating rate	Non - interest- bearing	Total
	BGN '000	BGN '000	BGN '000	BGN'000
<b>31 December 2023</b>				
<b>Financial assets</b>				
<b>Financial assets at fair value through other comprehensive income</b>	<b>1,026</b>	-	<b>861</b>	<b>1,887</b>
Debt instruments at fair value through other comprehensive income	1,026	-	-	1,026
Equity instruments at fair value through other comprehensive income	-	-	861	861
<b>Financial assets at amortized cost</b>	<b>1,893</b>	<b>5,497</b>	<b>517</b>	<b>7,907</b>
Debt instruments measured at amortised cost	194	-	-	194
Trade receivables	-	-	254	254
Cash and cash equivalents	1,699	5,497	263	7,459
	<b>2,919</b>	<b>5,497</b>	<b>1,378</b>	<b>9,794</b>
<b>Financial liabilities</b>				
Trade payables	-	-	507	507
Dividend payables	-	-	581	581
Lease liabilities	46	-	-	46
	<b>46</b>	-	<b>1,088</b>	<b>1,134</b>

	Fixed rate	Floating rate	Non - interest- bearing	Total
	BGN '000	BGN '000	BGN '000	BGN'000
<b>31 December 2022</b>				
<b>Financial assets</b>				
<b>Financial assets at fair value through other comprehensive income</b>	<b>1,043</b>	-	<b>392</b>	<b>1,435</b>
Debt instruments at fair value through other comprehensive income	1,043	-	-	1,043
Equity instruments at fair value through other comprehensive income	-	-	392	392
<b>Financial assets at amortized cost</b>	<b>1,185</b>	<b>10,287</b>	<b>594</b>	<b>12,066</b>
Debt instruments measured at amortised cost	192	-	-	192
Trade receivables	-	-	192	192
Receivables from banks under collaterals	-	-	400	400
Cash and cash equivalents	993	10,287	2	11,282
	<b>2,228</b>	<b>10,287</b>	<b>986</b>	<b>13,501</b>
<b>Financial liabilities</b>				
Trade payables	-	-	63	63
Dividend payables	-	-	191	191
Lease liabilities	24	-	-	24
	<b>24</b>	-	<b>254</b>	<b>278</b>



## Capital risk management

The capital management objectives of the Company are to build and maintain capabilities to continue as a going concern and to provide return on the investments of shareholders and economic benefits to other stakeholders and participants in its business as well as to maintain an optimal capital structure.

In 2023 and 2022, the strategy of the management of the Company was again to work entirely with own funds generated from its business operations, without using borrowings.

The Company currently monitors the security and structure of its capital. It has traditionally financed its operations with its own generated profit and through contributions from shareholders, without using loan capital.

	2023 BGN '000	2022 BGN '000
Total liabilities, incl.:	1,508	588
Trade and other payables	1,088	254
Cash and cash equivalents	7,459	11,282
Total equity	16,047	20,791
<b>Liabilities to equity ratio</b>	<b>0.09</b>	<b>0.03</b>
<b>Cash to liabilities ratio</b>	<b>4.95</b>	<b>19.19</b>

## Fair value

The fair value concept presumes realisation of the financial instruments through sales, based on the position, assumptions and judgements of independent market participants on the main or more profitable market for given assets or liabilities. For its financial assets and liabilities, the Company considers the main market to be the financial markets in Bulgaria – BSE, big commercial banks – dealers, and for certain specific instruments – direct transactions between the parties. However, in most cases especially with respect to financial assets held in the long term, trade receivables, trade payables and deposits, the Company expects to realise these financial assets also through their total refund or respectively, settlement over time. Therefore, they are presented at amortised cost in the financial statements.

The fair value of financial instruments at fair value through other comprehensive income traded on active stock markets is based on quotes “bid” prices, disclosed by the market operator through official means at the end of the reporting period. The fair value of financial instruments which are not traded on sufficiently active markets, is determined and/or confirmed by valuation methods based on different valuation approaches and management assumptions made based on the market conditions at the end of the reporting period, including stock exchange quotes (intraday and average).

In addition, the larger part of the financial assets and liabilities are short-term in their nature (trade receivables, trade payables and current payables to other counterparts) or are carried to the separate statement of financial position at their market value (term-less and fixed-term bank deposits granted) and therefore, it can be accepted that their fair value is almost equal to their carrying amount.



The management of the Company is of the opinion that the estimates of the financial assets and liabilities presented in the separate statement of financial position are as reliable, adequate and trustworthy as possible for financial reporting purposes under the existing circumstances.

### **34. RELATED PARTIES AND RELATED PARTY TRANSACTIONS**

#### *Main owner*

The Bulgarian state, through the Ministry of Finance, holds 50.05% of the shares in the share capital of the Exchange and exercises control over the Company's financial and operational policy.

#### *Subsidiaries*

The Exchange holds 100% of the capital of Financial Market Services EOOD, which has been a subsidiary since 6 March 2007.

The Exchange holds 100% of the capital of Independent Bulgarian Energy Exchange EAD, which has been a subsidiary since 7 February 2018.

Bulgarian Stock Exchange AD exercises control over the finance and operational policy of the subsidiaries.

#### *Associates*

The Exchange holds 40% of the capital of Clear X AD, which is an associate as from 21 April 2020.

The Exchange holds 24.50% of the capital of BD Consults AD, which is an associate as from 21 April 2020.

#### *Joint venture*

The Exchange holds 33.33% of the capital of SEE Link DOO, Skopje, which is a joint venture as from 15 April 2014, and performs joint control over its financial and operational policy together with the Zagreb and Macedonian exchanges.

The Exchange holds 49.00% of the capital of COLLECTIVE FINANCING AD, which is a joint venture as from 13 November 2023, exercising joint control over its financial and operational policy together with Central Depository AD and Clear EX AD.

#### *Entity with qualified interest of the state*

The state, through the Ministry of Finance, holds directly 43.70% of the shares of Central Depository AD and has significant influence. The latter is a related party to the Exchange, insofar as the state, through the Ministry of Finance, holds qualified interest in both companies. In 2022 Bulgarian Stock Exchange bought shares from the increase in the capital of Central Depository AD – 10 shares at the amount of BGN 6 thousand. As at 31 December 2023 it holds 4.51% (31 December 2022: 4.51%).



*Entities in which a member of the key management personnel of the Exchange simultaneously participates in the management as Executive Director/General Money, i.e. holds management power*

As at 31 December 2023 companies that have such relation are: Eurobank Bulgaria AD, Bulstrad Life Wien Insurance Group AD, Dike-Properties OOD, SIPCA EOOD, Impact Appraisers OOD, VM Property OOD, BD Consults AD, SEE Link DOO, Collective Trading AD, EuroCTP B.V., Amsterdam, the Netherlands, Central Depository AD.

As at 31 December 2022 companies that have such relation are: Eurobank Bulgaria AD, Bulstrad Life Wien Insurance Group AD, Association SK DFS- Lokomotive Sofia, Dike-Properties OOD, SFB Capital market AD, SIPCA BIO EOOD, Impact Appraisers OOD, SEE Link DOO, Easy Trade EOOD, Central Depository AD.

*Related party transactions*

The total value of related party transactions is as follows:

<b>Sales to related parties</b>	<b>Related party</b>	<b>2023 BGN '000</b>	<b>2022 BGN '000</b>
Dividend received	IBEX EAD	2,841	7,775
Dividend received	Financial Market Services EOOD	3	-
Dividend received	Central Depository AD	-	8
Consulting services	IBEX EAD	180	180
Fees for transactions, membership, e-trading	Elana Trading AD	101	88
Sale of equipment	Financial Market Services EOOD	37	32
Software sales	Financial Market Services EOOD	-	27
Office and equipment rental	Central Depository AD	-	25
Trading fees, membership fees, online trading fees	Eurobank Bulgaria AD	13	15
Information services	Financial Market Services EOOD	-	3
E-trading fee	Elana Financial Holding AD	4	-
CCP maintenance fee	Ministry of Finance	2	2
<b>Total</b>		<b>3,181</b>	<b>8,157</b>

<b>Supplies from related parties</b>	<b>Related party</b>	<b>2023 BGN '000</b>	<b>2022 BGN '000</b>
Accounting, financial, and administrative services	BD Consults AD	431	398
Fee for product operation	Financial Market Services EOOD	108	60
Information/correspondence services	Financial Market Services EOOD	44	36
Annual fee for administration of BSEInternational	Central Depository AD	40	30
Information services	Central Depository AD	5	4
Bank charges	Eurobank Bulgaria AD	2	7
<b>Total</b>		<b>630</b>	<b>535</b>

*Purchase, maturity and open balances with bonds issued by the main owner (Ministry of Finance)*

In 2022 the Company purchased government securities – BGN-denominated bonds purchased with a discount at the amount of BGN 190 thousand, issued by the Ministry of Finance of the Republic of Bulgaria



(Note 19) and a sovereign securities issue matured – BGN-denominated bonds at the amount of BGN 550 thousand, issued by the Ministry of Finance of the Republic of Bulgaria (Note 18).

The interest received on securities issues for year 2023 amounts to BGN 56 thousand (2022: BGN 84 thousand).

Outstanding balances with the Ministry of Finance regarding debt instruments at fair value through other comprehensive income – sovereign securities issued by the Ministry of Finance as at 31 December 2023 amount to BGN 1,026 thousand (31 December 2022: BGN 1,043 thousand) (Note 18).

Outstanding balances with the Ministry of Finance regarding debt instruments at amortised cost – sovereign securities issued by the Ministry of Finance as at 31 December 2023 amount to BGN 194 thousand (2022: BGN 192 thousand) (Note 20).

#### *Related parties balances*

The balances with related parties include receivables under sales as at 31 December 2023: BGN 4 thousand (2022: BGN 38 thousand) and payables for supplies as at 31 December 2023: BGN 71 thousand (31 September 2022: BGN 22 thousand). Dividends from IBEX EAD and Financial Market Services EEOD amounting to BGN 2,844 were paid in full.

#### *Remuneration of key management personnel*

The composition of key management personnel is disclosed in *Note 1.1*.

The salaries and other short-term benefits to key management personnel as 31 December 2023 amount to BGN 388 thousand (2022: BGN 345 thousand), including:

- Current remuneration: BGN 385 thousand (2022: BGN 340 thousand)
- Social security contributions: BGN 3 thousand (2022: BGN 5 thousand).

### **35. CONTINGENT ASSETS AND LIABILITIES**

As at 31 December 2023 and 31 December 2022 the Company has no contingent assets and liabilities.

### **36. EVENTS AFTER THE END OF THE REPORTING PERIOD**

No events occurred after 31 December 2023 which necessitate additional adjustments and/or disclosures to the Company's separate financial statements for the period ended 31 December 2023.



# INDEPENDENT AUDITOR'S REPORT



**БФБ**



## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF BULGARIAN STOCK EXCHANGE AD

#### Report on the audit of the separate financial statements

##### Qualified Opinion

We have audited the separate financial statements of **BULGARIAN STOCK EXCHANGE AD** (the Company), which comprise the separate statement of financial position as at 31 December 2023, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the financial statements, including material significant accounting policies.

In our opinion, except for the possible effect of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

##### Basis for Qualified Opinion

As at 31 December 2023 the Company states 100% impaired receivable with gross amount BGN 1,214 thousand (Note 23 *Other receivables and prepayments*) under a Contract for Transfer of Receivables (cession) dated 2014, pursuant to which it is a cedant and it transferred its receivables under a bank deposit with a bank declared bankrupt in 2015 to a third party - transferee. By means of a Supplementary Agreement to the Contract for Transfer of Receivables, the parties agreed retroactive termination conditions in case of



future events beyond the Company's control, incl. declaring as void the offset performed by the transferee of its payables to the bank against the receivable obtained from the Company. The retroactive termination condition suggests that upon occurrence thereof, the Company shall owe to the third party - transferee, repayment of the payments received from the selling price of the transferred receivable, while the transferee shall owe retransfer of the receivable.

In 2017, the appointees in bankruptcy of the bank filed a claim against the cedant for declaring as void the offsetting and cession performed with the Company. Therefore, the Company stated impairment losses in relation to this receivable in prior years and as at 31 December 2023 the carrying amount of the receivable in question in the separate statement of financial position is nil (31 December 2022: nil).

Pursuant to the disclosure of Note 2.27.2 *Expected credit losses* and Note 23 *Other receivables and prepayments*, in a Ruling dated 27 May 2021 the Constitutional Court of the Republic of Bulgaria declared as anti-constitutional certain provisions of the Bank Insolvency Act, which are directly related to the above mentioned court case. In 2022, based on an effective court ruling of the Sofia Appellate Court, the claims filed by the appointees in bankruptcy were finally dismissed as ungrounded.

Despite the favourable developments mentioned that occurred the past three years (2021-2023) respect to the exercise of the rights of Bulgarian Stock Exchange under this receivable, the Company continued to not have specific and detailed information about the debtor's possibilities and intentions, nor analyses or forecasts to confirm the degree of collectability of the receivable as at 31 December 2023. Respectively, we were not provided with sufficient and specific supporting documentation, data and information with respect to the assumptions, judgements and analyses made regarding the possible future collection of this receivable, respectively - regarding the impairment stated. Therefore, we were unable to obtain reasonable assurance by applying alternative audit procedures as to whether any adjustments would be necessary, and the amount thereof, to the carrying amount of the receivable, respectively - to the amount of retained earnings in the separate statement of financial position as at 31 December 2023, as well as to the same indicators in the comparable information for year 2022.

The auditor's report on the separate financial statements for the year ended 31 December 2022 is also qualified with respect to this matter.





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

### **Key Audit Matters**

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

With the exception of the matter described in the described in the *Basis for Qualified Opinion* section of our report we have determined there are no other key audit matters to be communicated in our report.

### **Emphasis of Matter**

We draw attention to *Note 2.5 Consolidated financial statements* to the separate financial statements for year 2023 disclosing that the Company has started the process of preparation of its consolidated annual financial statements for 2023. According to the planned deadlines, the management expects the consolidated financial statements to be approved for issue not later than 30 April 2024 by the Company's Board of Directors, and which the financial statements will be publicly available to third parties. Our opinion is not qualified in respect of this matter.



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

Management is responsible for the other information. The other information comprises the management report, incl. the non-financial declaration, the corporate governance declaration, and the report on implementation of the remuneration policy, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for Qualified Opinion* section of our report above, we were unable to obtain sufficient and appropriate audit evidence regarding the fully impaired receivable under a cession with gross carrying amount BGN 1,214 thousand and retained earnings as at 31 December 2023 in the Company's separate statement of financial position. Respectively, we were unable to conclude on whether the other information contains with respect to this matter a material misstatement of financial indicators and the accompanying disclosures on these items.

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

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either



intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Separate Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the



separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

## **Report on Other Legal and Regulatory Requirements**

### ***Additional Matters to be Reported under the Accountancy Act and the Public Offering of Securities Act***

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Financial Statements and Auditor's Report Thereon* section, in relation to the non-financial declaration, the management report, including the corporate governance statement we have also performed the procedures added to those required under



ISAs in accordance with the *Guidelines on New and Expanded Auditor's Reports and Auditor's Communication* of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 10 of the POSA in conjunction with Art. 100m, paragraph 8(3) and (4) of the POSA, as well as Art. 100m, Para 13 of POSA in conjunction with Art. 116c, Para 1 of POSA) , applicable in Bulgaria.

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

Based on the procedures performed, our opinion is that:

- a) The information included in the management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements, on which we have issued a qualified opinion in the *Report on the audit of the separate financial statements* hereinabove.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), Para 7 of the Public Offering of Securities Act.
- c) The corporate governance statement referring to the financial year for which the separate financial statements have been prepared presents the information required under Chapter Seven of the Accountancy Act and Art. 100 (m), paragraph 8 of the Public Offering of Securities Act.
- d) The non-financial declaration referring to the financial year for which the separate financial statements have been prepared has been provided and prepared in accordance with the requirements of Chapter 7 of the Accountancy Act.
- e) The report on implementation of the remuneration policy referring to the financial year for which the separate financial statements have been prepared has been presented and meets the requirements set in the provision of Art. 116c, Para 1 of the Public Offering of Securities Act.



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

Based on the procedures performed and the knowledge and understanding obtained about entity's activities and the environment in which it operates, in our opinion, the description of the main characteristics of entity's internal control and risk management systems relevant to the financial reporting process, which is part of the management report (as a component of the corporate governance statement) and the information under Art. 10 paragraph 1(c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on Takeover Bids, do not contain any material misrepresentations.

***Additional Reporting on the Audit of the Financial Statements in connection with Art. 100(m), paragraph 4(3) of the Public Offering of Securities Act***

*Statement in connection with Art. 100(m), paragraph 4(3)(b) of the Public Offering of Securities Act*

The information about related party transactions is disclosed in *Note 34* to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2023, in all material respects, in accordance with the requirements of *IAS 24 Related Party Disclosures*.

The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions.

*Statement in connection with Art. 100(m), paragraph 4(3)(c) of the Public Offering of Securities Act*

Our responsibilities for the audit of the separate financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report include an evaluation as to whether the financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate



financial statements for the year ended 31 December 2023, no facts, circumstances or other information have come to our attention based on which to conclude that there are material misrepresentations and disclosures in accordance with the relevant requirements of IFRSs as adopted by the European Union, except for the matter described in the *Basis for Qualified Opinion* section. The results of our audit procedures on the Company's transactions and events significant for the separate financial statements were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions.

***Reporting on compliance of the electronic format of the separate financial statements, included in the included in the annual separate financial report on activities under Art. 100(m), Para 4 of POSA with the requirements of the ESEF Regulation***

In addition to our reporting responsibilities in accordance with ISAs, described the section above in the *"Auditor's Responsibilities for the Audit of the Financial Statements"*, we performed the procedures in accordance with *"Guidelines on the issuing of audit opinion with respect to the application of the European Single Electronic Format (ESEF) to the financial statements of companies which securities are admitted to trading on a regulated market in the European Union (EU)"* of the the Professional Organization of the Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures relate to a check of the format and whether the human-readable portion of this electronic format corresponds to the audited separate financial statements, as well as expressing an opinion regarding the compliance of the electronic format of the separate financial statements of **BULGARIAN STOCK EXCHANGE AD** for the year ended 31 December 2023, attached in the electronic file "747800W0XA9OV4MSRW74-20231231-BG-SEP.xhtml", with the requirements of Commission Delegated Regulation (EU) 2018/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation). Based on these requirements, the electronic format of the separate financial statements, included in the annual separate financial report on activities under Art. 100(m), Para 4 of POSA, should be presented in XHTML format.



The Company's management is responsible for applying the requirements of the ESEF Regulation upon preparing the electronic format of the separate financial statements in XHTML.

Our opinion is only with respect to the electronic format of the separate financial statements attached in the electronic file "747800W0XA9OV4MSRW74-20231231-BG-SEP.xhtml", and does not cover the other information included in the annual separate financial report on activities under Art. 100(m), Para 4 of POSA.

Based on the procedures performed, it is our opinion that the electronic format of the separate financial statements of the Company for the year ended 31 December 2023, on which we express a qualified auditor's opinion, as described in the *Basis for Qualified Opinion* section above, contained in the attached electronic file "747800W0XA9OV4MSRW74-20231231-BG-SEP.xhtml", has been prepared in all material respects in compliance with the ESEF Regulation.

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

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

- BDO AFA OOD was appointed as statutory auditor of the separate financial statements for the year ended 31 December 2023 of **BULGARIAN STOCK EXCHANGE AD** (the Company) by the general meeting of shareholders held on 29 June 2023 for a period of one year.
- The audit of the separate financial statements of the Company for the year ended 31 December 2023 constitutes a fifth uninterrupted statutory audit engagement for the entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Company.





**BDO AFA OOD**  
***Audit Firm, Reg. No 015***

**Valia Iordanova Iordanova**  
***Legal Representative***  
***General Manager***  
***Registered auditor in charge of the audit***

**28 March 2024**  
**38, Oborishte St.**  
**Sofia 1504, Bulgaria**

***This is a translation from Bulgaria of the Independent Auditor's Report on the Separate Financial Statements of Bulgarian Stock Exchange AD for the year ended 31 December 2023.***

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TO  
THE SHAREHOLDERS OF  
BULGARIAN STOCK EXCHANGE AD

## STATEMENT

*under Art. 100m, paragraph 4(3) of  
the Public Offering of Securities Act*

*The undersigned, Renny Georgieva Iordanova, in my capacity as General Manager of audit firm BDO AFA OOD, registered under UIC 030278596, having a seat and registered office at: 38, Oborishte Street, Sofia-1504 and address for correspondence: 38, Oborishte Street, Sofia-1504, and Valia Iordanova Iordanova, in my capacity as a registered auditor (Reg. No 0112 as per the Register with ICPA under Art. 20 of the Independent Financial Audit Act), in charge of the audit engagement on behalf of audit firm BDO AFA OOD (having Reg. No 015 as per the Register with ICPA under Art. 20 of the Independent Financial Audit Act) at ICPA,*

**hereby state that**

BDO AFA OOD has been engaged to perform the statutory financial audit of the separate financial statements of BULGARIAN STOCK EXCHANGE AD for 2023, prepared in accordance with International Financial Reporting Standards, as adopted by the EU, the commonly accepted name of the basis of accounting defined in p. 8 of the Additional Provisions of the Accountancy Act under the name "International Accounting Standards". As a result of our audit, we issued auditor's report dated 28 March 2024.

***We hereby CERTIFY THAT, as reported in our auditor's report on the annual separate financial statements of BULGARIAN STOCK EXCHANGE AD for 2023 issued on 29 March 2024:***

***1. Art. 100m, paragraph 4(3)(a) Auditor's opinion:*** In our opinion, except for the potential effect of the matter described in the *Basis for Qualified Opinion*

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section in our report, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) (*page 1 of the Auditor's Report*);

**2. Art. 100m, paragraph 4(3)(b) Information on related party transactions of BULGARIAN STOCK EXCHANGE AD.** The information about related party transactions is duly disclosed in *Note 34* to the separate financial statements. Based on the audit procedures performed by us on related party transactions as part of our audit of the separate financial statements as a whole, no facts, circumstances or other information have come to our attention based on which to conclude that the related party transactions have not been disclosed in the accompanying separate financial statements for the year ended 31 December 2023, in all material respects, in accordance with the requirements of IAS 24 *Related Party Disclosures*. The results of our audit procedures on related party transactions were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on related party transactions (*page 8 of the Auditor's Report*).

**3. Art. 100m, paragraph 4(3)(c) Information on significant transactions.** Our responsibilities for the audit of the separate financial statements as a whole, described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report include an evaluation as to whether the separate financial statements present the significant transactions and events in a manner that achieves fair presentation. Based on the audit procedures performed by us on the significant transactions underlying the separate financial statements for the year ended 31 December 2023, no facts, circumstances or other information have come to our attention based on which to conclude that there are material unfair presentations and disclosures in accordance with the relevant requirements of IFRS as adopted by the European Union, apart from the matter described in the *Basis for Qualified Opinion* section in our report. The results of our audit procedures on Company's transactions and events significant for the separate financial statements were addressed by us in the context of forming our opinion on the separate financial statements as a whole and not for the purpose of expressing a separate opinion on those significant transactions (*page 9 of the Auditor's Report*).



*The attestations made by this Statement shall be considered only and solely in the context of our auditor's report issued as a result of the performed independent financial audit of the separate annual financial statements of BULGARIAN STOCK EXCHANGE AD for the reporting period ended 31 December 2023, dated 28 March 2024. This Statement is only intended for the addressee specified above and has been prepared only and solely in compliance with the requirements set out in Art. 100m, paragraph 4(3) of the Public Offering of Securities Act (POSA) and shall not be deemed to replace our conclusions in our auditor's report, dated 29 March 2022, with regard to the matters covered by Art. 100m, paragraph 4(3) of the POSA.*

28 March 2024

For audit firm BDO AFA OOD:

Sofia

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Renny Iordanova,  
*Legal Representative*  
*General Manager*

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Valia Iordanova,  
*Registered auditor in charge of the audit*