

Sofiyska Voda



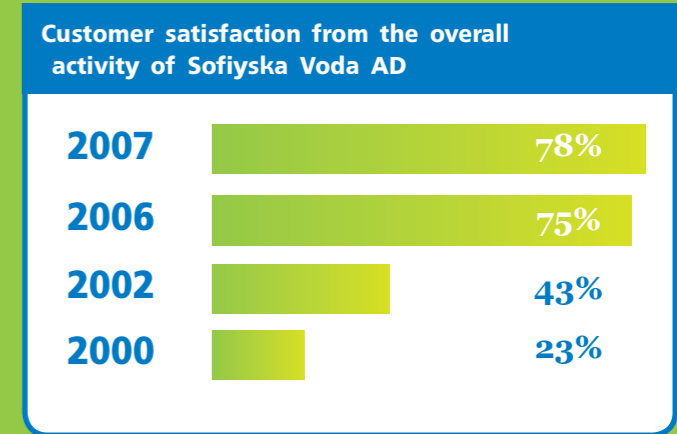
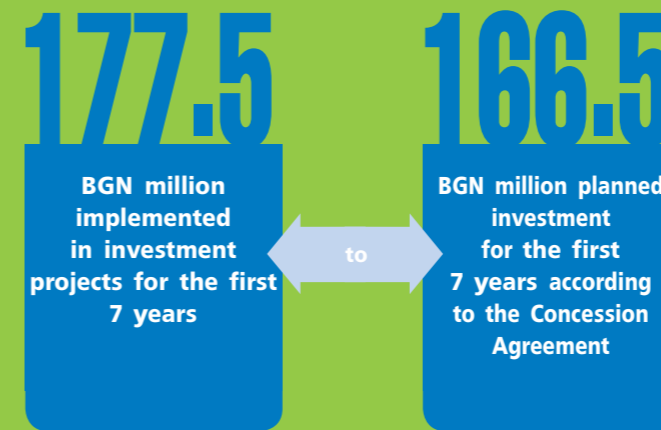
Serving customers

Delivering water and wastewater services in Sofia and its surroundings



Investing in quality, improving the service

We are working hard to ensure a modern water and sewerage infrastructure of European quality for Sofia and deliver first-class water and wastewater services to our customers.



Sofiyska Voda AD has been providing water, sewerage and wastewater treatment services to the 1.5 million people in the territory of Sofia Municipality since October 2000. To date, we are the first and only public-private partnership in Bulgaria's water sector. Since we took over the water and wastewater services of the capital city we have implemented a new managerial approach and organizational changes aiming to enhance the effectiveness of the company and have established new standards for customer serv-

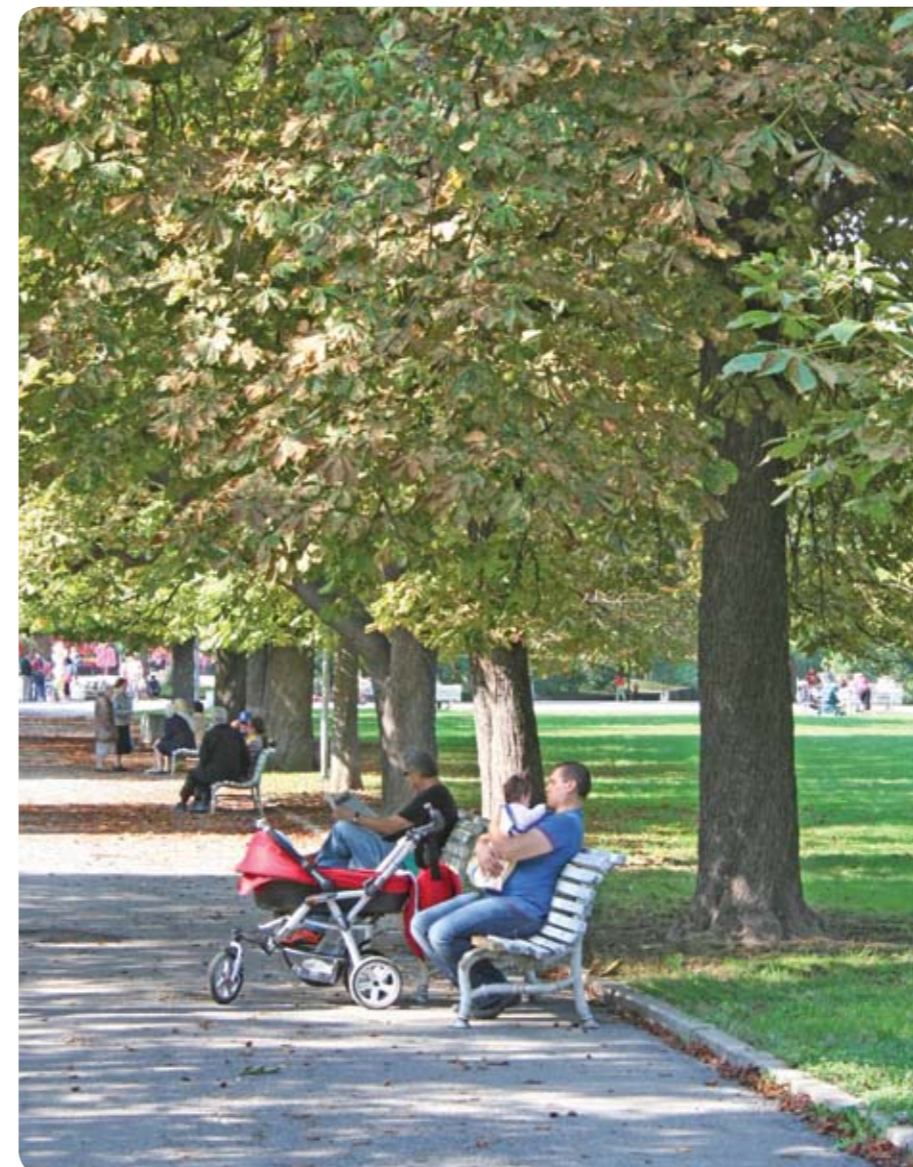
ice. We have carried out successfully "know-how" and technology transfer and for the first seven years invested BGN 177.5 million in the Water Supply and Sewerage (WSS) infrastructure for improvement of the services.

We work in partnership with the community for improving the environment and quality of life. Sofiyska Voda AD is a member of:

- UN Global Compact
- Confederation of Employers and Industrialists in Bulgaria

- Bulgarian Business Leaders Forum
- Union for Private Economic Enterprises
- Association of the Water Supply and Wastewater Services Operators in Bulgaria
- Union of the WSS Employers in Bulgaria
- Bulgarian Water Association.

This brochure provides a more detailed insight into our activities, achievements and plans for the future.



OUR PRIORITIES

- Exceed the expectations of our customers
- Provide a stimulating working environment for our employees
- Operate effectively and efficiently, successfully managing assets and processes
- Meet contractual and legal obligations
- Be a good corporate citizen
- Be a profitable company and the best utility in Bulgaria.

We perform our activities as a high-quality water and wastewater services provider. We meet the challenges of EU legislation on the

water sector and the environment. We build on our achievements and remain focused on our priorities.

We work professionally

Many of the best professionals of the Bulgarian water sector work with Sofiyska Voda AD. We successfully apply high-tech solutions and the best engineering practices, which makes it possible for us to optimize the processes and work efficiently.

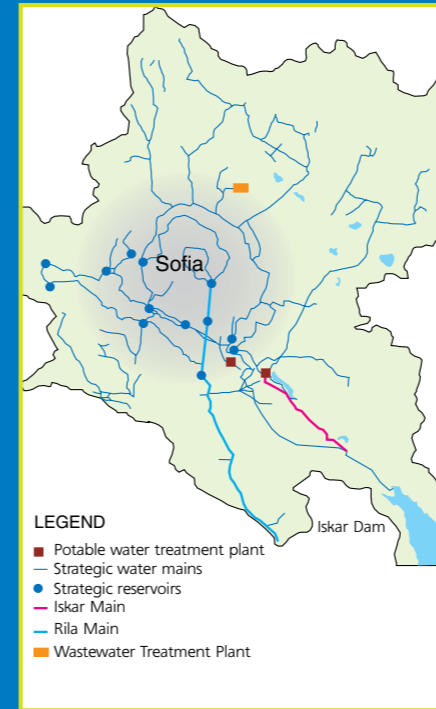
In order to manage properly operational and investment activities, reliable data about the condition of the WSS networks and facilities is needed.

■ We have conducted a detailed research on the underground and surface assets in order to develop a comprehensive Geographic Information System (GIS), which we are constantly updating. Sofiyska Voda AD is the first water

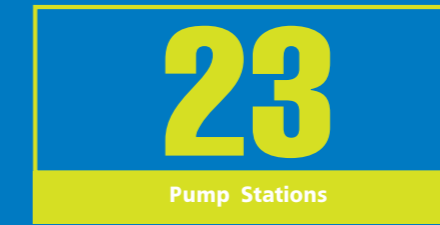
utility company in Bulgaria that has developed GIS covering the whole serviced territory, all company's assets, digital surface cadastre and digital topography. The system provides the necessary data for the operation and maintenance of the networks as well as for completion of designs. GIS also contains a data base of customer addresses which allows quick analysis of the consumed water quantities and the revenues from the individual territories.

■ On the basis of GIS and specialized databases, we have created a full Assets Register. The collected data has shown that about 1,000 km of the water network and 500 km of the sewerage network – a quarter of the networks length, have not been registered with Municipality of Sofia before the establishment of Sofiyska Voda AD. Those are referred to as assets of unclear status.

■ We have developed digital hydraulic models of the water and sewerage networks, aiming to optimize the investment and operation activities. The models enable us to get a clear understanding of the current conditions and behaviour of the water and sewerage networks, to forecast networks behaviour vis-a-vis city expansion and to plan accurately the projects for system rehabilitation and extension.



Sofia Water Supply and Sewerage System



Water Sources



Beli Iskar (15,080,000 m³) provides about 20% of the city's water consumption



Iskar (673,000,000 m³ – operated by NEK EAD) provides about 80% of the city's water consumption



River catchments and spring catchments provide less than 1% of the city's water consumption

Potable Water Treatment



Two potable water treatment plants in Bistritsa and Pancharevo

Wastewater Treatment



Sofia Wastewater Treatment Plant Kubratovo

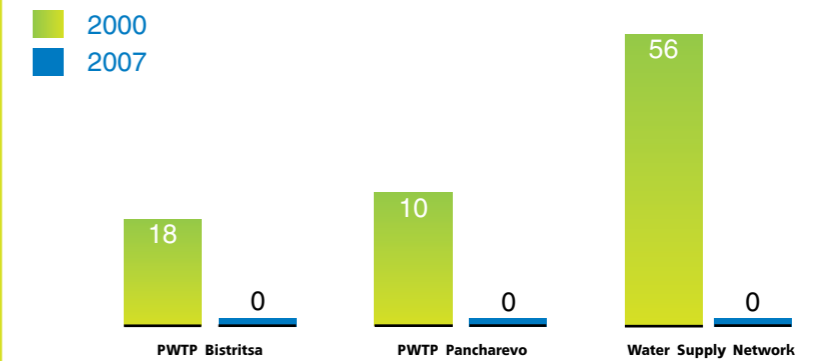
We provide safe and reliable water supply and improve the water services

Sofiyska Voda AD optimizes the water management, secures compliance with legal requirements for water quality and invests in rehabilitation and expansion of the water network.

122,000 m
For 7 years we have replaced and constructed water mains with a total length equal to the length of the road from Sofia to Vratsa

193,000 m
For 7 years we have replaced and constructed new water service connections with a total length equal to the length of the road from Sofia to Vidin

Quality of Water (Number of non-standard samples, microbiological compliance)

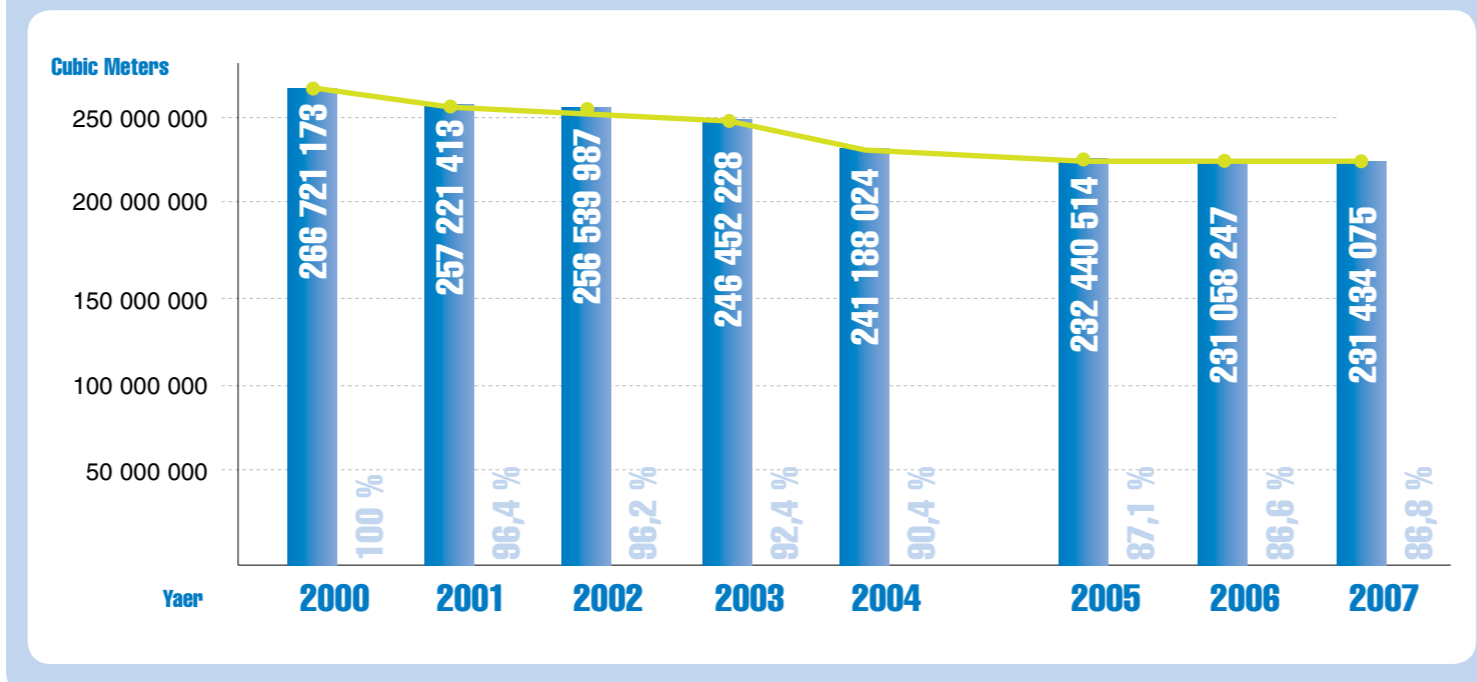


We carried out a number of repair works and rehabilitations on the water system to guarantee safe and reliable water supply for the capital city in the first years of our activity.

- We completed the first reconstruction in the 55-year history of Beli Iskar Dam in order to preserve this unique high-mountain hydro technical structure. At the beginning of our operation, in 2000, it was discovered that there was a potential risk of collapse of the dam due to substantial leakages. We undertook swift actions and in the period 2000-2003 invested BGN 14 million in the first stage of the Beli Iskar project for improvement of the operational and technical conditions of the structure. For the execution of this project, Beli Iskar Dam was drained for the first time since its commissioning. The dam wall was covered with 28,700 m² geomembrane material.

- Effective water management is based on consistent monitoring. We ensure the accurate metering of the water volumes supplied to Sofia. The monitoring data show that for the last seven years the water quantities supplied to Sofia have reduced by 35 million m³.

Water Supplied 2000 - 2006



This means that in 2007 we have saved the quantity of water equivalent to the volume of 11,360 Olympic swimming pools.

- In order to ensure flexible and effective management of the water supply system, we have implemented the SCADA system for monitoring and control. It allows continuous monitoring of key points of the water supply system from the dispatch station, 24 hours per day, and maintains a database for each facility. Thanks to SCADA, we prevent overflows of reservoirs,

optimize the work of the pumps at the pump stations and control the level of residual chlorine at the chlorination stations.



- In line with the good engineering practices of water systems management, we have divided Sofia water system into 251 demand metering

THE QUALITY OF WATER WE DRINK IS AMONG THE BEST IN EUROPE

Supplying healthy potable water with the best possible quality to the customers has always been our utmost priority. In order to guarantee compliance of the quality indicators of the water for potable and domestic needs with the requirements of the national and the EU legislation, we maintain work standard of the two potable water treatment plants in Bistritsa and Pancharevo. We are implementing a programme for modernizing and constructing new chlorination

stations. The Laboratory Centre of Sofiyska Voda AD performs strict control over the quality parameters of water, as they constantly monitor microbiological, physicochemical and hydro biological indicators. The Laboratory takes samples for analysis in accordance with the approved schedule, consistent with the legislative requirements and the Concession Agreement. On average, 23,830 samples are analyzed per year. On a monthly basis, we report the results to the City Regional Inspectorate for Protection and Control of Public Health (CRIPCPH), which performs independent control on the quality of water.

areas. We have achieved more flexible management of the system, reduction of the water supply interruption areas during repair works and respectively

– the number of affected customers, better control of the water consumption, easier detection of leakages and solving of water pressure problems.

In order to improve the operational condition of the water supply network and the quality of the water service, we have replaced old and worn out water mains with new overall length of 122,000 m. We have also replaced and constructed 193,000 m of water service connections. We use different tools and techniques, including computer modeling of the network and GIS. We have invested in projects for reduction of unaccounted for water and pressure management. As a result, we have decreased the failures on the network by 30%.

We improve sewerage and wastewater treatment services

Sofiyska Voda AD undertook the required actions for achievement of high standard of sewerage network maintenance, as well as for protecting and improving the environment.

SEWERAGE

Sofiyska Voda AD organizes the operation and maintenance of the sewerage network, by applying two basic approaches – emergency and prevention work. In line with the good practices, we pay serious attention to the preventive maintenance as a pro-active approach to problem solving.



■ We are procuring the most modern equipment and we have increased the capacity for sewer cleaning. We have carried out reconstruction of a number of damaged sewers. We have introduced flow metering and rainfall metering in order to analyze the relation between the operational problems and the rainfall. We have stabilized the sewerage network, the effect of which became evident in 2005, when despite the sequence of severe storms and heavy rainfalls that swept the country, Sofia

remained comparatively unaffected by the floods.

■ We conduct detailed surveys of the sewerage network. Based on those it was discovered that for many facilities the data provided to the company initially in the cadastral maps and registers were inaccurate. The data we have now about the sewerage network of Sofia Municipality includes 1,485 km known public assets and 500 km assets referred to as unclear status. Those were identified as a result of survey the network. There are territories in the city as well as in the majority of the surroundings which are still without sewerage networks. We apply an overall and optimal balanced approach, as we provide maintenance and repairs of the existing sewerage facilities, system data collection and processing, strategic planning of new investments and stage-by-stage construction of new wastewater draining structures. A further challenge is the accelerated pace of new urban development.

■ Sewerage network modeling is a major instrument for the correct investment planning. The developed strategic hydraulic model is also used for preparing schemes for customers service support improvement. The company continues its activity in developing detailed models.



■ We use a complex CCTV technique for the sewerage pipes for analysing the condition of the sewers. The video camera allows trenchless control on the underground assets without disturbing the transport traffic, which limits the inconvenience for the citizens of Sofia. 7,200 manholes have already been recorded for the development of the digital sewerage network model.



Cleaned sewerage pipes, metres



BGN 10 M

investments in modernization of the sludge and gas house at Kubratovo WwTP

Full compliance with the standards for treated wastewater of the monthly average samples for analysis.



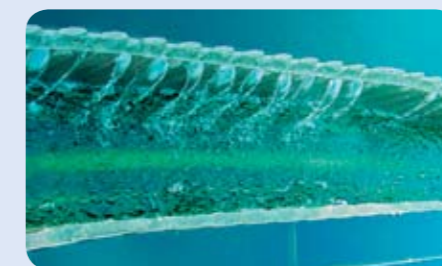
WE TREAT WASTEWATER AND BRING CLEAN WATER BACK TO NATURE

The Sofia Wastewater Treatment Plant (WwTP) was commissioned in 1984, and since then has been working 24-hours a day without interruption. When Sofiyska Voda AD was established, the plant became part of the company assets and as early as the first months the quality of the treated water significantly improved thanks to the resources and funding provided.

Every day we treat around 350,000 m³ wastewater before returning it back to nature through discharging it into the Iskar River. In the period 2001-2006, the WwTP worked in the conditions of reconstruction, which means that fewer facilities were operational in the technological cycle. The company performed the necessary activities to optimize the operation in order to

ensure compliance with final effluent standards. The laboratory at the treatment plant carries out continuous monitoring of the water and sludge quality indicators. The sample analyses show that the indicators of the treated wastewater and sludge are fully compliant with the standard requirements.

In 2004, the project for the reconstruction of the wastewater treatment line was completed. It amounted to EUR 17 million, funded under the PHARE Programme (Pre-association instrument financed by the European Union for the countries of Central and Eastern



Europe) as a grant to the Municipality of Sofia.

In 2006, the project for rehabilitating and upgrading the sludge digesters and ancillary equipment was completed as a part of the biggest environmental project of Sofiyska Voda AD. The project amounted to over BGN 10 million. The sludge from the treatment process is decomposed into simpler and harmless substances in the sludge digesters. We have ensured compliance with all legislative requirements concerning the quality of the sludge we provide to agricultural producers for soil enhancement, by reconstructing the sludge digesters. We are currently preparing for the implementation of the second stage of the modernization of the sludge process. It envisages the installation of a co-generator for production of electricity and heating from the biogas released in the sludge digesters.

We invest in the future

Sofiyska Voda AD took the challenge to implement an ambitious Investment Programme within the timeframes of the Business Plan of the company until the end of 2008. The State Commission for Energy and Water Regulation approved Sofiyska Voda Business Plan in April, 2007.

BGN 17.5 M
investments 2007
in the WSS system of Sofia

The Investment Programme includes projects aimed at meeting the requirements of the national and European regulation for water sector and environmental protection.

Since the beginning of May 2007 – immediately after the approval of our Business Plan, we have been actively working throughout the city. In 2007 we have implemented investment projects at the cost over

BGN 17,5 million for improvements of the water supply and sewerage services in the capital city. We have also executed joint projects with the Municipality of Sofia, amounting to around BGN 5 million, among which is the project for the construction of a new water supply and sewerage system in Gorublyane and the project for replacement of the WSS facilities of the Ariana Lake in the Borissova Garden.

There are many sections in the central part of Sofia, which contain pipes which were laid about 100 years ago. With the implementation of our Business Plan, we have the opportunity to replace these sections. Another part of the projects for improving of the quality of the water supply service is implemented in the suburban areas. We have envisaged substantial investments for the improvement of the sewerage network,

among which are the projects for the residential areas Nadezhda, Krasno Selo, and Lozenets. Parallel to this we are constructing new WSS connections in Kokalyane and the village of Passarel, as well as the Bunkera Villa Area. By the end of 2008, Vladaya and Jelyava will be connected to the city water supply network. Our programme includes key projects for the extension of the sewerage network into areas where there has been no sewerage before – Gorublyane, Pancharevo, Moderno Predgradie, and Benkovski. We are also investing in improving potable water quality and environmental protection. By the end of 2008, Kubratovo Wastewater Treatment Plant will have a gas-generator installation for the production of electricity from the biogas released in the sludge treatment.

The environmental projects together with those approved by ISPA for the Municipality of Sofia, include the construction of water mains, sewerage collectors, potable water treatment plants for water from the Rilla main and its rehabilitation, construction of a facility for nitrogen and phosphorus removal at Kubratovo WwTP as a final stage in wastewater treatment.



WE INVEST FOR THE CITY

■ High-quality water supply service complying with EU standards

- Safe and reliable water supply to Sofia
- High quality of the potable water
- Well developed water supply infrastructure
- Extension of the water supply network following the model defined by the Master Plan of the Municipality of Sofia
- Reducing the level of unaccounted for water

■ High-quality sewerage and wastewater treatment service complying with EU standards

- Well developed sewerage infrastructure compliant with EU standards
- Extension of the sewerage network following the model defined by the Master Plan of the Municipality of Sofia

- Connection of the areas with population over 10,000 residents to full treatment by 2010
- Connection of all areas with population over 2,000 residents to the sewerage network and full treatment by 2015
- Compliance with the requirements of the standards for quality of the treated wastewater

■ Protection and improvement of environment

- Meeting all requirements to European Union state members for quality of the treated wastewater and sludge
- Installation in WwTP Kubratovo of a co-generator for production of electricity from the biogas released in the sludge digesters
- Reduction of green house gas emissions in the atmosphere

We serve our customers politely, quickly and efficiently

We aim to continuously improve our service by listening to our customers and responding with the right action and attitudes.

RELATIONS WITH CUSTOMERS

Sofiyska Voda AD provides easy contact of its customers with the company. To all customers, we provide high-quality standardized services, irrespective of whether they contact us by phone, at the customer service centres, or in writing.

- The 24/7 Call Centre has 45 lines at which operators answer around 1,000 calls per day. In 2007, the total number of calls was 464,000. We strive to answer the calls within 10 seconds from the first ring and the time for performing a service over the phone is usually 60-90 seconds.

- The residents of Sofia can visit 9 customer service centres which offer the full range of services provided by Sofiyska Voda AD. 250,000 visits per year on average are registered at our customer service centres.

- We have set demanding standards for responding to questions and issues we receive via regular mail - we strive to reply each letter that requires answer in 10 business days. In 2007, 6,856 letters requiring a reply were registered, and 98.6% of them were answered within the approved timeframes.



- Our web site provides useful information to our customers, and they can access some of the services on-line. One of the most often used service is the subscription for notifications for planned water

supply interruptions. Through these notifications, and through the media, our customers can learn directly from Sofiyska Voda AD about all planned interruptions due to construction works.

We serve customers:

- ➡ Quickly ➡ High-quality ➡ Professionally
- ➡ Politely ➡ In a convenient way
- ➡ At a convenient place

Number of customers served by Sofiyska Voda AD



METER READING, BILLING, AND PAYMENT OF WATER BILLS

As the city expands the residents of the blocks of flats are encouraged to have individual accounts. The number of customers served by the company has risen by 21,300 in the last year.

- The reading of revenue and individual water meters is undertaken according to an approved schedule, by areas for the whole year. Our customers are informed about the period of the reading in the customer service centres, the Call Centre, or the company's website. A notice placed at the entrance of their building notifies them about the exact date and time of the meter readers' visits.

- We offer a combine service: delivery, installation, and sealing of water meters to facilitate customers living in newly-built buildings or blocks of flats only with revenue meters, who wish to have individual accounts and those who wish to replace their water meters.

- We are constantly increasing the number of options for pay-



We are systematically monitoring customer satisfaction in order to be able to respond in the best possible way and exceed customers' expectations.

CUSTOMER SATISFACTION WITH THE METER READING SYSTEM



ment of the water bills so that our customers will be able to select the option which is most suitable

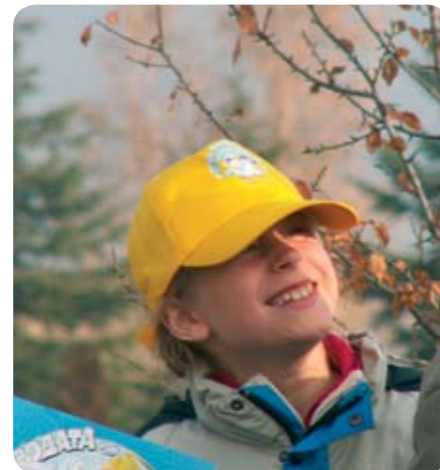
for them. While in 2005 we offered more than 120 options, now sofians have more than 230 options.

Our socially responsible practices for sustainable development

As we provide an essential service to the citizens of Sofia, we understand our social responsibilities and strive to strike a balance between the Company's best financial results and the implementation of long-term programmes for environmental protection and social development.

INVESTMENTS IN THE ENVIRONMENT

Our work is integrally related to nature and the impact we have on it. We supply water from the Rilla Mountain to our customers and bring treated wastewater back into the Iskar River. We understand that it is our responsibility to manage our activity in a way which preserves the environment. Long-term preservation of natural resources, energy saving, reduction of emissions, enhancing our employees and customers' awareness of environmental protection are our environmental objectives.



from the biogas released in the sludge digesters, which would otherwise be discharged into the atmosphere. The total amount of reduced emissions by 2012 will be equal to 900,000 tons of carbon dioxide.

Sofiyska Voda AD concluded an agreement with the European Bank for Reconstruction and Development to sell this reduced green house gas emissions, called "carbon credits",

We invest to meet and maintain compliance with the environmental requirements of the European Union. We plan by the end of 2008 for Sofia Wastewater Treatment Plant to have a co-generator installation for electricity production



INVESTMENTS IN COMMUNITY

We contribute to our children growing up as responsible citizens

We have organized the first Children's Water Festival in Central and Eastern Europe. We implement school education programme which gives knowledge on water saving, safety, and environmental protection through an interesting approach. It is developed taking into consideration school thematic requirements. Puppet shows "Kapcho and Kapchitsa" (drop-girl and drop-boy) based on the children's book issued by Sofiyska Voda AD, in which the water cycle is described, are presented at Sofia's schools and are successful among the youngest pupils. These company projects for work with children are part of our Education

Programme "Water for the Future". We support the "Children and Football" National Programme by sponsoring the Children's football tournament for the Cup of Sofiyska Voda AD. We contribute for the implementation of initiatives of the National Student Eco Parliament.

We encourage our customers to use water wisely

We send a H₂O bulletin to all customers containing updated and useful information about the company's services, and the ways for reasonable use of water and environmental protection.

We stimulate the development and professional orientation of young people by supporting education initiatives connecting business to the universities.

Acknowledgement and prizes

2004 – Environmental Prize from the United Nations Development Programme, Global Contract

2004 – Best Corporate PR campaign Prize from the Bulgarian Public Relations Society

2005, 2006 – inclusion of Sofiyska Voda AD in the Golden Book under an EU programme as one of the companies applying the best socially responsible practices

2003, 2004, 2005, 2006 – Prizes for Extraordinary contribution to the development of children's football from the Ministry of Youth and Sports and the Association of Bulgarian football players under "Children and Football" National Programme

2007 – The Prince of Wales Prize "ENGAGE" of the International Business Leaders Forum for successful participation and engagement of the employees in Corporate Social Responsibility programmes.

which are purchased on behalf of the government of the Netherlands. The agreement is in compliance with the requirements under the Kyoto Protocol from 1987 for reduction of the green house gas emissions in the atmosphere.

In line with the principles for sustainable development we implement the Water for the Future Education Programme designed to develop and increase the public awareness and water wise approach to the natural resource.

OUR PEOPLE ARE OUR MOST VALUABLE ASSET

Motivating working environment

Sofiyska Voda AD builds a motivating working environment for its employees in order to ensure the high quality of the WSS services it offers to its customers. The Company focuses on the professionalism and motivation of its employees so that they are able to reach their full potential.

We organize training for employee, induction programmes, exchange programmes and trainings at the Head Office of United Utilities in United Kingdom.

We encourage open communication between employees and managers



through established internal communication channels. Pototsi (Streams) monthly bulletin is distributed to all employees. Regular meetings of teams and managers, internal e-mail and Intranet portal are effective communication channels. The nomination of an Employee of the Month and Team of the Quarter highlights the individual contribution of each Company employee.

Health and safety

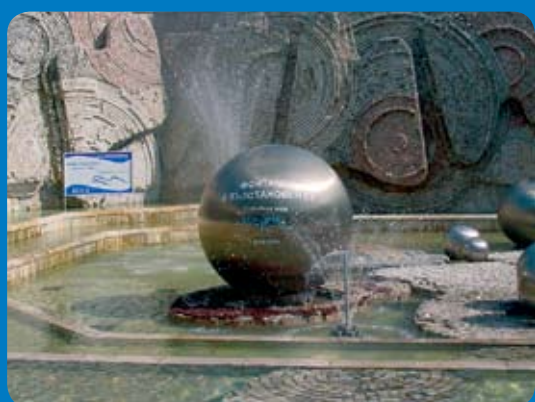
We pay special attention to all aspects of health and safety (H&S) of the company's personnel, contractors' employees as well as other persons that might be affected. In the beginning, we introduced a system for the management of H&S conditions, based on Standard OHSAS

18001. In 2006, we stated our commitment to safety, through implementing our new H&S Policy and Principles which build the framework of H&S management. Complying with them guarantees a constant improvement of H&S activities, achieving the standards and execution of the plans.

We conduct the necessary Health and Safety training because we are convinced that trained and competent staff is a guarantee for safe work execution. It is essential for us that every employee participates in the implementation of the Company's Health and Safety policy. With a view to this, we conduct meetings to consult representatives of the workers and employees.

For beautiful Sofia

We restored the fountains in front of the National Palace of Culture, we repaired over 40 drinking fountains in Sofia's parks and replaced the WSS equipment of the Ariana Lake in the Borissova garden.



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