Софийска вода

Sofiyska Voda AD

Annual Separate Report on the Activities and Separate Financial Statements

For the year ended 31 December 2024

With independent Auditor's Report thereon

Contents

SOFIYSKA VODA AD

SEPARATE ANNUAL ACTIVITY REPORT
FOR THE YEAR ENDING 31 DECEMBER 2024

Financial review:

The separate financial statements were prepared in compliance with IFRS Accounting Standards as adopted by the European Union ("IFRS Accounting Standards as adopted by the EU").

In 2024, the revenue from main charges of Sofiyska Voda AD ("The Company") amounted to BGN 208.4 M, which is higher by 6.68% than the revenue from main charges in the same period of the previous year – BGN 194.9 M. The main reasons are: an increase in the price of the WSS service from 1 October 2024 by 20% and an increase in the consumption. The Company's total revenue for 2024 amounted to BGN 262.4 M (2023: BGN 243.2 M). The revenue from construction in 2024 amounted to BGN 50.8 M (2023: BGN 46.3 M). The breakdown of revenues by types of services is presented in Note 4 of the financial statements.

In 2024, the cogeneration installation in Kubratovo WWTP, commissioned at the end of 2009, met predominantly the plant's demands for power supply.

The Company's operating costs in 2024 amounted to BGN 201.9 M (2023: BGN 186.1 M). This amount includes BGN 50.8 M for construction costs, which resulted from the application of IFRIC 12.

The depreciation and amortization costs for 2024 amounted to BGN 30.9 M. The value is higher than the one reported for 2023 which amounted to BGN 29.1 M.

At the end of 2024, the Company generated net financial income of BGN 1.9 M as a result of the four deposit agreements concluded throughout the year, as follows:

- Deposit A for BGN 31 M with maturity on 28 May 2025 and interest rate of 3.10%;
- Deposit B with ING Bank for BGN 15 M with maturity on 28 February 2025 and interest rate of 2.40%;
- Deposit C with BNP Paribas Bank for BGN 25 M with maturity on 24 February 2025 and interest rate of 2.41%;
- Deposit D with BNP Paribas Bank for BGN 6 M with maturity on 2 January 2025 and interest rate of 2.52%.

As a result of the factors listed above, the profit after taxes for 2024 is BGN 54 M compared to BGN 52.1 M for the same period in 2023.

The management of the financial risk and the exposure of Sofiyska Voda AD in terms of the price, credit and liquidity risks and the cash flow risk are presented in detail in Note 22 Financial instruments to the separate financial statements.

The Company is a going concern and will continue to operate in the foreseeable future. The circumstance that despite the complicated international and national environment the Company's activity will not be substantially affected is in favor of the expectations for a positive perspective for the Company's activity.

The Company's revenue from regulated and non-regulated business for the next 12 months, without the revenue under IFRIC 12 – Service Concession Arrangement, is expected to increase to BGN 249 M or by BGN 37.9 thousand compared to 2024 (18% higher revenues) for the financial year 2025.

The Company also anticipates a significant increase in the costs without the costs under IFRIC 12 – Service Concession Arrangement, which will increase to BGN 181,318 thousand, or BGN 28,365 thousand higher costs compared to 2024 (18.5% higher costs).

The expected net profit of the Company for 2025 is BGN 62,860 thousand, or BGN 8,984 thousand more compared to 2024 (16.7% increase vs. the result in 2024).

In 2025, the Company intends to implement investments according to its investment program in the amount of BGN 50,891 thousand, or BGN 2,773 thousand less vs. the amount invested in 2024 (5.1% lower investments).

Signed significant contracts:

Contract No.	Subject	Contractor	Start Date	End Date	Value, VAT excluded	Option value and renewal
9843	Planned construction of new and replacement of existing water service connections and stop valves on the water supply network on the territory of the Municipality of Sofia	DZZD "SV 2023" and Raicommerce Construction EAD	03.01.2024	02.01.2026	8 500 000.00	850 000
9882	Delivering and administering food vouchers – Lot 1	Pluxee Bulgaria EOOD	01.06.2024	31.05.2026	5 409 600.00	1 352 400 +1 081 920
9884	Delivery of active electric energy high, medium and low voltage and inclusion into the balancing group of the sites of Sofiyska Voda AD	Electrohold Trade EAD	01.03.2024	28.02.2025	3 500 000.00	1 750 000
9953	Provision of usage rights on a subscription basis for MICROSOFT software products	A1 Bulgaria EAD	29.04.2024	28.04.2027	1 597 355.40	
9977	Delivery of zero-valent iron (Fe^0) for physico-chemical removal of phosphorus from wastewater Lot-2	Continvest OOD	04.06.2024	03.06.2025	1 000 000.00	500 000 +200 000
9980	Rehabilitation of filter cells in Bistritsa PWTP and Pancharevo PWTP	Opel Neshev OOD	06.06.2024	05.06.2027	2 100 000.00	
10084	Design, delivery of equipment, civil works and commissioning of Filter House building, located on the territory of Bistritsa PWTP, Sofia city, for ensuring optimal temperature and humidity in the premise according to the energy efficiency requirements, replacement and rehabilitation of the flooring	Raicommerce Construction EAD with contractor RC Design EOOD	01.10.2024	30.09.2027	1 217 600.10	
10095	Delivery of saddle clamps	NMG International OOD	21.10.2024	20.10.2027	1 245 000.00	207 500 +249 000
10103	Rental contract for administrative servicing of a bank office in the Administrative Building, fl. 1, with address Sofia city, MoS, Krasno Selo Region, 159 Tsar Boris III Blvd. (Office Center) with lease area 486.15 sq. m.	Miroglio Real Estate 1 AD	21.10.2024	20.10.2029	1 300 000.00	
10108	Insurance services – Property – all risks and business interruption – Lot 1	Colonnade Insurance S.A. – Bulgaria branch foreign entity branch	06.11.2024	05.11.2027	1 378 860.15	258 169.56
10109	Insurance services – Third-party liability – Lot 2	Colonnade Insurance S.A. – Bulgaria branch foreign entity branch	06.11.2024	05.11.2027	1 005 335.74	168 201.38
10115	Delivery of liquid chlorine	Continvest OOD	11.11.2024	10.11.2026	1 500 000.00	670 000.00
10135	Expansion of local alert systems at sites of Sofiyska Voda AD and their integration with the National Early Warning and Population Alert System	Maxtel OOD	03.12.2024	02.12.2026	1 750 000.00	

Signed related party transactions:

A new contract for out-of-warranty technical service of air-conditioning systems and units in operation was concluded on 01.03.2024 with Veolia Solutions Bulgaria EAD.

A new contract for Modification of a system for protection of the employees of the LTC from exposure to hazardous chemical substances and mixtures was concluded on 21.06.2024 with Veolia Solutions Bulgaria EAD.

A new contract for out-of-warranty technical service of air-conditioning systems and units in operation was concluded on 13.12.2024 with Veolia Solutions Bulgaria EAD, which enters into effect on 01.03.2025.

A new contract for Group Training Service Agreement with Veolia Solutions Bulgaria EAD was concluded on 02.07.2024, which enters into effect on 01.03.2025.

A new contract for Rental of two single-family houses in the sanitary restricted area of Beli Iskar Dam, Kulata location, Municipality of Samokov, was concluded on 01.11.2024 with Vodosnabdyavane i Kanalizatsia EAD.

A new contract for Rental of real estate – real part of a terrain in Sanitary Restricted Area, Seminariata Reservoir, Lozenets Region, Municipality of Samokov, was concluded on 01.11.2024 with Vodosnabdiavane i Kanalizatsia EAD.

Contracts concluded during the year as per art. 240 "b" of the Commerce Act:

As per art. 240 "b" of the Commerce Act, the Board members are obliged to inform in writing the Board of Directors, respectively the Management Board, when they or their related parties conclude contracts with the Company outside the scope of its normal activity, or which substantially deviate from the market conditions.

In 2024, the members of the Boards of Directors did not conclude contracts with the Company under art.240 "b" of the Commerce Act.

Information about events and indicators of nature unusual for the issuer, which have a substantial impact on its activity, the revenues generated and costs incurred by it; assessment of their impact on the results in the current year:

There are no such events and indicators of nature unusual for the Company with substantial impact on its activity.

Information about off-balance sheet transactions – nature and business objective, specifying the financial impact of the transactions on the activity if the risk and benefits of these transactions are material for the issuer and if the disclosure of this information is significant for the financial position of the issuer:

As at the date of preparation of this report, the Company maintains the following bank guarantees:

- Performance guarantee of Sofiyska Voda AD under the Concession Agreement with number 16708/12.21/Oper/NG, issued by BNP Paribas S.A. – Sofia Branch, in the amount of USD 750,000 and validity until 15 December 2025;

- Performance guarantee of Sofiyska Voda AD under Contract No.РД-568-68/10.08.2011 with the Municipality of Sofia for repair of defects and damages that have occurred at municipal property sites where Sofiyska Voda AD carries out construction works, with No.MD2135510000, issued by United Bulgarian Bank AD, in the amount of BGN 763,000 and validity until 31 December 2025.

Information about shareholdings of the issuer, its main investments in the country and abroad (in securities, financial instruments, intangible assets and real estates), as well as investments in equity securities beyond its business group and the sources/ways of funding:

Sofiyska Voda AD holds 100% of the share capital of Water Industry Support and Education EOOD (2015: 100%). The capital of Water Industry Support and Education EOOD is BGN 5,000, divided into 500 shares (BGN 10 per share).

Information about the loan agreements signed by the issuer, respectively the person under §1e of the additional provisions of the Law on Public Offering of Securities, by its subsidiary or parent company in their capacity as borrowers, with a specification of the terms under those, including the deadlines for repayment, as well as information about the provided guarantees and commitments:

Information for the ultimate parent company is published on the following website, where the consolidated financial statements of Veolia Environnement, France, are:

https://www.veolia.com/en/veolia-group/finance/financial-information/financial-publications

Information about the loan agreements signed by the issuer, respectively the person under § 1e of the additional provisions of the Law on Public Offering of Securities, by its subsidiary or parent company in their capacity as lenders, including provision of guarantees of any kind, also to related parties, with a specification of the terms under those, including the deadlines for repayment and the objective for which they have been granted:

As at 31 December 2024, Sofiyska Voda AD had no concluded loan agreements as a lender or borrower with companies from the Group.

Information for the ultimate parent company is published on the following website where the consolidated financial statements of Veolia Environnement, France, are:

https://www.veolia.com/en/veolia-group/finance/financial-information/financial-publications

Analysis of the relation between the achieved financial results reflected in the financial statements for the financial year and the forecasts for these results published earlier:

Sofiyska Voda AD has no published forecasts for the expected financial results during the year.

Analysis and assessment of the policy on financial resource management by specifying the capacity to service the liabilities, the possible threats and measures which the issuer, respectively the person under § 1e of the additional provisions of the Law on Public Offering of Securities, has applied or intends to apply in view of their elimination:

The separate financial statements were prepared on the basis of the assumption that the Company is a going concern and it will continue its activity in the foreseeable future.

Assessment of the capacity to implement the investment intentions, specifying the amount of the available resources and reflecting the possible changes in the funding structure for this activity:

The investment intentions of the Company are described in detail in the paragraph below for the Investments over the period January - December 2024. The implementation of the investment program provided for in the established plan is financed with Company's own funds, i.e., from the company revenue generated through the prices determined for the provision of WSS services, as well as with borrowed funds.

Information about changes that occurred during the reporting period in the main governance principles of the issuer and its business group:

No changes in the main governance principles of the Company and its business group have occurred.

Information about "greenness":

The Company has a requirement to disclose "greenness" data: % of revenue, capital expenditure, operational costs, imposed by the European Union. In 2024, according to the assessment made and the criteria set, the distribution of the revenues, costs and investments of the Company is as follows:

- Criteria 1-5.1. Construction, extension and operation of water collection, treatment and supply systems:

	In thousands of BGN
Revenues	173 720
Costs	133 832
Investments	37 197

The technical indicators are:

- The energy used for drinking water abstraction and treatment is 0.001 kWh/m^3;
- Total losses are less than the long-term KPI set by the Energy and Water Regulatory Commission of 49%, and constitute 37.4%.
- Criteria 1-5.3. Construction, extension and operation of wastewater collection and treatment:

	In thousands of BGN
Revenues	88 674
Costs	69 611
Investments	16 428

The technical indicators are:

- Net energy consumption is less than 20 kWh/p.e. and is 7.89 kWh/p.e.

Information about the main characteristics of the internal control system and risk management system applied by the issuer, respectively the person under §1e of the additional provisions of the Law on Public Offering of Securities, in the process of preparing the financial statements:

Sofiyska Voda AD has developed its internal control system based on the best world practices and the COSO model (COSO - Committee of Sponsoring Organizations of the Treadway Commission). The five components of internal control according to the model are:

i. Control Environment;
ii. Risk Assessment (Enterprise Risk Assessment Process);
iii. Information and Communication (Information system, including the business processes related to it, referring to financial reporting and communications);
iv. Control Activities; and
v. Monitoring (Continuous controls monitoring).

These components are also stated in the International Standard on Auditing 315 (revised 2019), Appendix 3 – Components of the entity's system of internal control.

The control environment sets the tone of the entity by influencing the control consciousness of people within the organization. It is the foundation for all internal control components, providing discipline and structure. The factors of the control environment comprise: integrity, ethical values and competence of company employees; management's philosophy and operating style; the way management grants powers and responsibilities, and organizes and develops its employees; as well as attention and guidelines, given by the Board of Directors.

Control Environment

The main policies and procedures ensuring the control environment, which are reviewed and updated regularly, are:

- Ethical guidelines and code of conduct of Veolia Group – include the Code of Conduct (last updated in September 2023) and the Anti-Corruption Code of Conduct (last updated in November 2023), as well as a User Charter for the ethics alert process within Veolia;
- Internal Regulations of Sofiyska Voda AD, last updated in January 2023;
- Procedure "Submission, investigation and reporting of fraud and corruption alerts" of Sofiyska Voda AD with a new version from June 2024, including the previous procedure for disclosure of irregularities;
- In November 2023, a dedicated instruction was developed to the above procedure on protection of persons reporting or publicly disclosing information on breaches in compliance with the Whistle-blowers Protection Act;
- Procedure "Conflict of Interest Prevention. Gifts, Hospitality and Donations", updated in April 2023;
- Anti-Corruption phone line (+359 2 8122 521, published on SV official website: www.sofiyskavoda.bg);

- Digital platform Whispli, which facilitates the discussion with the person submitting the alert for violation, administered by the Ethics Committee of Veolia Group based in Paris;
- Procedure "Due Diligence", which regulates the rules and procedure for exercising additional targeted control aimed at corruption risk management and prevention in certain deals, projects, activities, business partners or employees of the Company, updated in June 2023;
- Accounting Policy;
- Accounting Closing Procedure with the latest version from November 2022;
- Instruction on receiving, accounting and paying invoices from suppliers with latest version from December 2023;
- Procedure on purchasing, stocktaking, sale and writing off of fixed assets with a new version from November 2024;
- Instruction on stocktaking of inventories, effective from December 2023;
- Procedure on the administrative service of employees, supplementing and replacing the previous procedure "Conclusion, amendment and termination of the employment contract", with latest version from April 2023.

Risk Assessment

The Company like every commercial entity faces a variety of risks from external and internal sources that should be assessed. A precondition to risk assessment is the setting of objectives, linked at different levels and internally consistent. Risk assessment is the identification and analysis of relevant risks threatening the achievement of the objectives, which forms a basis for determining how the risks should be managed. Since economic, industrial, regulatory and operating conditions will continue to change, mechanisms are needed to identify and address the specific risks associated with the changes.

The risk management process in Sofiyska Voda AD is regulated by the Risk Management Strategy, adopted in June 2022 and supported by the Risk Management Procedure with the latest up-to-date version from May 2023, which describes the methodological approach for identification, measuring, controlling and subsequent monitoring of those circumstances, events and actions that may have an impact on the achievement of the business objectives of the Company. The procedure is reviewed and updated regularly in order to ensure that the Company applies a unified approach in risk assessment and risk management in all fields of its activity.

Information and Communication

All employees are given a clear message from the top management that control responsibilities should be taken seriously and responsibly. The employees have to understand their own role in the internal control system, as well as how individual activities relate to the work of others. They need to understand the meaning of communicating significant information upstream. Effective communication is in place with third interested parties such as customers, suppliers, regulators and shareholders.

Sofiyska Voda AD's Communications Department ensures the focus on internal as well as external exchange of information with the stakeholders. In addition, the Company's Regulation and Concession Compliance Department is in charge of the information exchanged with the Municipality of Sofia, the EWRC and other institutions. Customer relations are managed by the teams of the Commercial Directorate.

The intranet and the official website of Sofiyska Voda AD are also a channel for exchanging information with employees, customers, institutions and all other interested parties.

Control activities

The control activities are in line with the policies of Sofiyska Voda AD and result from the procedures of the Company. They ensure that necessary actions are taken to address the risks related to the achievement of the Company's objectives. Control activities are implemented throughout the organization, at all levels and in all departments. They include a range of activities, such as approvals, authorization, verification, coordination, review of the operating performance, security of assets, and division of duties.

All effective policies, procedures and instructions on the specific work processes within the Company are part of the integrated system for document management, published on a Google intranet site of Sofiyska Voda, which is accessible to all employees of Veolia Bulgaria.

Monitoring

Monitoring – the internal control systems need to be monitored – a process that assesses the quality of the system's performance over time. This is done through ongoing monitoring activities, separate evaluations or a combination of both. Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, as well as other actions taken by employees when performing their duties. The scope and frequency of the individual evaluations depend on the risk assessment and efficiency of the procedures for ongoing monitoring.

The management is primarily responsible for the internal control system and the chief executive officer is assumed to be the "owner" of the system. The management is accountable to the Board of Directors, which provides corporate governance, guidance and supervision.

The Audit Committee of Sofiyska Voda AD was created and operates (including by fulfilling its monitoring obligations regarding financial reporting) under the Independent Financial Audit Act.

The internal auditors play an important role in evaluating the effectiveness of the control systems and contribute to the ongoing effectiveness. Because of its organizational position and powers in the Company, the Internal Audit team often plays a significant monitoring role.

The weaknesses of internal control, identified during internal audits, are reported to the managers, and the most serious matters are referred to the senior management and the Board of Directors.

External parties also carry out monitoring over the activity of Sofiyska Voda AD, and these are the regulatory bodies (Energy and Water Regulatory Commission), the Grantor (Municipality of Sofia), state institutions (tax authorities, ministries, etc.), and external auditors.

Information about pending court, administrative or arbitration proceedings concerning liabilities or receivables of the issuer in the amount of at least 10% of its equity; if the total value of the liabilities or receivables of the issuer under all initiated proceedings exceeds 10% of its equity, information shall be provided for each individual procedure:

There were no such proceedings during the reviewed period.

General Meeting:

On 26.01.2024, an extraordinary General Meeting of Shareholders of Sofiyska Voda AD was held, where a decision was taken to appoint as auditor Deloitte Audit OOD, UIC 121145199, registered under No. 33 in the Register of the Commission for Public Oversight of Statutory Auditors, to audit and certify the separate and consolidated financial statements of Sofiyska Voda AD for fiscal years 2023, 2024 and 2025.

On 27 September 2024, the Annual General Meeting of Shareholders of Sofiyska Voda AD was conducted. During the General Meeting, the following decisions were made:

1. The Company's consolidated report on the activity for 2023 and the consolidated annual financial statements for 2023 were approved;
2. The Company's separate report on the activity for 2023 and the separate annual financial statements for 2023 were approved;
3. The report on the activity of the Audit Committee of Sofiyska Voda AD for 2023 was approved;
4. The General Meeting decided the profit of Sofiyska Voda AD for 2023, in the amount of BGN 51,598,577.66 (after 1% allocation to handback account as per the Concession Agreement), to be distributed between the shareholders of the Company in the form of dividends, where the amount of the dividend per share is 5,8078;
5. The following Board members were released from liability to the Company for their activity in 2023: Mr. Francois Debergh, Ms. Mariana Iteva, Mr. Frederic Faroche, Mr. Vasil Trenev, Mr. Vladimir Stratiev (deceased 15.11.2023), Mr. Biser Damyanovski and Mr. Georgi Bankov.

Within the statutory time limits, the Company disclosed its separate and consolidated financial statements and reports on the activity, as well as the proposal of the management body for distributing the profit and the decision of the General Meeting of Shareholders on the way of distributing the profit on its account in the Commercial Register at the Registry Agency.

Board of Directors:

In 2024, there was no change in the Board of Directors of the Company.

The Board of Directors of Sofiyska Voda AD is comprised of 6 members:
Mr. Francois Michel Debergh, Mr. Frederic Laurent Faroche; Ms. Mariana Georgieva Iteva, Mr. Vasil Borisov Trenev, Mr. Georgi Ivanov Bankov and Mr. Biser Nikolaev Damyanovski.

In 2024, the Company was managed and represented individually by Mr. Vasil Borisov Trenev and Mr. Francois Michel Debergh.

The remunerations of the members of the Board of Directors for 2024 amounted to BGN 742 thousand (2023: BGN 583 thousand), of which the amount unpaid as at the reporting date was BGN 45 thousand (31.12.2023: unpaid BGN 43 thousand). The income of the Board members in the period is as follows: Member 1: BGN 29 thousand, Member 2: BGN 82 thousand, Member 3: BGN 544 thousand, Member 4: BGN 29 thousand, Member 5: BGN 0, Member 6: BGN 29 thousand and Member 7: BGN 29 thousand.

The Board members do not hold, have not acquired or transferred shares and bonds of the Company during the year.

The Board members have no rights to acquire shares in the Company.

In 2024, the Board Members participated in the management of other companies or participated as partners with unlimited liability, or held more than 25% of the capital in another entity, as follows:

1. Mariana Georgieva Iteva – participated in the management of: Veolia Voda Bulgaria EOOD, UIC: 201404389; managed and held more than 25% of the capital of MI CONSULT INTERNATIONAL EOOD, UIC: 200981719;
2. Vasil Borisov Trenev held more than 25% of the capital of BNKY LTD., UIC 131467679;
3. Francois Michel Debergh participated in the management of Veolia Solutions Bulgaria EAD, UIC: 130547859, Veolia Services Bulgaria EAD, UIC: 121371700, Veolia Energy Varna EAD, UIC 103195446;
4. Georgi Ivanov Bankov – participated in the management and held more than 25% of the capital of GV Public Partners EOOD, UIC 206041187;
5. Frederic Laurent Faroche – participated in the management of EP France, operated by EPH Group

The Board members did not conclude contracts under art.240 “b” of the Commerce Act during the year.

Acquired and transferred shares:

In 2024, the Company did not acquire or transfer own shares.

Number and nominal value of the own shares held and the proportion of the capital, which they represent:

As at 31 December 2024, the share capital included 8,884,435 ordinary registered shares (2023: 8,884,435), each having a par value of BGN 1.

As at 31 December 2024, the shareholders in the Company’s capital are:

- Veolia Central&Eastern Europe – 6,850,000 ordinary registered shares (77.1%);
- Vodosnabdyavane i Kanalizatsia AD - 2,034,435 ordinary registered shares (22.9%).

Research and development

Sofiyska Voda AD does not carry out research and development activity.

Presence of branches of the enterprise:

The Company has no branches.

Business Plan:

In connection with the submitted at the end of 2023 for consideration at the EWRC Business Plan 2022-2026, the Company conducted intense negotiations and working meetings with the Regulator in 2024. With its decision dated 25.04.2024, the EWRC determined also the target levels of 4 key performance indicators for the WSS services, which were appealed in court, and the lawsuit was won. With its decision dated 10.07.2024, the EWRC determined the Company's Rate of Return on Equity, which corresponds with the Rate of Return set in the Concession Agreement – 13%. The initial rate determined by the EWRC was appealed by the Company, and the lawsuit was won. Eventually, with its Decision dated 1.10.2024, the EWRC approved Sofiyska Voda AD's Business Plan 2022-2026.

The prices of the WSS services for 2024 remained the same as those effective in 2021 and 2022 until October 2024, since Business Plan 2022-2026 was reviewed and approved respectively by the EWRC at the beginning of October.

During the reporting period (2024), the Company reported good results in regards to the main aspects of the activity, as the efforts were directed towards maintaining its operational efficiency and optimizing the business processes. In December 2024, the EWRC published a "Comparative Analysis of the WSS Sector in the Republic of Bulgaria for 2023". The analysis confirmed the leading position of Sofiyska Voda AD in the WSS sector in the country and the fact that the WSS operator has the least water losses in the group of the big and the medium-sized operators.

In 2024, the EWRC did not conduct the traditional annual audit of the Company since the business plan of Sofiyska Voda AD was approved by the EWRC on 1 October 2024.

Concession Agreement:

During the reporting period, monthly meetings with the Concession Control Department continued, where operational issues were discussed related to the performance of the Concession Agreement. In the specified period, a number of working meetings were also held with the representatives of the Concession Control Department in connection with various operational issues, customer cases, report forms, as well as issues related to the fulfilment of the obligations under the Concession Agreement.

The Company also participated in some of the meetings of the standing committees to the Sofia Municipal Council, where it answered questions posed in relation to its ongoing business.

The respective 4-month reports to the Municipality of Sofia were prepared and sent on time. There were no ascertained cases of noncompliance with the commitments under the Concession Agreement in 2024.

Events after the reporting date:

There were no events that have occurred after the reporting period, which require corrections or disclosure in the annual financial statements.

Information about services provided by the independent auditor:

The expenses on the remuneration of the appointed independent auditor amounted to BGN 283.1 thousand, of which BGN 198 thousand for the statutory independent financial audit.

For the audited period and as at the date of this report, Deloitte Audit OOD provided, or is in the process of providing to the Company the following services:

- Limited review of the financial information for consolidation purposes of the Company, prepared as at and for the period ended 30 June 2024, in compliance with the accounting instructions of Veolia Group;
- Statutory financial audit of the Company's separate and consolidated financial statements, prepared for the year ended 31 December 2024 in compliance with the IFRS **Accounting Standards** as adopted by the EU;

- Audit of financial information for consolidation purposes of the Company, prepared as at and for the year ended 31 December 2024, in compliance with the accounting instructions of Veolia Group;
- Reporting for the purposes of the Energy and Water Regulatory Commission (EWRC) in connection with art. 34 (5) of the Ordinance on the Regulation of the Prices of Water Supply and Sewerage Services (ORPWSSS) and art. 15 and art. 16 of the Water Supply and Sewerage Services Regulation Act (WSSSRA), and preparation of a report under art. 34 (5) of ORPWSSS for compliance with the rules for accounting under the Unified Regulatory Reporting System (URRS), according to the published by the EWRC instructions, rules, principles, deadlines, and other documents and reports in the respective required regulatory format, as well as expressing an opinion on other issues, which may be demanded by the EWRC in connection with the URRS and art. 15 and art. 16 of the WSSSRA.

Customer Service:

In 2024, we continued to work towards optimization of the resources and fulfilment of the commitments taken on in the Customer Charter in order to offer quality servicing in the shortest possible period. The achieved average response time for requests, applications, complaints etc. was improved and in 2024 dropped to 9 calendar days.

The most significant changes during the year were related to the digitalization of all application, request forms, etc. and the implementation of electronic signature using pads in the Customer Service Centers (CSC). The other major change was related to the closing of the biggest CSC in TZUM and the reorganization of the work. At the end of September, 2024, after a prior notice for termination of the rental agreement from the owner of the building due to pending alteration in its purpose, we were forced to close the CSC in TZUM and reorganize the business in the remaining three Customer Service Centers. At the end of December, 2024, just 3 months after the closing of the CSC in TZUM, we opened a new CSC in the Central Office Building of the Company on Tsar Boris III Blvd. The new CSC is considerably bigger and more modern, with 17 workstations, two meeting halls and three parking spaces for the customers available.

Based on the feedback from customers and the prepared monthly analyses of the trends in customers' complaints, measures are taken constantly at different levels of the Company, aimed at improving the internal processes and enhancing the quality of the provided services. Individual meetings with customers are initiated for permanent closure of customer cases where the problems are considered and individual approach is applied to find a solution acceptable for both sides. Where necessary, on-site visits are organized in order to find the most appropriate solution for both parties, consistent with the technical capacity and requirements.

The traditional annual customer satisfaction survey was conducted at the end of October and the beginning of November, 2024, as the overall satisfaction score from it is 83%. Survey results show that despite the registered drop compared to last year, the high satisfaction levels with the main operational parameters of the Company (water quality, continuity and pressure of water supply etc.) are retained.

Another metric to measure customer experience is the so-called "Effort Evaluation" that shows how difficult it is to work with Sofiyska Voda. The survey is carried out through phone interviews using a sample of 1,000 customers per quarter. The "Effort Evaluation" survey aims at showing how our customers perceive us through all interactions they have with the Company, its products and services. This is yet another way for us to get feedback from the customers through surveys, complaints and inquiries, which help the Company establish and manage the processes.

In 2024, the Company continued the campaigns for awarding its loyal customers by organizing monthly raffles with discounts to the invoices.

Customer Relations

In 2024, there was an increase by 2.5% in the total number of contacts with customers compared to 2023. The main reason for the growth is the increase by 4.2% in the incoming calls to the free phone line 080012121.

The missed calls for the calendar year were 9.5% vs. 8.7% in 2023. The level of the service "talks with a reply received in less than 30 seconds" was 72.4% and the main reason is the decreased number of team members during the process of recruitment for the unoccupied vacancies. Over the period, the registered average customer waiting time in the queue was 9 seconds.

Customer Service Centers

In 2024, the number of visits to the Customer Service Centers (CSCs) decreased by -2.5 or nearly 5,000 visits less.

In 2024 as well, the main reasons customers visited the Customer Service Centers were to receive information, make inquiries regarding customer accounts and to request technical services.

Internet Services

The new customers registered on the website for 2024 were 19,262 or by +2.5% more compared to 2023. Over the entire calendar year, 843,993 self-readings were submitted by customers, while in 2023 their number was 759,389. 73,540 readings (38,273 in 2023) were submitted through remotely-read water meters.

The inquiries received online over the period January – December 2024 were 16,929 and all responses were sent within 24 hours of receipt of the inquiry.

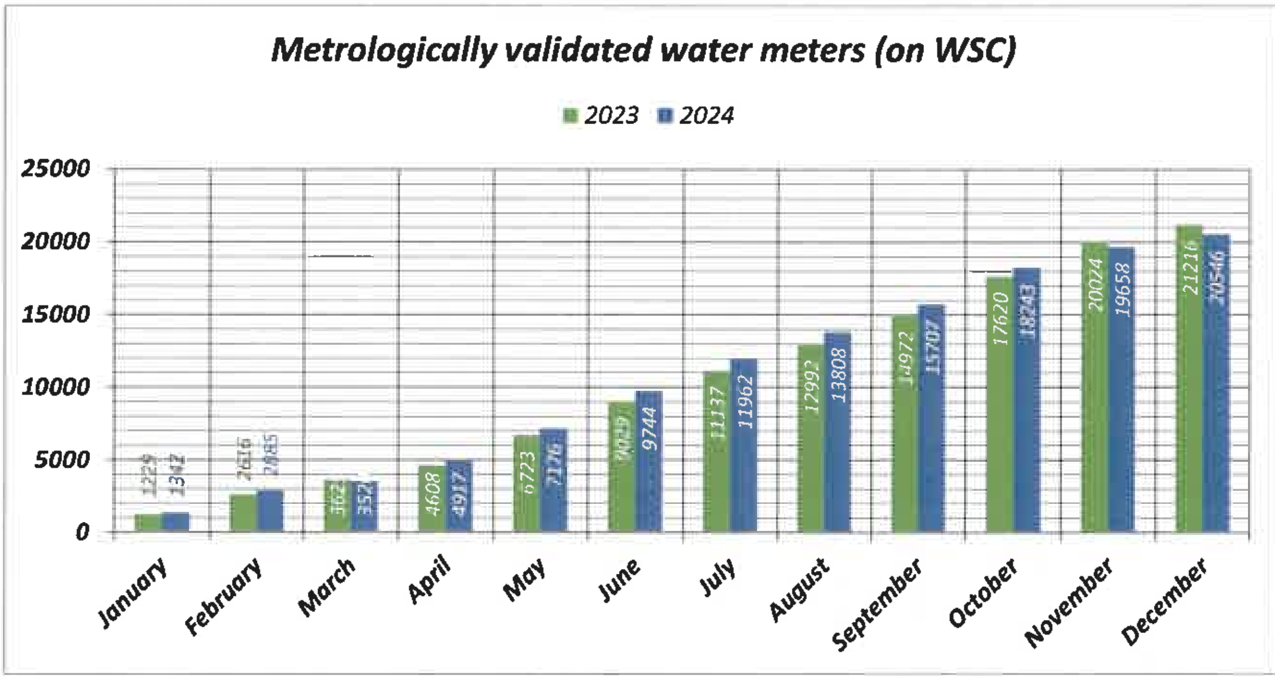
The online chat is becoming increasingly popular among customers and over the entire 2024, the communication through this channel registered an increase of 15% compared to 2023.

Over the reported annual period, another 32,615 customers registered to receive e-invoices, and their total number at the end of the year reached 285,218.

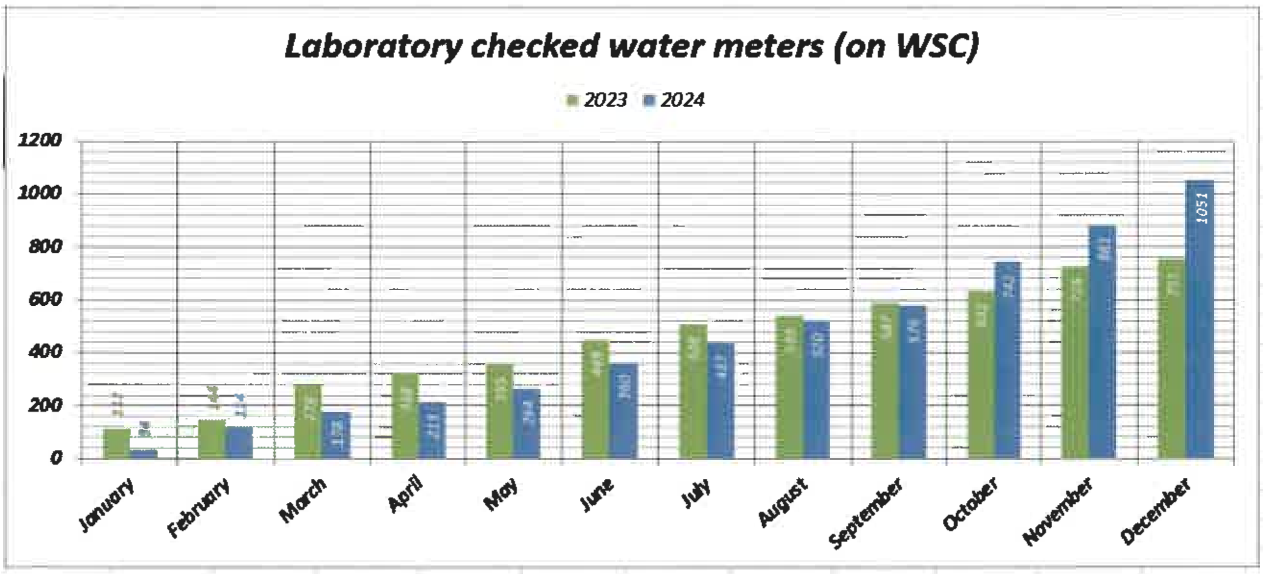
The reported data clearly marks the growing trend in a more widespread use of remote communication channels and online services.

Water Meter Services, Billing and Debt Collection

Replacement of water meters on water service connections (WSC)



The number of metrologically validated water meters decreased by 670 or 3% vs. the same period in 2023. This is due to the fact that the water meters with expiring metrological validity in 2024 are fewer compared to 2023. Target level of 90.51% for 2024 was reached vs. the level of 89.06% set in the approved Business Plan of the Company.

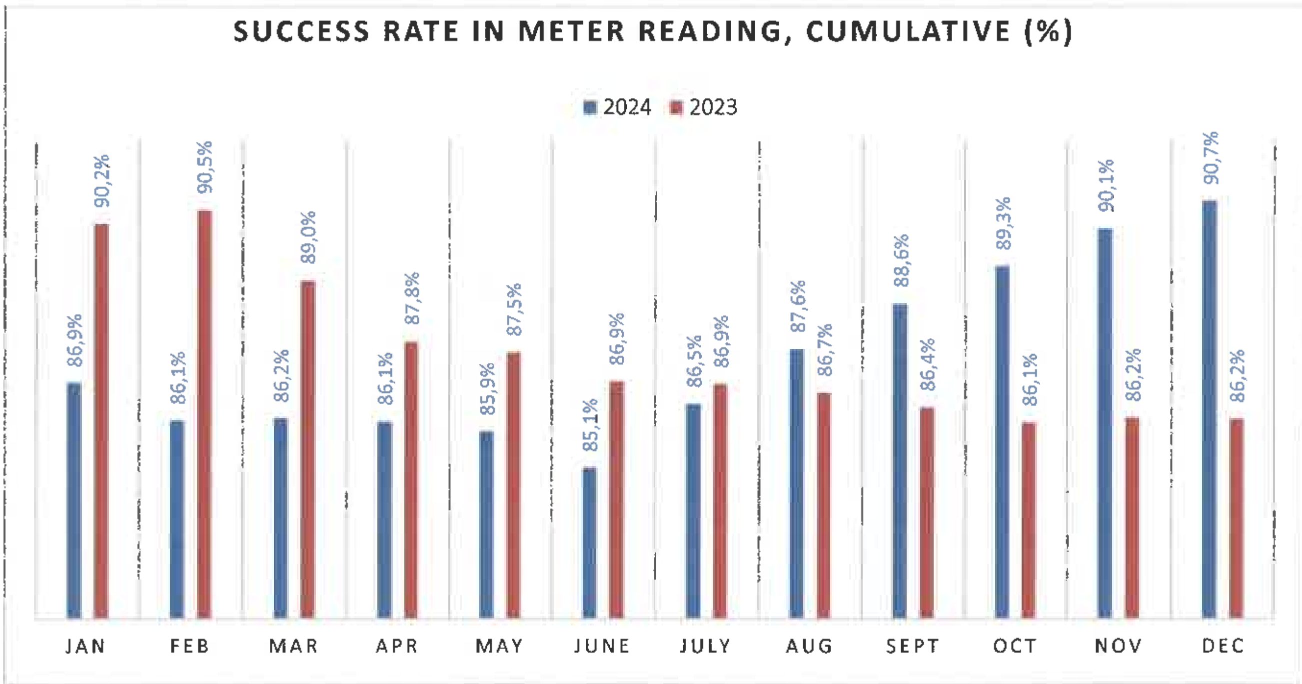


In 2024, the water meters checked in authorized laboratories for water meters were 1,051, which is a nearly 40% increase compared to the levels in 2023.

Water Meter Reading

In 2024, the total number of water meters, including the individual meters measuring the water consumption in condominiums, read by Sofiyska Voda AD, was 1,556,344, higher by + 2.6% than in 2023.

The meter reading activity is assigned to a contractor whose employees read most of the water meters (mainly those of the population), and the smaller part of the activity is performed by Company employees, who read the water meters of big and industrial customers in line with a monthly reading schedule. The overall reading efficiency increased in 2024 and it is presented graphically per months on the following chart:



An increase is recorded for the success rate in the meter reading activity for 2024 and the success rate is 90.7% compared to 86.2% in 2023. The main reason for the increase is an improvement in the organization relating to the meter reading done by a contractor.

Billing

Increase in the billed volumes of potable water was registered in 2024 by +2.8% on an annual basis compared to 2023 (79.65 million m^3 in 2024 and 77.46 million m^3 in 2023). An increase by +5% or +243 thousand m^3 was registered in the supplied non-potable water compared to the previous year. An increase was also registered in the billed volumes of another WSS operator by +11.8% or +840 thousand m^3.

At the end of 2024, there was a new tariff determined for the supply and abstraction of potable water,and the sewerage and treatment of wastewater services. The total amount of the billed volumes in 2024 was BGN 240.51 M, VAT inclusive, which is an increase of BGN 14.24 M (+5.9%) compared to 2023.

Collection of receivables

In 2024, the total collected amount as at the end of the year was BGN 235.14 M compared to BGN 222.07 M in 2023, or the registered increase was 5.9% on an annual basis. The annual collection rate for 2024 was 97.77% compared to 98.14% in 2023. The main problems in the collection of outstanding receivables were directly related to the uncertain political and economic situation, low priority of payment of the bills for WSS services and the slow legal procedures. The generation of current interest on liabilities exceeding 3 years also had a negative impact.

The total amount collected as a result of the activities of the internal debt collection teams was BGN 21.83 M compared to BGN 22.06 M in 2023, or a registered annual drop of -1.05% mainly due to the vacancies in both teams and the long recruitment process.

The Company continues working to improve the quality of the provided services and customer satisfaction by introducing a new channel for online payments with payment operators that allows registering the payment in real time and at the same time updating the information for the customers' debts. As part of the measures for improving debt collection aimed at the customers with temporary financial difficulties, different approaches are applied, flexible solutions and individually structured deferred payment agreements.

BUSINESS DEVELOPMENT

In the period January - December 2024, the revenue resulting from the activity of the Business Development Directorate amounted to BGN 2,766,024.

Public and industrial customers

The main activity of the new Business Development Directorate covers the overall process on deployment and development of services and markets.

Over the period January – December 2024, contracts were concluded at a value of BGN 805,224 under projects for industrial and public customers, as well as for laboratory services.

Complex services and non-regulated business

Sofiyska Voda AD continued developing activities related to the provision of additional services for the customers – installation, testing and sealing of individual meters, as well as small plumbing services.

Over the period January - December 2024, the revenue from the service Installing and Testing of Individual Water Meters amounted to BGN 2,442,533, and in the same period of 2023, the revenue was BGN 1,557,471.

Over the period January - December 2024, the revenue from the service Water Meter Sealing amounted to BGN 182,021, and in the same period of 2023, the revenue was BGN 184,827. The realized revenue from contractors in 2024 amounted to BGN 276,480, and in the same period of 2023, it amounted to BGN 229,618.

Over the period January - December 2024, 4,448 remotely read water meters were installed at both entire buildings and condominiums, new and old buildings, as well as for individual customers at a total amount of BGN 1,643,141. Over the same period in 2023, 1,791 remotely-read water meters were installed at a total amount of BGN 619,444, i.e., the revenue in 2024 was 165% higher.

OPERATIONS AND MAINTENANCE

Water resource management

The continuous monitoring of the water volumes supplied to the Concession Area is on the basis of the water management carried out by Sofiyska Voda AD.

The total water abstracted from all water sources in the period January – December 2024 was 138,333,489 m^3.

The data obtained from the monitoring throughout the year show that the water volumes used for water supply register a slight increase in comparison to 2023. The increase was mainly due to the hot and dry summer, as well as the dry autumn season, which increased water consumption.

The raw water abstracted from all water sources in the period January - December 2024, compared to the same period in 2023, increased by 2,522,615 m^3.

Consumption trends

In 2024, the Company's total billed volumes increased by +3.7% compared to 2023, or by 3.274 million m^3.

Regarding the potable water, the registered increase was +2.8% or 2.192 million m^3 more compared to 2023.

The table below presents the differences by customer type and water type (potable, non-potable and supplied raw water):

Water	2023, m^3	2024, m^3	Annual variation (m^3)	Annual variation (%)
Households	59 192 373	60 997 270	1 804 896	3.0%
Budget Customers	3 602 167	3 616 504	14 337	0.4%
Commercial Customers	14 668 329	15 041 040	372 711	2.5%
Non-potable water	4 884 934	5 127 829	242 895	5.0%
Raw Water (WS Beli Iskar and WS Bozhurishte)	7 091 319	7 930 844	839 525	11.8%
Total potable water WS Sofia	**77 462 870**	**79 654 814**	2 191 944	2.8%
Total billed water for all water supply systems	**89 439 123**	**92 713 487**	**3 274 364**	3.7%

The greatest increase is observed for households, respectively by +3% (+1.805 million m^3) on an annual basis, mainly due to the increased consumption of households due to the upward trend in the individual consumption per resident.

Regarding commercial customers, there was also an increase by 2.5% (373 thousand m^3) due to the increased production and the repaired leaks.

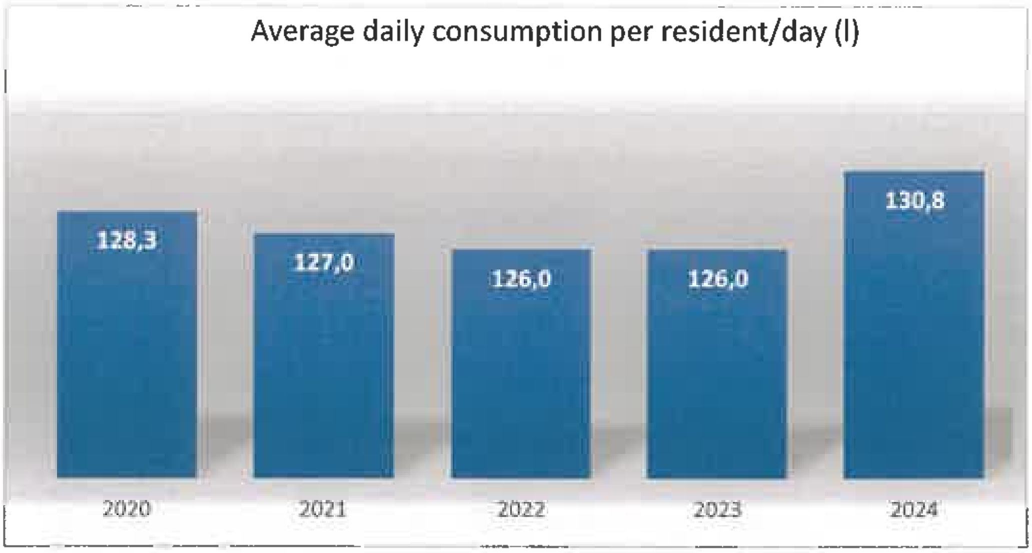
An increase was registered for raw water, which is due to the increased billed volumes for Samokov (+797 thousand m^3), and for WS Bozhurishte (+42 thousand m^3) vs. 2023. The volumes of raw water supplied from the two water systems (WS Beli Iskar and WS Bozhurishte) to the only customer of the Company – the state-owned Vodosnabdyavane i Kanalizatsia EOOD, depend on the available reserves of its own bored wells.

In 2024, the volumes of non-potable water registered an increase compared to 2023 by +5% (+243 thousand m^3), as the main customer is Toplofikatsia Sofia EAD.

Consumption of households – analysis of the current trends

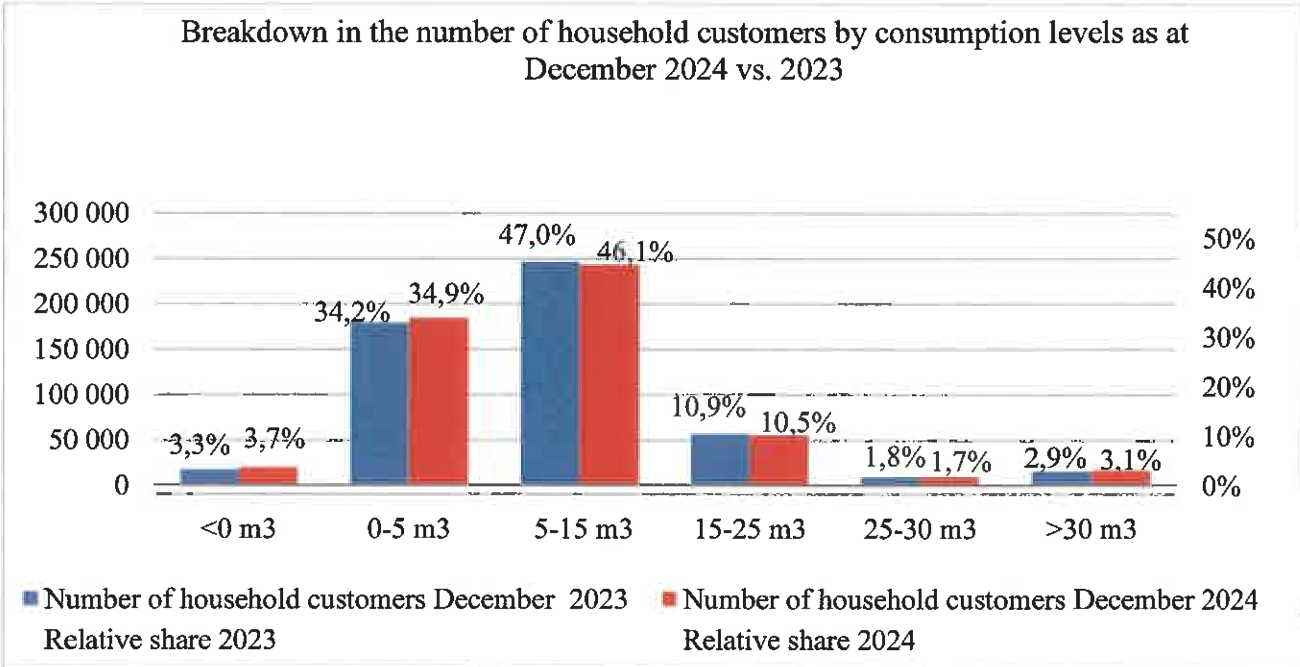
In 2024, the billed volumes of potable water for the households had the highest share of 77% in the total billed consumption as compared to 2023 (76%). The total billed volumes for households increased by +1.805 million m^3 compared to 2023.

The chart below represents the trend in the billed consumption per resident in Sofia for a 24-hour period.



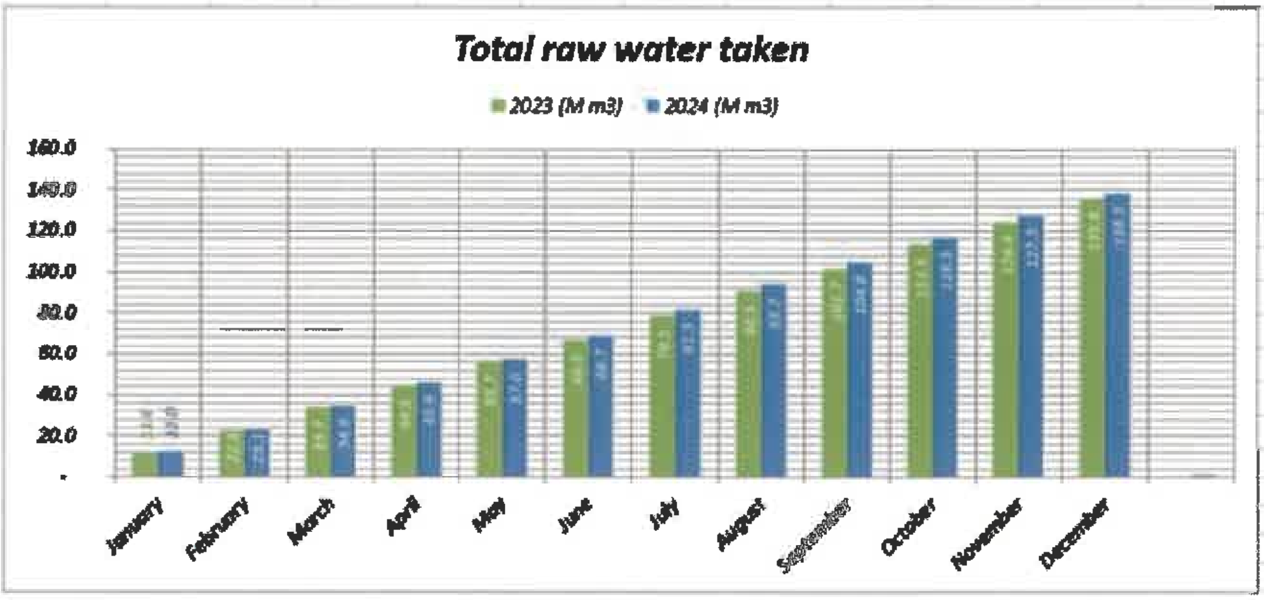
The average daily consumption is calculated as a ratio between the billed annual volumes for households and the number of the population of Sofia city (forecast for 2024 by the National Statistical Institute), divided by 365 days.

This trend is also related to the dynamic of the customer groups with higher water consumption compared to those with lower water consumption. On a monthly basis, the Company monitors the number of household customers, whose water consumption is measured according to the following monthly consumption: 0-5 m^3, 5-15 m^3, 15-25 m^3, 25-30 m^3, exceeding 30 m^3/month. In 2024, the highest was the share of customers with an average monthly consumption of 5-15 m^3 (46.1%) and of those with 0-5 m^3 (34.9%):

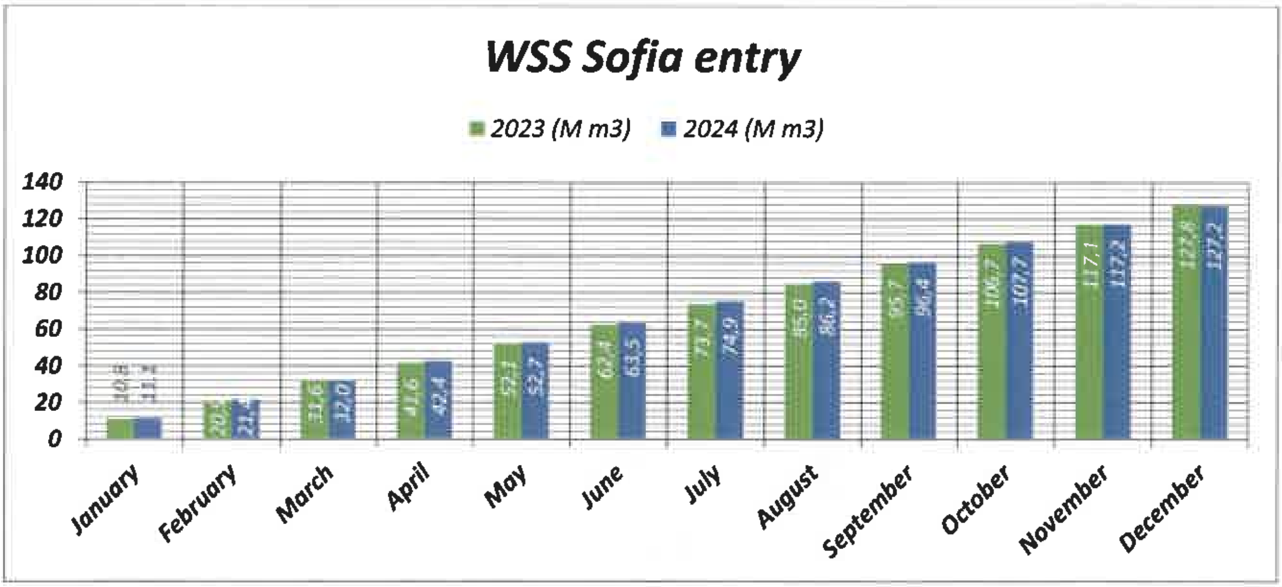


Reduction of unaccounted for water

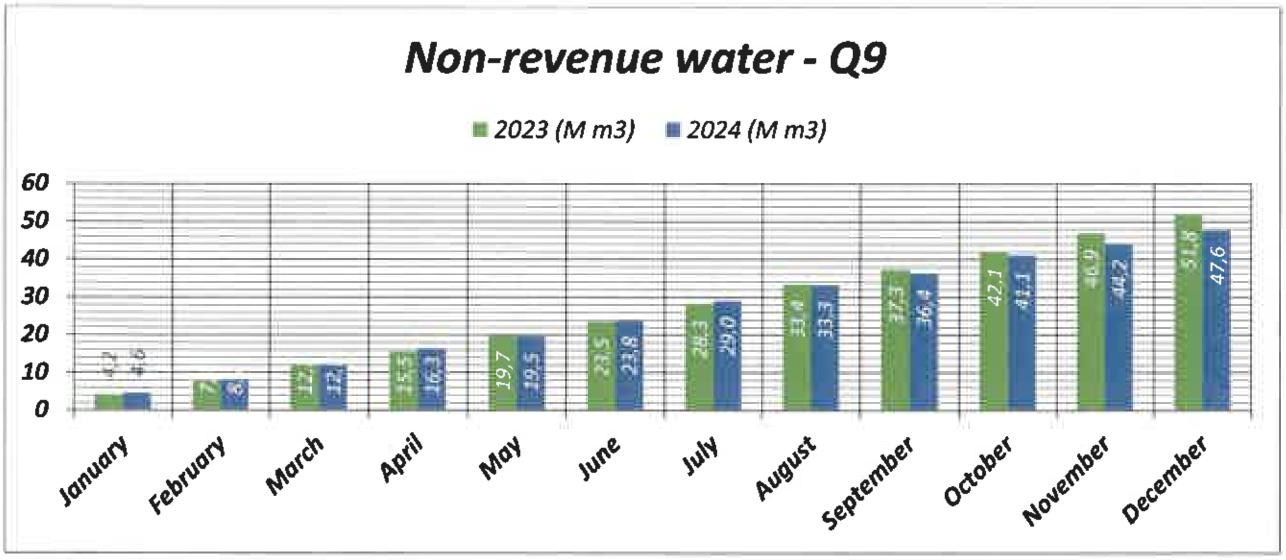
Over the period January – December 2024, the following results were achieved:



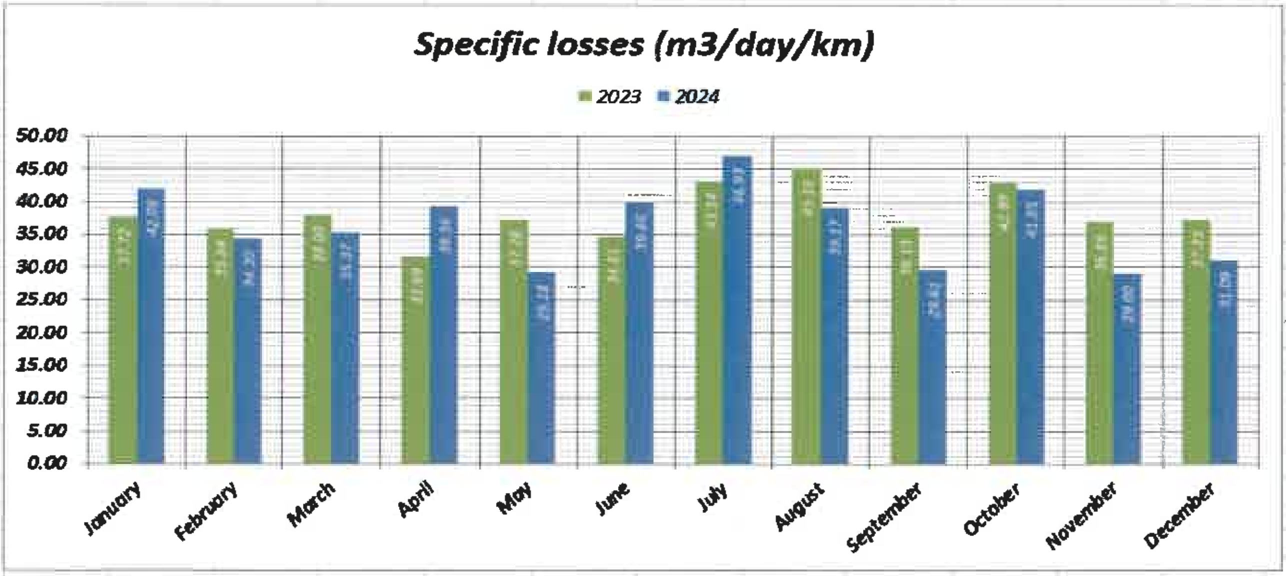
The total abstracted water volumes mark an increase by 2.52 million m^3, or an increase of 1.86%.



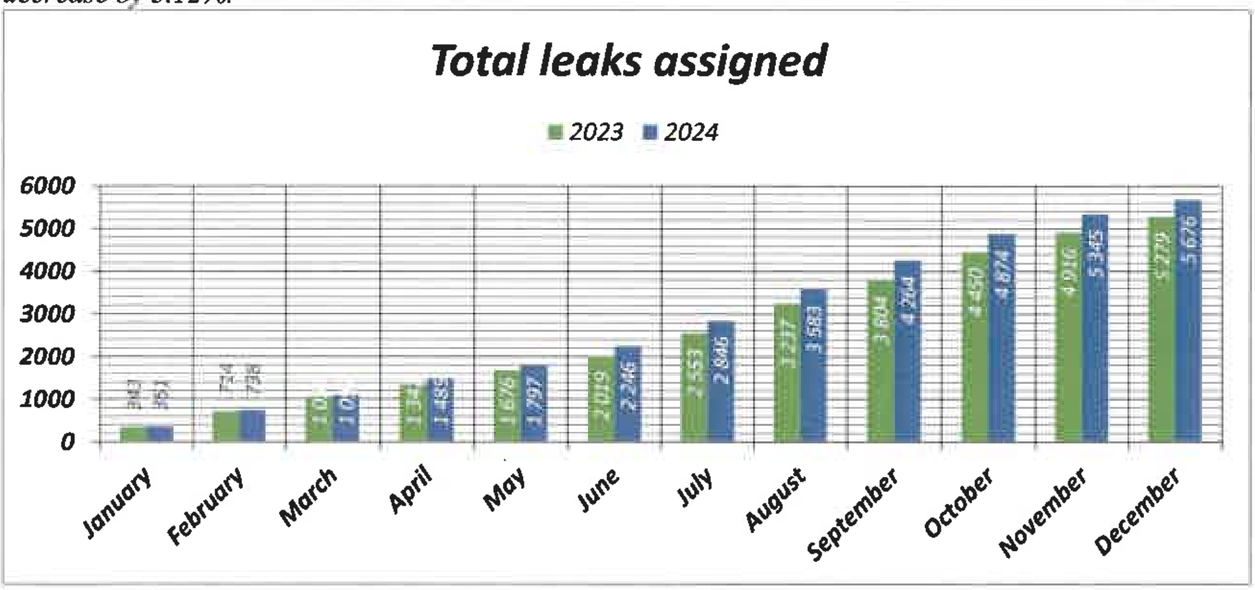
Over the period January – December 2024, there was a decrease in the water supplied at the entry of WS Sofia by more than 0.521 million m^3 compared to the same period in 2023.



Non-revenue water (Q9) marked a decrease by more than 2.713 million m^3 compared to the same period of the prior year.



The level of the specific losses is marked by a decrease of 1.60 m^3/day/km of network on average, or a decrease by 3.12%.



The total leaks assigned marked an increase by 7.52%, or 397 leaks, compared to the same period in 2023.

Quality of the Supplied Water

Sofiyska Voda AD certifies through the results of the periodic and control monitoring performed that the measures put in place to control the risks to human health on the entire water supply network are efficient. Microbiological, physico-chemical, organoleptic and radiological indicators are monitored for the large and small water supply zones separately.

According to the requirements of the *Ordinance on the Regulation of the Quality of Water Supply and Sewerage Services* dated 18.01.2016, the fulfilment of the monitoring program is tracked according to the number of the water supply zones. The potable water quality is determined through the rate of compliance with the requirements. The compliance levels of the potable water supplied to end customers in the period January – December 2024 are as follows:

✔ KPI 2a - compliance level for the large water supply zones – 99.95%, which exceeds the regulatory requirements for the long-term levels of the KPI (99.16% until September 2024 and 99.94% after September 2024 as per an approved business plan)

✔ KPI 2b - compliance level for the small water supply zones – 98.81%, which exceeds the regulatory requirements for the long-term levels of the KPI (98.10% until September 2024 and 99.46% after September 2024 as per an approved business plan)

Over the period January-December, no deviations were established posing health risks to the population.

In 2024, samples from the points included in all 6 water supply zones were monitored, exceeding the frequency required under Ordinance 9.

Laboratory Testing Complex

The Laboratory Testing Complex (LTC) of Sofiyska Voda AD implements the Company's plans for monitoring surface and potable water, groundwater, wastewater and sludge in terms of taking samples from water and sludge from the WWTP and analyzing the microbiological, hydrobiological, physico-chemical, organoleptic and radiological parameters.

The activities performed by LTC in the reporting period were related mainly to the implementation of the plans for monitoring potable water, surface water and groundwater, as well as wastewater and sludge from WWTP; the maintenance and expansion of the accreditation; the control over the processes ensuring impartiality, metrological traceability and validity of the results from the analysis and transparency of the performed activities; the ensuring of confidentiality regarding the analytical results for the samples from the customers of LTC and marketing of the laboratory services.

In the period January – December 2024, in the LTC, a total of 17,225 samples were received, on which 217,052 analyses were performed (2,657 of them were given to an external accredited laboratory). For comparison, in 2023, a total of 16,849 samples were received, on which 220,000 analyses were made, which shows a 2% decrease in the number of analyses and a 2% increase in the number of samples in 2024 compared to 2023. These changes are mainly due to operational and technological reasons (reduced water volumes, respectively fewer samples from the water network and the reservoirs required).

Sofiyska Voda AD met the number of samples and analyses set in proportion to the supplied water volumes and with respect to the operated facilities at the monitored sites.

In 2024, the LTC continued the successful fulfilment of its contracts for the provision of laboratory services to external customers, under which revenues were realized, as well as of the service level agreements with internal customers. There were no claims made against the laboratory services by the customers.

LTC was provided the opportunity to participate in international programs for proficiency testing. In 2024, LTC participated in proficiency tests for 93 analyses, from which the satisfactory results were 88 and the unsatisfactory – 5. The success rate of LTC from all participations in 2024 is 95%. The relevant corrective actions were taken in respect of the unsuccessful results. The participations in these programs ensure an independent assessment of the performance of the laboratory and provide an opportunity to compare its efficiency with other equivalent laboratories, often globally. These participations provide feedback on the quality of the measurements and allow the laboratory to identify areas for improvement, obtain more accurate control over the processes and demonstrate competence before the customers, the accreditation authorities and other regulatory units.

In the period 24 - 26 September 2024, the activity of LTC was observed and assessed on-site by Executive Agency "Bulgarian Accreditation Service" (BAS). The team of three evaluators ascertained full compliance of the management system and the activity of the LTC with the requirements of BDS EN ISO/IEC 17025:2018 and the procedure for accreditation BAS QR 2. As result of the successful assessment, the validity of the certificate and of the order for accreditation of the LTC were extended until 16.08.2026.

In 2024, the LTC digitalized its activities to an even greater extent by introducing and optimizing different functionalities of the used software, as follows:

1) More reports were created from the laboratory management software WinLIMS, which are automatically sent to the e-mails of different customers with the help of the InfoServer module for control of the processes (daily technological reports, reports with data for analytic control etc.). At the end of 2024, the reports generated by InfoServer count 14.

2) HYDRA software is used for creating and running sample-taking programs. In 2024, modifications were started for achieving a higher degree of automation.

In connection with the digitalization and automation of the laboratory services, two new projects were launched in 2024:

- Creating a link between the laboratory management software WinLIMS and the software for control of industrial customers to the Industrial Wastewater Department called HADIS. The project is aimed at transferring information (through the module WinLIMS Bridge) from HADIS to WinLIMS, which will enable a more complete automation at granularity level – registered sample in WinLIMS with information about the client, site, place of sampling, vessels and parameters to be analyzed.
- Digitalization of the Request for assignment of laboratory services to the LTC (ФК 7.1-2), which will be completed by the clients through the digital platform and will be signed and stored in digital form.

Water Network Management

The focus of the Company in 2024, as in 2023, was on several main aspects:

- Improving the operational customer service, mainly by reducing the response time in case of disruptions in the normal functioning of the water network and improving the information, which the Company provides to its customers through an Information Center in which the zones affected by the emergency and planned water supply interruptions of occurred or future operational events are visualized, as well as through the SMS notification service for upcoming planned and emergency water supply interruptions;
- Gradual equipping of the field teams with mobile devices (tablets) that grant access to the information resources of the Company. Additional upgrade of the Pegasus software system for management of processes for tracking and processing of the received signals, with the inclusion of new modules for management of the work of the Unauthorized Consumption – Reactive and Proactive Activity teams, as well as the Leak Detection Unit;
- The total number of customers who requested the SMS notification service for planned water supply interruptions was 46,000, and in the period January - December 2024, a total of 60,523 messages were sent;
- Over the period January - December 2024, the ratio of the number of unplanned water supply interruptions with a duration below 4 hours to the total number of the unplanned water supply interruptions was 79% on average.

Sewerage

The program for proactive maintenance of the sewerage network continued in 2024, and as a result during that period more than 117 km of the network within the concession area were cleaned proactively, which is 18 km more compared to 2023. The result achieved is the best since 2018.

In the period January-December 2024, 73 km of the sewer network was surveyed and recorded using all of the Company's cameras, which is 8 km more in comparison to 2023.

In addition, 16 km of sewers over Ф1500 were inspected on foot compared to 21 km in 2023.

Our teams are increasingly required to survey riverbeds at the request of various institutions. In 2024, 29 km of riverbeds were surveyed compared to 4 km in 2023, which is linked to the diversion of resources from other important activities on the sewer network.

Wastewater treatment

In the period **January – December 2024**, Sofia Wastewater Treatment Plant (WWTP) treated **112.5 million m^3** of wastewater from the sewer network of the Municipality of Sofia.

The Wastewater Unit of the Laboratory Testing Complex at the WWTP in Kubratovo performs continuous monitoring of the quality indicators of treated wastewater and sludge generated in the treatment process.

The indicators - biological oxygen demand (BOD_5), chemical oxygen demand (COD) and suspended solids (SS), total nitrogen and total phosphorus for the treated wastewater at the outlet of the WWTP are analyzed on a daily basis and, other than for quality control, serve to optimize the treatment processes.

For the reporting period, the analyses meet the requirements set in the Discharge Permit.

Quality of the treated wastewater

According to the wastewater discharge permit, the following main indicators are analysed – biological oxygen demand (BOD_5), chemical oxygen demand (COD) and suspended solids (SS), total nitrogen, total phosphorus and all other indicators specified in the discharge permit for treated wastewater at the outlet of the WWTP.

In 2024, the fixed statutory number of samples was taken for the above quality indicators of the treated wastewater.

The values of the quality indicators of the samples were below the levels determined in the wastewater discharge permit.

Over the year, there was a trend towards a slight increase in the inflowing volume of wastewater, with increase in the level of concentration of carbon pollution vs. the previous three years, as well as an increase in the level of the nitrogen and phosphorus loads.

Sludge Stabilization and Utilization

The sludge generated through wastewater treatment is stabilized in five anaerobic digesters. The sludge treated in the digesters is mechanically dewatered to produce a "sludge cake" with dry matter content of around 19.66%.

Over the period, 17,699 tons of absolute dry matter sludge from the treatment processes were stabilized and mechanically dewatered, and 21,828 tons of absolute dry matter were utilized in agriculture.

The generated and utilized sludge volumes were reported in tons of absolute dry matter. The control over the waste generated at Kubratovo WWTP, including the dewatered sludge, is exercised in accordance with the requirements of the Waste Management Act, and the volumes of waste and sludge are entered into the public register – the National Waste Information System at the Executive Environment Agency. Sofiyska Voda AD monitors and submits the required reports to the Ministry of Environment and Water.

INVESTMENTS JANUARY – DECEMBER 2024

In 2024, Sofiyska Voda worked on the implementation of the investment program under the Business Plan in the amount of BGN 55.34 M. The structure of the planned and implemented investments is as follows:

Service	Business Plan 2024	Implemented investments January – December 2024	% Delivered investments v/s the Business Plan for 2024
Water supply	22 315 154	34 356 095	154%
Sewerage	19 299 813	15 660 624	81%
Wastewater treatment	4 638 377	2 168 765	47%
TOTAL INVESTMENTS IN REGULATED SERVICES:	**46 253 343**	**52 185 485**	**112,8%**
INVESTMENTS IN NON-REGULATED BUSINESS	**5 911 501**	**137 834**	**2,3%**
Considerations	331 057	467 131	141%
Additional Investments under the Third Amendment Agreement	2 847 668	1 708 648	60%
Additional Investments under the Settlement Agreement	0	1 385 776	delivering investments commitment
TOTAL ADDITIONAL INVESTMENTS:	**3 178 725**	**3 561 555**	**112%**
TOTAL INVESTMENTS:	**55 343 570**	**55 884 874**	**101%**

The total realized investments were in the amount of BGN 55.88 M. Implementation of the total annual investments planned was 101%. The implemented investments in regulated services were in the amount of BGN 52.19 M (implementation - 112.8%).

Over the year, the fulfilment of the investment program was extremely complicated due to delay in the administrative procedures under some of the large projects, which led to inability to implement them in 2024. That delay was compensated with the implementation of other urgent reconstructions of water mains and sewers, repair of facilities, devices and equipment, as well as the implementation of some projects envisaged to be realized in 2025. As a result of the efforts made, the total realized investment to a great extent meet those set in the business plan.

QUALITY MANAGEMENT

In June 2024, Sofiyska Voda AD passed successfully an external audit of the Company's Integrated Management System (IMS) that confirmed the certification of the Quality Management System under BDS EN ISO 9001:2015, the Environmental Management System under BDS EN ISO 14001:2015, the Occupational Health and Safety Management System under BDS EN ISO 45001:2018, the Anti-bribery Management System under BDS EN ISO 37001:2016 as well as the registration under Regulation 1221/2009 of the Community Eco-Management and Audit Scheme – EMAS.

In the process of the conducted control audit of all systems in Sofiyska Voda, no critical non-conformities were ascertained. All findings were taken into account for improving the Systems and the results of the IMS.

ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Sofiyska Voda AD has a certified Environmental Management System (EMS) in compliance with the requirements of the international standard ISO 14001:2015. In 2024, Sofiyska Voda AD introduced the requirements of ISO 50001:2018 Energy Management Systems and at the end of June it successfully passed a certification audit by an independent certification organization.

In 2024, Sofiyska Voda AD renewed its registration from the Ministry of Environment and Water under the EU Eco-Management and Audit Scheme (EMAS), whose scope includes all treatment plants and the water network. Maintaining EMAS registration is linked to building upon the implemented and functioning environmental management system (EMS) according to the requirements of the international ISO 14001 standard. The goal of EMAS is to make environmental management a continuous process leading to constant improvement of the performance in terms of the environment.

Environmental incidents

In 2024, the reported cases were as follows: 1 sudden pollution discharge event in a water site as a result of disturbed operational process in sewage pumping station Novi Iskar, 2 cases of emergency opening of a floodgate at the inlet of Kubratovo WWTP due to intensive rainfalls. The relevant measures to address those incidents were taken in a timely manner and they did not have a considerable environmental impact.

Program for the fulfilment of the environmental protection objectives

The environmental protection objectives of the Company are related to introducing best practices for energy efficiency in the operation and maintenance of the water and sewer networks, reducing water losses on the network, ensuring increasingly efficient and quality treatment of the wastewater by reducing at the same time the use of chemicals and reagents, and turning waste into raw material for the production of energy. In 2024, the implementation of the planned activities related to the preservation of biodiversity at the sites of the Company continued, the respective audits were conducted and adequate practices were introduced. The implementation of the objectives for 2024 was satisfactory and led to improved environmental impact.

Training and initiatives

In 2024, 3 seminars were conducted on the subject: "Threatened and invasive species on the territory of Bistritsa PWTP, Kubratovo WWTP, as well as an online seminar, in which Sofiyska Voda AD employees who were interested took part. Audits were conducted of the state of biodiversity at Bistritsa PWTP, Pancharevo PWTP, Mala Tsarkva PWTP and Kubratovo WWTP.

In 2024, a number of environmental protection initiatives took place, with some of the most significant being:

- Marking the European Week for Waste Reduction;
- Collecting and delivering 103 kg of caps and cans in the "Caps for Future" campaign;
- Organizing and conducting training seminars on the subject "Biodiversity on the territory of the sites operated by Veolia".

Waste Management

The Company strictly complies with the Bulgarian waste management legislation. In 2024, the following has been delivered for disposal, utilization or recycling:

- 5.2 tons of hazardous waste;
- 38.5 tons of non-hazardous waste;
- 21,828 tons (dry matter) – sludge from SWWTP Kubratovo for utilization on agricultural areas.

Green energy production

The green energy generated in the period January – December 2024 at the Sofia Wastewater Treatment Plant Kubratovo (WWTP) was 17,347 MWh, which is 27.16% less compared to the same period in 2023. The production is based on the cogeneration facility for the recovery of the biogas released in the sludge treatment process at the plant. In 2024, the green energy produced in the treatment plant covered 72.65% of the treatment plant's electrical needs.

The reduced electricity production is due to the continuing adaptation and establishing of a stable operation process of the treatment plant in the conditions of an altered technological line with the additional facilities commissioned on the sludge line – Thermal Hydrolysis and Anammox reactor, implemented under a project of the Municipality of Sofia with funding from OP "Environment". Extra energy – electricity and heat, is needed for the operation of the facilities, which alters the plant's energy balance.

HEALTH AND SAFETY AT WORK

Health and safety at work is a fundamental value for Sofiyska Voda AD.

The Occupational Health and Safety Management System of Sofiyska Voda AD certified under BDS EN ISO 45001:2018 is functioning and continues to be maintained and audited.

The applicable legal requirements are complied with and exceeded. The health and safety risks are assessed and managed systemically. 10 high-risk activities are identified, regarding which corporate safety standards are implemented.

Trainings and exchange of information

In 2024, there were 16,239 training hours in occupational health and safety. The number of the employees, who took part in at least one occupational health and safety training during the year, was 947. The number of participations in occupational health and safety trainings was 5,294 (there are employees, who took part in more than 1 training).

In September 2024, the corporate H&S week was conducted, focused on the impact of the daily habits and the behaviour of people on occupational health and safety.

Corporate software for occupational health and safety management has been applied (Acciline +). In 2024, 1,078 events were registered in the application (good practices, safety visits, field data, unsafe events, unsafe conditions, unsafe behaviour and material damage).

The contractors are monitored and audited systematically for compliance with the applicable H&S requirements. Meetings are held for exchange of information and good practices related to H&S.

Accidents, incidents and near-misses

In 2024, there was 1 lost time injury per art. 55, par. 1 (during work), 2 lost time injuries per art. 55, par. 2 (on the way to work) and 3 incidents (injury without loss of ability to work). Also, 525 near-misses were registered (undesired events having the potential to injure a human).

In 2024, as part of the measures to improve the health and safety culture at the Company, the corporate project "OHS Leadership" was launched, which includes training and building upon the skills of the leaders of all levels for ensuring occupational health & safety.

HUMAN RESOURCE MANAGEMENT

In its policy and practice, Sofiyska Voda AD develops and applies modern forms of human resource management with the understanding that these factors are crucial for the business development and high performance. Achieving and maintaining balance between the interests of the employer and the workforce are based on compliance with the legislation, adherence to high budgetary discipline and social partnership with the trade union organizations.

Human resource management is evolving through the application of a set of policies and procedures planned in advance, so that the entire management team is involved in this process.

Remuneration and benefits

As at 1 January 2024, the salaries of all employees were increased by 9.5 %, which is the official average annual inflation for 2023 as per the data announced by the National Statistical Institute.

In March 2024, the annual bonuses of the employees for the previous year were paid in line with the approved bonus scheme of the Company, taking into account the fulfilment of the Company's business objectives agreed in the previous year.

As at 1 April 2024, the salaries of the employees were increased by 3.06 % on average.

For a seventh consecutive year the employees had the opportunity to take part in two shareholding plans provided by Veolia Environnement, called SEQUOIA, and each employee had the opportunity to participate with up to 25% of his/her gross annual remuneration. One of the plans offers the purchase of shares for up to 5% of the employee's gross annual remuneration as the sum in the amount of EUR 300 is doubled by

Veolia Environnement. The second plan offers the purchase of shares with a 15% discount from the market price.

Training, motivation and development

Trainings

In 2024, a total of 1,090 employees were involved in trainings, and there were 12,544 participations.

The training hours were 31,361, of which nearly 22,000 hours were in the form of online training.

There were 6,303 participations and 14,704 training hours in trainings for enhancing professional competences.

The Company strictly complies with the requirements for gaining certificates of competence or updating the knowledge in health and safety at work, necessary for carrying out high-risk activities. There were 5,294 participations and 16,239 training hours in mandatory H&S trainings held in 2024.

Sofiyska Voda AD is a registered partner in the employers' information system, enrolling students in a dual vocational training system. In 2024, 6 students from the high school of mechanical and electrical engineering "N. Y. Vaptsarov" started training for electric and machine fitter jobs in a real working environment. Both professions have been identified as key for Sofiyska Voda AD, and the shortage of relevant qualified staff on the labor market is increasingly ostensible. The training is conducted under curricula developed jointly by the Company and the school for both professions, and the students will be provided the opportunity to acquire practical experience in activities specific to the Company, related to the operation of Bistritsa potable water treatment plant.

Over the year, key programs for Sofiyska Voda AD were updated/launched, which would contribute to the Company's development in the long run, in relation to different activities and processes.

The Talent Program was successfully launched, focusing on the process of talent cultivation and aimed at creating career opportunities and retaining high-potential employees.

The beginning of the "Bridge to Knowledge" Mentorship Program was set, which allows long-term employees with a high motivation, strong involvement and proven expertise in a given field to assume the role of Mentors of different groups of trainees in order to easily and efficiently adapt new employees, and help develop and grow proven key company employees.

In 2024, the development of an expert competence model at the Company began, aimed at identifying the key competencies.

Summer Internship Program

In 2024, 16 young talents from different majors joined the summer internship program "Challenge the Future". During the internship, they had the opportunity to become acquainted with the structure and the activity of the Company, visit its strategic sites, as well as participate in different activities and practice-oriented trainings. Eight of them continued their career with the Company.

Joint training program with Sofia High School of Construction, Architecture and Geodesy "Hristo Botev"

The joint project between Sofiyska Voda AD and the Sofia High School of Construction, Architecture and Geodesy "Hristo Botev" continued in 2024. During the five-day practical training, the students in grade 10, Water Construction specialty, visited the head office of the Company, where they learned more about the activity, mission, vision and values of the Company, the analysis and location of the WSS networks, the process for detection of hidden leaks and other topics, connected with the specifics of their specialty.

Also, during the training, colleagues, professionals in the WSS sphere, were guests-lecturers at the high school and provided information to the students about the activities for operating the water network and the sewerage system, the drinking and wastewater treatment process, as well as the monitoring and maintenance of the Company's strategic sites.

In addition, the students from the vocational high school were given the opportunity to visit Lozenets reservoir, and there they learnt about the history and the way one of the oldest water facilities in the capital functions.

Educational cooperation with Professional School of Ecology and Biotechnology "Prof. Dr. Asen Zlatarov"

Following a signed framework agreement for educational cooperation with the Professional School of Ecology and Biotechnology "Prof. Dr. Asen Zlatarov" in 2022, 12 students from the Ecology and Environmental Protection specialty visited the Laboratory Testing Complex of the Company, where they learned more about the main activities connected with the analysis and monitoring of potable water and wastewater.

In autumn of 2024, 26 students from several European countries studying at the same high school as part of the Erasmus Programme, visited the strategic sites of the Company.

Memorandum of Cooperation with the University of Architecture, Civil Engineering and Geodesy

In 2024, a Memorandum of Cooperation between Sofiyska Voda AD and the University of Architecture, Civil Engineering and Geodesy was signed. It is stated in the document that the two parties will cooperate and will work together in the following areas:

- Providing by Sofiyska Voda AD of opportunities for professional fulfilment and career development of students from the Faculty of Hydraulic Engineering at the UACEG by offering opportunities for internships and scholarships to the students, if needed and at the Company's initiative;
- Supporting the quality of teaching at UACEG through discussion of issues in the curriculum and the matter studied with the help of company representatives who are competent in the relevant scientific field;
- Assistance by Sofiyska Voda AD in the preparation of courses and participation by its competent experts in lectures, exercises etc. for the purpose of presenting the practical application of the subjects studied, if willingness is expressed by UACEG;
- Organizing initiatives such as open-door days, meetings between the business and the students of the Faculty of Hydraulic Engineering at UACEG, worksite visits, work on actual projects etc.

Memorandum of Cooperation with the Technical University of Sofia

In 2024, a Memorandum of Cooperation was signed between Sofiyska Voda AD and the Technical University of Sofia. It is mentioned in the agreement that the parties agree to cooperate and work together in the following areas:

- Ensuring better opportunities for career development and fulfilment of students from TU-Sofia, including through organizing on-sight visits at Sofiyska Voda AD buildings and facilities, meetings with professionals and experts - Company employees, organizing trainings and pre-graduate internships and practices, job fairs and other initiatives, conditional on the Company's availability;
- Supporting the quality of training of undergraduate and postgraduate students at TU-Sofia by organizing public lectures and discussions, providing an opportunity for questions to be asked relating to the curriculum and other initiatives of mutual interest;
- Partnership in the conducting of research and scientific studies in the field of electricity, management and planning of networks etc.;
- Conducting joint scientific events, trainings, competitions and others of mutual interest.

Participation in career forums

In 2024, Sofiyska Voda AD actively participated in career forums for the purpose of attracting new talents and expanding the network of professional contacts. These meetings ensured the Company the opportunity to present its ongoing and future projects, as well as the opportunities for career development it offers. Part of the professional events, in which representatives from the Recruitment Unit of Sofiyska Voda AD were involved in, were:

- Career Day at Todor Kableshkov University of Transport
- Career forum of the Faculty of Biology to Sofia University "St. Kliment Ohridski"
- Career forum of the Faculty of Chemistry and Pharmacy to Sofia University "St. Kliment Ohridski".
- 75 years of the Faculty of Hydraulic Engineering to the University of Architecture, Civil Engineering and Geodesy
- HydroHacks – Code of Success at the University of Architecture, Civil Engineering and Geodesy

Management's responsibility

In compliance with the legal requirements, the management draws up an annual Activity Report and Financial Statements for each financial year, presenting a true and fair view of the financial position of the Company for the calendar year, considering the financial performance and the cash flows in conformity with the applicable accounting framework. For the preparation of the financial statements, the Company applies the rules of the IFRS Accounting Standards as adopted by both the EU and the Bulgarian accounting legislation.

The management's responsibility includes: development, deployment and maintaining of an internal control system, ensuring the preparation and fair presentation of the financial statements that are free from material misstatements, deviations and non-conformities whether due to fraud or error; selecting and applying appropriate accounting policies; preparing accounting estimates, reasonable in the specific circumstances.

The management confirms that it has acted in accordance with its responsibilities and that the separate financial statements have been prepared in full compliance with the IFRS Accounting Standards as adopted by the EU.

The management also confirms that in the preparation of this Annual separate activity Report, it has provided a true and fair presentation of the development and financial performance of the Company for the past period, as well as its position and the major risks it has faced. The management has approved the issuing of the Annual separate activity Report and the separate financial Statements for 2024.

Sofia, 31 March 2025

СОФИЯ
СОФИЙСКА ВОДА
АКЦИОНЕРНО ДРУЖЕСТВО

Aneliya Ilieva
/Finance Director/

Vasil Trenev
/Executive Director/

Separate statement of financial position

As of 31 December

In thousands of BGN	*Note*	**31 December 2024**	**31 December 2023**
Assets			
Property, plant and equipment	*12*	19,929	19,425
Intangible assets	*13*	264,245	237,302
Investment in subsidiaries		5	5
Deferred tax assets	*19*	8,589	10,387
Trade and other receivables	*15*	3,021	2,505
Total non-current assets		295,789	269,624
Inventories	*14*	6,169	5,259
Trade and other receivables	*15*	33,497	32,796
Contract assets	*4*	13,998	12,984
Related party receivables	*26,15*	89	74
Income tax receivables		-	36
Short-term deposits	*16,22*	77,602	61,068
Cash and cash equivalents	*16,22*	10,625	47,048
Total current assets		141,980	159,265
Total assets		437,769	428,889
Equity			
Share capital	*17*	8,884	8,884
Reserves	*17*	10,774	10,774
Retained earnings		329,916	327,542
Total equity		349,574	347,200

Separate statement of financial position (continued)

In thousands of BGN	*Note*	31 December 2024	31 December 2023
Liabilities			
Lease liabilities	*27,22*	2,997	1,218
Employee benefits	*23*	2,780	2,348
National additional tax liabilities	*20*	1,515	-
Trade and other payables	*20,26*	3,977	3,837
Total non-current liabilities		11,269	7,403
Lease liabilities	*27,22*	1,824	544
Contract liabilities	*4*	11,038	10,329
Payables to related parties	*22,26*	3,684	3,651
Trade and other payables	*20*	55,430	53,345
Income tax payables		316	-
Provisions	*21*	3,414	5,363
Employee benefits	*23*	1,220	1,054
Current liabilities		76,926	74,286
Total liabilities		88,195	81,689
Total equity and liabilities		437,769	428,889

The notes from 1 to 28 are an integral part of these separate financial statements.

СОФИЯ
СОФИЙСКА ВОДА
АКЦИОНЕРНО ДРУЖЕСТВО

Vasil Trenev
Executive Director

Anelia Ilieva
Finance Director

Sylvia Peneva
Registered Auditor, responsible for the audit
Deloitte Audit OOD
Registration number 033
Date: 31.03.2025

Separate statement of profit or loss and other comprehensive income

For the year ended 31 December

In thousands of BGN	*Note*	2024	2023
Revenue from main activities	*4*	208,363	194,946
Construction revenue	*4*	50,846	46,257
Other income	*5*	3,185	1,989
		262,394	243,192
Expenses for materials	*6*	(26,978)	(23,554)
Expenses for hired services	*7*	(78,685)	(71,392)
Depreciation and amortization	*12,13*	(30 881)	(29,146)
Employee benefit expenses	*8*	(45 445)	(40,420)
Social security contributions and other social expenses	*8*	(10 340)	(8,693)
Impairment loss on trade receivables and contract assets	*22*	(6 197)	(5,878)
Other operating expenses	*9*	(3,402)	(7,005)
Operating profit		60,466	57,104
Finance income	*10*	2,213	1,098
Finance costs	*10*	(356)	(214)
Net finance income		1,857	884
Profit before taxes		62,323	57,988
Income tax expenses	*11*	(8,447)	(5,868)
Profit for the year		53,876	52,120

Separate statement of profit or loss and other comprehensive income (continued)

For the year ended 31 December

In thousands of BGN	*Note*	**2024**	**2023**
Other comprehensive income			
Items that will not be reclassified in profit or loss:			
Remeasurement of defined benefit liability	*23*	96	(51)
		96	(51)
Other comprehensive income for year, net of tax		96	(51)
Total comprehensive income for the year		53,972	52,069

The notes from 1 to 28 are an integral part of these separate financial statements.

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Deloitte Audit OOD
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Date: 31.03.2025

Separate statement of changes in equity

In thousands of BGN

	Note	Share capital	Legal reserve	Retained earnings	Total equity
Balance at 1 January 2023		8,884	10,774	295,396	315,054
Total comprehensive income for the year					
Profit for the year		-	-	52,120	52,120
Other comprehensive income, net of taxes		-	-	(51)	(51)
Total comprehensive income for the year		-	-	52,069	52,069
Transactions with shareholders					
Installments to shareholders					
Dividends	*17*	-	-	(19,923)	(19,923)
Total installments to shareholders		-	-	(19,923)	(19,923)
Balance at 31 December 2023	*17*	8,884	10,774	327,542	347,200
Balance at 1 January 2024		8,884	10,774	327,542	347,200
Total comprehensive income for the year					
Profit for the year		-	-	53,876	53,876
Other comprehensive income, net of taxes		-	-	96	96
Total comprehensive income for the year		-	-	53,972	53,972
Transactions with shareholders					
Installments to shareholders					
Dividends	*17*	-	-	(51,598)	(51,598)
Total installments to shareholders		-	-	(51,598)	(51,598)
Balance at 31 December 2024	*17*	8,884	10,774	329,916	349,574

The notes from 1 to 28 are an integral part of these separate financial statements.

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Date: 31.03.2025

Separate statement of cash flows

For the year ended 31 December

In thousands of BGN	*Note*	2024	2023
Cash flow from operating activity			
Net profit for the year		53,876	52,120
Adjustments for:			
Depreciation of property, plant and equipment	*12*	6,583	6,199
Amortisation of intangible assets	*13*	24,298	22,947
Impairment loss on trade receivables and contract assets	*22*	6,197	5,878
Write-down of inventories to net realizable value/ (realization)	*9*	(143)	413
Scrapping materials	*9*	28	18
Expenses for scrapping fixed assets	*9*	98	22
Net finance (income)	*10*	(1,857)	(884)
Gain on sale of property, plant and equipment		(12)	(18)
Tax expense	*11*	8,447	5,868
		97,515	92,563
Changes in:			
- employee benefits		560	573
- provisions		(1,949)	1,380
- inventories		(795)	83
- trade and other receivables		(7,169)	(6,609)
- trade and other payables		4,109	(1,089)
- contract assets	*4*	(1,014)	(108)
- contract liabilities	*4*	709	797
Cash flow from operating activity		91,966	87,590
Income tax paid		(4,812)	(5,280)
Net cash flow from operating activity		87,154	82,310
Cash flows from investing activity			
Income from sale of property, plant and equipment		13	18
Acquisition of property, plant and equipment		(2,383)	(4,326)
Acquisition of intangible assets		(53,178)	(46,735)
Transfer in deposits		(14,379)	(60,000)
Net cash flow used in investing activity		(69,927)	(111,043)

Separate statement of cash flows (continued)

For the year ended 31 December

In thousands of BGN	***Note***	**2024**	**2023**
Cash flow from financing activity			
Payment of lease liabilities	27	(1,911)	(1,682)
Dividends paid	17	(51,598)	(19,923)
Interest paid	18	(141)	(36)
Net cash flow used in financing activity		(53,650)	(21,641)
Net change in cash and cash equivalents		(36,423)	(50,374)
Cash and cash equivalents at 1 January		47,048	97,422
Cash and cash equivalents at 31 December	*16,22*	10,625	47,048

The notes from 1 to 28 are an integral part of these separate financial statements.

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Vasil Trenev
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Sylvia Peneva
Registered Auditor, responsible for the audit
Deloitte Audit OOD
Registration number 033
Date: 31.03.2025

Notes to the separate financial statements

1. Reporting entity

Sofiyska Voda AD (the Company) is a company registered in Sofia City Court on 28 December 1999 under company case N 16172/1999 / No54111, p.557, registration. 1, page 20 and registered as per the Public Register Act in the Trade Register to the Registry Agency under uniform identification code 130175000.

The address of the registered office of the Company is Bulgaria, Sofia, 159 Tsar Boris III street, Business Centre Tsar Boris, floors 2 and 3. The Company is 77.1% owned by Veolia Central and Eastern Europe and 22.9% owned by Vodosnabdiavane and Kanalizatsia EAD. In regard to the contract for cross-border merger of Veolia Voda (Sofia) B.V. and Veolia Central & Eastern Europe S.A., the transfer of the shares held by Veolia Voda (Sofia) B.V. to Veolia Central & Eastern Europe S.A. was entered in the company Book of Shareholders on 04.02.2022.

The Company's line of business is primarily in the provision of water supply, sewerage and wastewater treatment services in the Municipality of Sofia, including management and maintenance of the public assets, which represent part of the water supply and wastewater treatment system in Sofia, as well as design, construction, financing and managing of new assets.

On 23 December 1999, Sofiyska Voda AD signed a Concession Contract through which the Municipality of Sofia (Grantor) granted to the Concessionaire (Sofiyska Voda AD) a specific right for use of the public assets and exclusive right to provide services within the Concession Area for a period of 25 years. After signing the Fourth Amendment Agreement to the Concession Agreement on 28 August 2023, the term was extended by another 8.3 years in accordance with the provisions of the applicable legislation. The services include the provision of water supply, sewerage and wastewater treatment services.

2. Basis of preparation

(a) Basis of accounting

The present separate financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) Accounting Standards, as adopted by the European Union ("IFRS Accounting Standards as adopted by the EU"). The reporting framework "IFRS Accounting Standards as adopted by the EU" is substantially the approved national accounting basis International Accounting Standards (IAS), as adopted by the EU, regulated by the Accountancy Act, and defined in item 8 of its Additional Provisions.

These are the Company's separate financial statements prepared by law by Sofiyska Voda AD as a parent company where the investments in subsidiaries are presented at acquisition cost less impairment. Sofiyska Voda AD also prepares consolidated financial statements. All financial statements are published on the official website of Sofiyska Voda AD, section Reports.

The separate financial statements as of and for the year ended 31 December 2024 were approved for issuance by the Board of Directors on 31 March 2025.

(b) Basis of measurement

The separate financial statements have been prepared on historical cost basis.

(c) Functional and presentation currency

The separate financial statements have been prepared in Bulgarian leva (BGN), which is the Company's functional currency. All financial information presented in BGN has been rounded to the nearest thousand unless otherwise indicated.

(d) Going concern

These separate financial statements have been prepared on the assumption that the Company will continue to operate as a going concern in the foreseeable future. The positive outlook for the Company's operations is supported by the fact that despite the unprecedented international and local situation in 2024 after the start of the war in Ukraine, the Company's business activities were not substantially affected:

- in 2024 with the war between Ukraine and Russia, the management of the Company prolonged the additional measures for control over the operating costs within a recovery plan under specific operational projects and at the same time enhanced the ongoing control over cashflow management;

2. Basis of preparation (continued)

(d) Going concern (continued)

- regarding the investment program of the Company, the realized investments in regulated services on an annual basis in nominal terms exceeded by +12.53% the planned investments for 2024 in the approved Business Plan 2022-2026.

(e) Use of estimates and judgments

In preparing these separate financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, incomes and expenses. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

(i) Judgements

Information about critical judgments made in applying the accounting policies that have the most significant effect on the amounts recognized in financial statements is contained in the following notes:

- Note 3 (d) (i) – Accounting for intangible assets in accordance with IFRIC 12 Interpretations: Concession Service Arrangements
- Note 3 (d) (iii) – Intangible assets, subsequent costs

(ii) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the next financial year is included in the following notes:

— Notes 12 and 13 – Property, plant and equipment and Intangible Assets – main assumptions used in determining the recoverable amount of the cash-generating unit,;

— Note 15 – Trade and other receivables – in the part for impairment of the recoverable amount of the trade receivables from customers;

— Note 19 – Deferred tax assets – regarding recoverability of deferred tax assets;

— Note 21 and Note 24 – Provisions and Contingencies – key assumptions about the likelihood and magnitude of an outflow of resources;

— Note 23 – Employee benefit – measuring the payables under the defined benefit plans and employee benefits

Fair values

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

The financial department regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or similar services is used to measure fair values, then the financial department assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS Accounting Standards, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Company's Executive Director.

(e) Use of estimates and judgments

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy, whose input is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 22 – Financial instruments

3. Material accounting policy information

(a) Foreign currency

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

Since 1 January 1999 the exchange rate of the Bulgarian lev (BGN) has been fixed against the Euro (EUR). The exchange rate is BGN 1.95583 / EUR 1.0.

(b) Financial Instruments

(i) Recognition and initial measurement

Trade receivables are recognized initially when they are originated. All other financial assets and liabilities are recognized initially when the Company becomes party under the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets
On initial recognition the financial asset is classified as measured at: fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) or at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial asset is measured at FVOCI if it meets at the same time the following two conditions and is not designated under the FVTPL:
- is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and;
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets, which are not classified as measured at amortized cost or at FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. Upon initial recognition the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3. Material accounting policy information (continued)

(b) Financial Instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment

The Company assesses the purposes of the business model, under which a certain financial asset is held at a portfolio level because this best reflects the way in which the business is managed and information is provided to the management. The information, which is taken into account, includes:

- the stated policies and purposes of the portfolio and the efficiency of these policies in practice.
- how the performance of the portfolio is evaluated and reported to the management of the Company;
- the risks that affect the performance of the business model (and the financial assets held within this business model) and how these risks are managed;
- how the business managers are compensated – for example, whether the compensation is based on the fair value of the assets managed or on the collected contractual cash flows; and
- frequency, volume and timing of the sales of the financial assets in previous periods, the reasons for such sales and the expectations for future sales.

The transfer of financial assets to third parties in transactions, which do not qualify for derecognition, are not considered for sales for this purpose, in conformity with the continued recognition of the assets by the Company.

The financial assets, held for trading or are managed, and whose performance is evaluated on a fair value basis, are measured at FVTPL.

Financial assets – Assessment whether the contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, the "principal" is defined as fair value of the financial asset at initial recognition. The "interest" is defined as consideration for the time value of money and for the credit risk related to the outstanding principal in a certain period of time and for other main risks and credit costs (for example, liquidity risk and administrative expenses), as well as a profit margin.

In assessing whether the contractual cash flows are solely the payments of principal and interests, the Company considers the contractual provisions of the instrument. This includes an assessment whether the financial asset contains a contractual term, which could change the timing or the amount of the contractual cash flows, so that it fails to meet that condition. In that assessment the Company takes into account:

- contingent events, which could change the amount or time of the cash flows;
- conditions, which could adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension feature; and
- terms that limit the claims of the Company to the cash flows from certain assets (for example, characteristics without the right of recourse).

A prepayment feature corresponds to the criteria for payment only of the principal and interests if the prepayment is the outstanding amount of the principal and the interest on the outstanding principal, which may include reasonable additional compensation for early termination of the contract. In addition, a financial asset obtained with discount or premium, up to its contractual nominal amount, an option which allows or requires prepayment in the amount which in essence is the nominal amount, plus accumulated (but unpaid) contractual interest (which may include also reasonable additional compensation for early termination), is considered for corresponding to this criterion if the fair value of the prepayment is insignificant at initial recognition.

3. Material accounting policy information (continued)

(b) Financial Instruments (continued)

Financial assets – Assessment whether the contractual cash flows are solely payments of principal and interest (continued)

Financial assets - Subsequent measurement of financial assets

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss, except for derivatives designated as hedging instruments for which hedge accounting is applied. The Company currently does not hold financial assets measured at FVTPL.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. The Company has significant trade and other receivables measured at amortized cost.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. The Company currently does not hold debt investments measured at FVOCI.

Cash and cash equivalents

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

Financial Liabilities – classification, subsequent measurement and gains and losses

The financial liabilities are classified at amortized cost or at FVTPL. The financial liability is classified at FVTPL if it is classified as held for sale, as derivative or designated as such at initial recognition. The financial liabilities under the FVTPL are measured at fair value, and the net profits and losses, including the costs for interest are recognized in the profit or loss. The other financial liabilities are measured subsequently at amortized cost, applying the effective interest method. The costs for interest and exchange rate gains and losses are recognized in profit or loss. Any profit or loss from derecognition are also recognized in the profit and loss.

(iii) Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or when the rights to receive contractual cash flows from a transaction are transferred, where substantially all risks and rewards of ownership of the financial asset are transferred or where the Company does not transfer and keep substantially all risks and rewards of ownership, nor it keeps control on the financial asset.

Financial liabilities

The Company derecognises a financial asset when the contractual obligations have been fulfilled, annulled or expired. The Company also derecognises a financial asset when its conditions have changed and the cash flows from the modified liability are materially different, and in this case a new financial liability is recognized under the fair value, based on the changed conditions.
When a financial liability is derecognized, the difference between the carrying amount and the paid remuneration (including all transferred non-cash assets or commitments) is recognized in the profit or loss.

3. Material accounting policy information (continued)

(b) Financial Instruments (continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Share capital

Ordinary share

Ordinary shares are classified as equity. The costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. The equity of the Company is presented at historical cost as at the date of registration.

(vi) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses (ECL) for:
- financial assets measured at amortised cost; and
-contract assets.

An impairment loss on trade receivables and contract assets is always measured at an amount equal to the lifetime of the financial instrument under the simplified model. For other financial assets, the ECL is estimated based on the ECL for the next 12 months, unless a significant increase in credit risk has occurred, in which case impairment losses are measured at an amount equal to the ECL for the lifetime of the financial instrument.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in measuring ECL, the Company considers reasonable and supportable information that is appropriate and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and justified credit evaluation and including forecast information. The Company assumes that the credit risk on a given financial asset has increased significantly if it is overdue for more than 30 days.
The Company considers a financial asset to be in default when:

- it is unlikely that the borrower will repay his credit obligations to the Company in full without requiring the Company to take actions such as the realization of a guarantee (if any); or
- the financial asset is overdue by more than 365 days for households, commercial and budget customers.

Lifetime ECLs are those ECLs that result from all possible events of default during the expected life of the financial instrument. The 12-month ECL is that part of the ECL that results from the events of default that are likely to occur within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period that is taken into account when determining ECL is the maximum contractual period during which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are probability weighted estimates of credit losses. Credit losses are accounted for at the present value of all cash shortfalls (that is, the difference between the cash flows owed by a companyy in accordance with the contract and the cash flows the company expects to receive).

ECLs are discounted with the effective interest rate of the financial asset.

For trade receivables and assets under contracts, the Company applies a simplified approach by using a provisional matrix. The provisional matrix is updated on an annual basis. For specific customer groups, .ie. other trade receivables and receivables from customers with deferred payment arrangements, separate analysis is performed and the expected future cash flows are determined on individual basis.

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3. Material accounting policy information (continued)
(b) Financial Instruments (continued)

Measurement of ECLs (continued)

Since the Company charges interest in the amount of Basic interest rate +10% for overdue receivables, when determining the amount of impairment for each of the categories, the management analyed the actually collected interest for overdue and accordingly adjusted the accrued impairment for each of the categories.

In calculating the ECLs, the Company also applies probability-weighted effects of the influence of predictive data on key macroeconomic indicators (according to reported data by the National Statistical Institute (NSI) and forecasts from Eurostat), specifically data for:

- Inflation (Consumer Price Index CPI);
- Unemployment;
- Changes in real Gross Domestic Product (GDP);

Where official regional data and forecasts is not available, the above indicators are used and analyzed at the national level.

By using data for these indicators at fixed observation time and integrating forecasts for them, the Company investigates the observed dependencies for both linear and nonlinear relationships (impacts) on the uncollectability (and respectively, collectibility) of receivables for each of the three main client groups – households (individual clients), legal entities (commercial clients) and legal entities funded by the state budget – and accordingly adjusts, through probability weighting the provisional matrix.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets reported at amortized cost and contract assets are credit-impaired. A financial asset is credit-impaired when one or more events have occurred that have a certain impact on the expected future cash flows from the financial asset. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulties of the borrower or the issuer;
- breach of contract such as non-performance or overdue by more than 365 days based on actual customer behavior based on the nature of the services provided by the Company;
- the restructuring of a receivable from the Company under conditions that the Company would not otherwise consider
- the borrower is likely to enter bankruptcy/insolvency for individuals or other financial reorganization.

Presentation of impairment loss for ECL in the statement of financial position

Impairment losses of financial assets measured at amortized cost are deducted from the gross book value of the assets.

Write-off

The gross book value of a financial asset is derecognized when the Company has no reasonable expectations of recovering a financial asset in its entirety or part of it, or when specific receivables are disputed by customers and the proceedings on them are terminated (nullified) by the court.

The Company has a policy of writing off the gross carrying amount when the financial asset is more than three years past due based on the historical experience of recoveries of similar assets. For corporate customers, the Company makes an individual assessment regarding the timing and amount of the derecognition based on whether there is a reasonable expectation of recovery. The Company does not expect a significant recovery of the amount written off. However, financial assets that have been derecognized may still be subject to enforcement action to comply with the Company's recovery procedures. The recovery pattern is influenced by the specific economic situation in which the Company operates, the specifics of the water supply and sewerage sector and the respective payment behavior of customers.

3. Material accounting policy information (continued)

(c) Property, plant and equipment

(i) Measurement at recognition and subsequent measurement

Property, plant and equipment are initially measured at cost which includes purchase price, including import duties and non-reimbursable taxes on purchase, as well as all other expenses directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost for materials and direct labour;
- costs directly attributable to bringing the assets to a working condition for their intended use;
- when the company has an obligation to dismantle the asset or restore the site, estimate of the costs for dismantling and restoring the site, on which it is located;
- capitalized interest costs.

Purchased software, that is essential for the functioning of the purchased equipment, is capitalized as part of the equipment.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are recognized net in other revenue in profit or loss.

Subsequent measurement

After recognition as an asset, an item of property, plant and equipment is measured at its cost less the accumulated depreciation and accumulated impairment losses (see Material accounting policy information 3(h)).

(ii) Subsequent costs

Any subsequent expenditures are being capitalized only if it is probable that the future economic benefits from these costs will flow to the Company. The costs of the day-to-day servicing of property, plant and equipment are recognized as loss as incurred.

(iii) Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this reflects the expected pattern of consumption of the future economic benefits of the asset. Leased assets are depreciated over the shorter of the lease term and their useful life unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.
The estimated useful life of property, plant and equipment for the current and previous period are as follows.

Assets class	**2024**	**2023**
Buildings	25 years	25 years
Plant and equipment	5-25 years	5-25 years
Vehicles – automobiles	5-10 years	5-10 years
Vehicles – trucks	10-12.5 years	10-12.5 years
Improvements of leased assets	10 years	10 years

Depreciation methods, useful life and residual values are reviewed at each financial year-end and adjusted if appropriate (refer to Note 12).

3. Material accounting policy information (continued)

d) Intangible assets

IFRIC 12 Concession service arrangements

As stated in Note 1 Sofiyska Voda is party under the Concession Agreement with the Municipality of Sofia (Grantor), under which a specific right emerges for the Company to use public assets as well as an exclusive right to render water supply and sewerage services within the concession area – the territory of the Municipality of Sofia. Taking into account the concession contract with the Municipality of Sofia, the requirements of IFRIC 12 have been applied, and consequently an intangible asset "concession right" has been recognized in the financial statements of the Company. As the concession agreement includes a requirement for the Company to deliver construction services to the grantor in order to enhance the infrastructure, the Company delivers construction services in consideration for an enhancement to its right to collect higher tariffs from users of the network and records revenue as it performs the services for water supply, sewerage and waste water treatment to the customers on the territory of the concession.

Respectively, during the construction phase, the Company's accumulating right to receive consideration for the construction services constitutes a contract asset, which is presented within intangible assets - concession right.

Intangible assets- Concession right

The intangible asset "concession right" is recognized at acquisition cost, (including invoiced hired services by subcontractors, representing the fair value which independent third parties would require for these services, material and employee cost) less accumulated amortization and impairment losses (see material accounting policy information 3 (i)). The intangible asset "concession right" arises in relation to the Concession Agreement, under which Sofiyska Voda is granted special right of use of public assets in order to deliver water supply, sewerage and wastewater treatment services to the customers within the concession area.

The Grantor has the ownership rights on all the existing public assets for the concession period, but the Concessionaire has exclusive and specific right to use the existing public assets. The ownership rights of any new assets are transferred to the Grantor at the time of their acquisition by the Concessionaire or at the beginning of their operation. The Company does not have the right to receive any payments from the Grantor related to the acquisition, construction, installation or creation of any new public assets. The amounts invested by the Company for which it has the right to charge higher tariffs from users of the network are classified as intangible assets "Concession right"".

Other intangible assets

Other intangible assets, acquired by the Company, that have limited useful life, are stated at acquisition cost less accumulated amortization and impairment losses.

(iii) Subsequent expenditure

Subsequent expenditures are capitalized only whenever it is probable that they lead to future economic benefits from the specific asset they are related to. All other expenditures are expensed as incurred.

(iv) Amortization

Amortization is charged to the profit or loss on a straight-line basis in profit or loss over the estimated useful life of the intangible assets, apart from the "Concession right" asset, which is depreciated for the remaining term of the concession until 2034, determined from the date of acquisition of any additional concession right.

Other intangible assets:	
capitalized development costs	6.67 years
other intangible assets	6.67 years
software	10 years

Amortization methods, useful life and residual values are reviewed at each reporting date.

3. Material accounting policy information (continued)

(e) Leases

At inception of a contract, the Company assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.
Lease payments included in the measurement of the lease liability comprise the following:

— fixed payments, including in-substance fixed payments;
— variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
— amounts expected to be payable under a residual value guarantee; and
— the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property and lease liabilities as part of the respective class of the Company's assets.

3. Material accounting policy information (continued)

(e) Leases (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(f) Investments

Investments in subsidiaries

Subsidiaries are the entities controlled by the Company.

The investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Therefore, an investor must possess all of the following elements to be deemed to control an investee.

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee; and ability to exert power over the investee to affect the amount of the investor's return.

Investments are accounted for in the separate financial statements under the cost method. On initial recognition the investment is recognized at cost, including the amounts paid and the attributable expenses: fees, commissions, royalties, non-refundable taxes, etc.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average cost principle.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses, required to carry out the sale.

(h) Impairment of non-financial assets

The book values of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or a cash-generating unit (CGU) is the higher of its value in use and its fair value less costs to sell. In assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

Impairment losses are recognized in profit and loss. Impairment losses recognized in respect of cash-generating units are allocated in such a way as to reduce the book values of the assets in the CGU on a *pro rata* basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3. Material accounting policy information (continued)

(i) Employee benefits

(i) Defined contribution plan

A defined contribution plan is a post-employment benefit plan, under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. The Company's obligation for contributions to the defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. The contributions on a defined contribution plan, that are payable more than 12 months after the end of the period of service rendering by employees, are discounted to their present value.

(ii) Defined benefit plan

The Company has obligation to pay certain amounts to each employee who retires with the Company in accordance with Art. 222, § 3 of the Labour Code. According to the regulations of the Collective Labour agreement, when a labour contract of a company's employee, who has acquired a pension right, is ended, the Company is obliged to pay him compensations amounted to two gross monthly salaries. If the employee's length of service in the Company equals to or is greater than 10 years, as at retirement date, then the compensation amounts to seven gross monthly salaries. As at the reporting date the management estimates the amount of such expenses based on a report prepared by a qualified actuary using the projected unit credit method. The estimated amount of the obligation and the main assumptions, on the base of which the estimation of the obligation has been made, are disclosed to the financial statements in Note 23.

Re-measurements arising from defined benefit plans comprise actuarial gains and losses and are recognised in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

(iii) Short-term employee benefits

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(iv) Share-based payment transactions

The Company grants share-based payment awards to its employees, while it has no obligation to settle the transaction, because this an obligation of its parent company, to which the shares belong to. Respectively, the transactions are classified as equity-settled share-based payment transactions.

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(j) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

3. Material accounting policy information (continued)

(j) Provisions (continued)

Legal provision

Legal provisions are included in the Company's financial statements as a result of existing legal liabilities on court actions concerning past events. Estimation of the provision is carried out by the legal advisors of the Company based on all the facts and circumstances related to the expected cash outflows resulting from a hypothetical court decision in other party's favour.

(k) Revenue

Information about the Company's accounting policies relating to contracts with customers is provided in Note 4.

(l) Government grants

The Company recognizes government grants to assets initially as deferred income at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant; they are then recognized in profit or loss as other income on a systematic basis over the useful life of the asset. Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the same periods in which the expenses are recognized.

(m) Finance income and finance costs

Finance income comprises interest income and profit from transactions in foreign currencies, recognized in profit or loss. Interest income is recognized as it is accrued using the effective interest method.

Finance expenses comprise interest expense on borrowings, expenses resulting from increase in liabilities due to being one period closer to the date for realizing the provisions. Borrowing costs that are not directly attributable to the acquisition, construction or production of an asset meeting the requirements are recognized in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis.

(n) Income tax

Income tax expense for the year comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

3. Material accounting policy information (continued)

(n) Income tax (continued)

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss ;
- differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The Company does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

The Company would neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes in accordance with the temporary exemption from the deferred tax requirements in IAS 12.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

(o) Changes in accounting standards

(i) Amendments to existing IFRS accounting standards that have come into effect during the current reporting period

The following amendments to existing IFRS accounting standards, issued by the International Accounting Standards Board (IASB) and adopted by the EU, have come into effect for the current reporting period:

• Amendment to IAS 1 Presentation of Financial Statements - Classification of liabilities as current and non-current, and non-current liabilities with covenants (effective for annual periods beginning on or after January 1, 2024);
• Amendment to IAS 7 and IFRS 7: Supplier finance arrangements (effective for annual periods beginning on or after January 1, 2024);
• Amendment to IFRS 16 Leases - Lease liabilities in a sale-and-leaseback transaction (effective for annual periods beginning on or after January 1, 2024).

The adoption of the new amendments to the existing IFRS accounting standards has not led to significant changes in the Company's financial statements.

3. Material accounting policy information (continued)

(ii) Amendments to existing IFRS accounting standards issued by the International Accounting Standards Board (IASB) and adopted by the EU that have not yet come into effect

At the date of authorisation of these financial statements, the following amendment to the existing IFRS accounting standards that has been issued by IASB and adopted by EU but is not yet effective has not been applied:
- **Amendment to IAS 21: The Effects of Changes in Foreign Exchange Rates** – Lack of Exchangeability (effective for annual periods beginning on or after January 1, 2025);

(iii) New standards and amendments to existing IFRS accounting standards issued by the IASB that have not yet been adopted by the EU

At present, IFRS accounting standards as adopted by the EU do not significantly differ from IFRS Accounting Standards adopted by the IASB except for the following new accounting standards and amendments to the existing accounting standards, which were not endorsed for use in EU as at the date of authorization of these financial statements (the effective dates stated below is for IFRS Accounting Standards as issued by IASB):

- **IFRS 18 – Presentation and Disclosures in Financial Statements** (effective for annual periods beginning on or after January 1, 2027);
- **IFRS 19 – Subsidiaries without public accountability: Disclosures** (effective for annual periods beginning on or after January 1, 2027);
- **Amendments to IFRS 9 and IFRS 7** – Amendments to the Classification and Measurement of Financial Instruments (effective for annual periods beginning on or after January 1, 2026);
- **Amendments to IFRS 9 and IFRS 7 –** Amendments to the Contracts Referencing Nature-dependent Electricity (effective for annual periods beginning on or after January 1, 2026);
- **Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10, and IAS 7** – Annual Improvements to IFRS Accounting Standards – Volume 11 (effective for annual periods beginning on or after January 1, 2026);
- **IFRS 14 Regulatory Deferral Account Balances** (effective for annual periods beginning on or after January 1, 2016) – The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.
- **Amendment to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in associates and joint ventures** - Sale or contribution of assets between an investor and its associate or joint venture and further amendments (effective date deferred by IASB indefinitely, but earlier application is permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded.

The Company anticipates that the adoption of these new IFRS accounting standards and amendments to existing IFRS accounting standards will not have a material impact on the Company's separate financial statements.

Hedge accounting for a portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, remains unregulated. According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets and liabilities pursuant to **IAS 39 Financial Instruments - Recognition and measurement**, would not significantly impact the separate financial statements if applied as of the reporting date.

4. Revenue

A. Categories of revenues and breakdown of the revenues

The Company generates revenues mainly from the sale of services related to the supply, sewerage and treatment of water and construction services related to the concession agreement of the Company. The other sources of revenues have been listed in Note 5.

In thousands of BGN	Note	2024	2023
A.1. Revenues from contracts with customers – main activities			
Revenues related to water supply and sewerage			
Revenue from water supply		129,927	123,182
Revenue from sewerage		38,275	36,950
Revenue from wastewater treatment		30,409	25,953
Revenue deduction, which offsets the consideration for the new water and sewerage infrastructure financed by the Municipality of Sofia's budget		(260)	(299)
Penalties for industrial discharges of water with excessive concentration of pollutants		679	1,015
		199,029	186,801
Revenues from non-regulated services			
Revenues from sale of services		4,864	3,817
Revenues from the sale of green energy			
Revenues from green energy		122	742
Total revenues from sales of services and green energy		**204,016**	**191,360**
A.2. Finance income related to WSS services			
Finance Income related to water supply and sewerage			
Interest income from overdue receivables		4,347	3,586
Total revenues from sales of services (A.1. and A.2.)		**208,363**	**194,946**
A.3.Revenues from construction services			
Water supply infrastructure		21,393	24,044
Potable water treatment infrastructure		3,777	913
Sewerage infrastructure		13,757	9,191
Wastewater treatment infrastructure		1,730	3,201
Water service connections and water meters		10,189	8,908
		50,846	**46,257**
Total revenues from contracts with customers (A.1. and A.3.)		**254,862**	**237,617**
Total finance income from main activities (A.2.)		**4,347**	**3,586**

4. Revenue (continued)

According to an agreement dated 22 June 2007 between Sofiyska Voda AD and Sofia Municipality (MoS), and in relation to Financial Memorandum ISPA 2000 BG 16 P PE 001, signed between the European Commission and the Republic of Bulgaria, the Company is obliged to include in its price for water supply, sewerage and treatment of waste waters an adjustment, allowing it to accumulate the necessary annual funds for repayment of the Financial Memorandum loan that was received by the Municipality of Sofia from the European Investment Bank (EIB).

With a letter of the Ministry of Environment and Water dated 29.03.2016 the Municipality of Sofia and Sofiyska Voda AD were notified about changes to the repayment schedule related to the recovery (at the end of 2015) on the account of EIB of unspent amount under the loan.

The payment started from the beginning of 2012 and will last until year 2030. Interest and principal are due to EIB on each 10th March and 10th September.

The Energy and Water Regulatory Commission, on basis of an indicative repayment schedule, approved a tariff adjustment, though the inclusion in the tariff of a certain amount for servicing and repayment of the EIB financing.

The Agreement stated above, specifies that upon the receipt of the relevant notices, the collected amounts from the clients of the Company as a result of the approved by the EWRC price component, should be transferred to the Ministry of Environment and Water (MoEW) in a specially opened to service the loan bank account.

Having received notices from the Municipality of Sofia in 2024, the Company transferred two instalments for a total amount of BGN 737 thousand (2023: BGN 758 thousand) to the bank account indicated by the Municipality of Sofia, to service the loan from EIB. These instalments decrease the amount of ISPA payables (refer to Note 20).

The portion of billed revenue in 2024, set aside for servicing and repayment of the EIB loan, based on the price component included into the WSS services tariff, amounts to BGN 857 thousand (2023: BGN 872 thousand), presented above as a reduction of the Company's yearly revenue for each water supply and sewerage type of services listed above and with the same amounts ISPA payable has been increased in 2024 and 2023 (refer to Note 20). The net presentation within revenues from water supply, sewerage and waste water treatment is based on the assessment that the Company acts as an agent under the agreement and collects the amounts on behalf of MoS.

B. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers

	31 December 2024	1 January 2024
Receivables, which are included in 'trade and other receivables', net of impairment	34,412	31,641
Contract assets– unbilled receivables	13,998	12,984
Contract liabilities	(11,038)	(10,329)
Total	37,372	34,296

Contract assets – unbilled receivables

Contract assets refer to the rights of the Company to receive remuneration for provided WSS services pursuant to the Concession Agreement (water supply, sewerage and wastewater treatment), not billed to the reporting date, but which are billed or will be billed after the end of the reporting period, but concern consumption within the reporting period.

Contract assets are transferred into receivables, when the rights over them become unconditional. That usually happens when the Company issues an invoice to the customer. Unbilled revenues are re-estimated at the end of each reporting period, opening balance is reversed with the net impact reflected in revenues from water supply, sewerage and waste water treatment. Net impact to the revenue recognized in the period is an increase at the amount of BGN 1,014 thousand.

4. Revenue (continued)

Contract liabilities

Contract liabilities are mainly related to advance payment received (surplus payment) for WSS services or as a result of adjustments of the balances of customer receivables leading to negative net amounts of their open positions in the Company's billing system.
As at 31 December 2024 the Company has contract liabilities at the amount of BGN 11,038 thousand (2023: BGN 10,329 thousand).
The amount of BGN 4,251 thousand recognized as contract liabilities at the beginning of the period was recognized as income during the year ending on 31 December 2024 (2023: BGN 4,126 thousand).
No information is provided on the remaining performance obligations as at 31 December 2024, which initially had an expected duration of one year or less, as permitted under IFRS 15.

C. Performance obligations and policies for revenue recognition

a) Revenue related to the provision of WSS services
Nature and timing of satisfaction of performance obligations, including significant payment terms
Revenues from WSS services (water supply, sewerage and wastewater treatment) are generated by the Company pursuant to the Concession Agreement and the effective legislation.

Revenues from WSS services are recognized on the basis of the quantities of water measured through the readings of water meters.

Key accounts (large customers) are measured and billed monthly on the basis of actual consumption.

For the rest of the clients, as a general rule, actual measurement of clients' devices is performed once every three months. During the other two months, client's consumption is calculated and billed on the basis of the average daily consumption from the last actual consumption. When the actual quarterly reading is made, the difference between already invoiced in the previous 2 months and actual reading on the third month is automatically calculated and invoiced in the third month. If it happens that the quantity of actual quarterly reading is lower than the sum of the previous two invoiced quantities, the consumption is adjusted up to the level of the actual reading by issuing of a credit note.

The interest income for overdue receivables is calculated as per the regulations on the legal interest rate (Bulgarian base rate + 10%).
Invoices are issued monthly with a payment term of 30 days after the date of the invoice issuance.
Revenue recognition
Revenue is recognized over time, when the services are provided. The stage of completion for determining the amount of the revenue, which is to be recognized, is measured on the basis of the analysis of the work performed. The work performed is estimated based on the measurement of the quantities of water supplied as at the date of measurement, when physical measurement is performed or based on the calculated consumption of water if the measurement of the quantities supplied is based on the average consumption in previous periods.
The Company has identified one performance obligation in compliance with the requirements of the IFRS 15 in the arrangements with its customers, which include three separate components – water supply, sewerage and wastewater treatment. The three components cannot be separated as separate obligations as per the IFRS 15 due to their characteristics.

b) Revenue from construction contracts
Nature and timing of satisfaction of performance obligations, including significant payment terms
Construction contracts bring revenue related to the investments in public assets made by the Company in accordance with the Concession agreement. In line with the requirements of the Concession agreement, public assets built by the Company are owned by the Grantor. They include improvement of existing assets and construction of new components of the water supply and sewerage system.
The Company recognizes an intangible asset – concession right. In accordance with the Concession agreement, the Company doesn't receive cash consideration from the Grantor for the investments made, but the right to invoice and charge the customers for the service at the prices approved by EWRC.

4. Revenue (continued)

The Company measures the promise for non-cash consideration at fair value indirectly by reference to the price of the services for which it was granted the respective concession right. The construction revenues are recognized over time, during which the construction services are delivered. The stage of completion for determining the revenue recognized is measured on the basis of analysis of the reported expenses. The Company usually engages sub-contractors for construction works and respectively the stage of completion is determined based on the expenses incurred as at the reporting date by the sub-contractors compared to the total expenses expected to be incurred for the respective assets.
The Company has identified a performance obligation in accordance with the requirements of IFRS 15 under the Concession Agreement.

c) Provision of other non-regulated services

Essence and time parameters of satisfaction of the performance obligations, including significant payment conditions
Based on approved commercial pricelists the Company provides services such as: technical, engineering, additional sewer services, treatment of specific pollutant loads, laboratory services, small plumbing services, including the installation of individual water meters etc.

Revenue recognition under IFRS 15
For most of them the customer takes the control over the services at a certain point of time, when the service is completed and accepted by the client and revenue is recognized in full at that time.

***d)* Sale of electricity from cogeneration**

Nature and timing of satisfaction of performance obligations, including significant payment terms
In accordance with the prices for the relevant period, approved by the EWRC, for the relevant type of electricity production, the company sells to the National Electricity Company (NEC) the green energy that it generates from the natural gas captured during wastewater treatment.

Revenue recognition

Revenue is recognized at the point of sale, at which the control is transferred to the customer.
The invoices to NEC are issued on a monthly basis.

5. Other income

In thousands of BGN	**2024**	**2023**
Penalties due from contractors	146	(215)
Gain on sale of inventories to subcontractors for construction works	254	297
Gain on sale of Property, plant and equipment	12	17
Income from rent	26	57
Income from sale of carbon emissions	1,944	1,331
Other	803	502
	3,185	1,989

The gain on sale of non-current assets is realized in connection with the sale of vehicles as follows:

	2024	**2023**
Revenue from sale of vehicles	13	39
NBV of sold vehicles	(1)	(22)
	12	17

Below is presented the revenue from sales of materials to subcontractors and the associated cost of these sales:

	2024	**2023**
Revenue from sales of materials	2,453	2,318
Cost of sales of materials	(2,199)	(2,021)
	254	297

The sales of carbon emissions are directly recognized to revenue at the point of sale based on the nature of the emissions – voluntary reduction emissions resulting from the electricity co-generation. There are no verified by independent bodies emissions as of 31.12.2024 on stock.

6. Expenses for materials

In thousands of BGN	**2024**	**2023**
Electricity, water, heating	3 270	2,200
Sub-contractors	8 672	8,049
Fuels and lubricants	1 480	1,489
Water for technological needs	1 636	1,423
Chemicals	8 103	7,601
Plumbing materials	1 254	825
Other	2 563	1,967
	26,978	23,554

7. Expenses for hired services

In thousands of BGN	**2024**	**2023**
Construction services provided by sub-contractors	36 071	32,962
Repairs and maintenance of concession infrastructure	8,426	7,134
Insurance	1,154	1,200
Commission for collection of trade receivables	1,842	1,744
Rent	13	9
Security	13,608	12,314
Other expenses for hired services	17,571	16,029
	78,685	71,392

Other expenses for hired services include:

In thousands of BGN	**2024**	**2023**
Water meter reading	2 235	1,944
Transportation of sludge	1 121	771
Courier services	404	423
Printing services	544	563
Technical services	1 499	1,497
Consultancy	901	738
Asphalt covering	974	536
EWRC fee	389	382
Disinfection	215	182
Communication	293	276
Annual software licenses	1 935	1,753
Hired transportation	296	251
Water tankers	373	359
Software maintenance and internet	1 715	1,640
Training	400	248
Announcements and communications	172	223
Local taxes and fees	123	119
Cleaning of offices and water tanks	137	135
Fees	69	65
Buildings demolition costs	1 539	1,539
Other	2,237	2,385
	17,571	16,029

The accrued charges on remunerations for the appointed auditor for 2023 amount to BGN 185 thousand and for 2024 amount to BGN 283 thousand including the statutory independent financial audit of BGN 198 thousand.

8. Employee benefit expenses

In thousands of BGN	*Note*	2024	2023
Wages and salaries		43,808	38,576
Compulsory social security and pension contribution		7,220	5,995
Social expenses		237	485
Expenses for additional pension contribution		894	753
Current and past service costs in relation to employee benefits	*23*	998	1,004
Voucher expenses		2,164	1,896
Share-based payments		464	404
		55,785	49,113

The salary expenses include an accrual for unused annual paid leave amounting to BGN 2,093 thousand (2023: BGN 1,729 thousand).

The compulsory social security and pension contribution includes an accrual for social and health security on unused annual paid leave for the amount of BGN 406 thousand (2023: BGN 336 thousand).

The average number of the Company's personnel is 1,054 employees (2023: 1,055 employees).

Description of share-based payments transaction

Rights over the increase in the price of shares (equity-settled share-based payment transactions)

In 2018, 2019, 2020, 2021, 2022, 2023 and 2024 Company employees were granted the opportunity to get included into plans giving rights over the increase in the price of the shares of the Parent company Veolia Environnement (France). Description below is applicable for 2018, 2019, 2020, 2021, 2022, 2023 and 2024 plans.

The Company employees have been granted the opportunities to get included into two plans – *Secure Offer* and *Classic Offer*. When participating in the *Secure Offer* employees invest a certain amount, which is doubled at the expense of Veolia Environnement. The agreed upon term of the plan is 5 years. Following the 5 years, the employees get the nominal value they invested and the amount, which Veolia Environnement invested on their behalf. In addition, if the prices of the shares of Veolia Environnement (France) increase, the employees also obtain the value of the increase in the share prices. If the share prices of Veolia Environnement decrease, the employees get as a minimum the amount of their investment and the invested on their behalf amounts by Veolia Environnement.

When participating in the *Classic Offer* employees invest in shares of Veolia Environnement at their expense. The period of the plan is 5 years. The employees from the company, who participate in this offer, use a discount of 20% on the reference price of Veolia Environnement share. The rights over the price increase of the shares expire at the end of the fifth year after their granting. The sum to be paid is determined on the basis of the increase of the price of a share of the Company between the date of granting and the date of maturity.

The Parent company Veolia Environnement (France) recharges to the Company the costs that Veolia Group incurs in connection with the two programs, provided to the Company employees. Respectively, these are accounted as an expense by the Company.

The participation in the two program is not bound to terms of service as at the date of inclusion in the program or work experience afterwards. The employees should not be in probation period as at the date of its participation.

The two programs are classified by the Company as equity-settled share-based payments transactions.

As at 31 December 2024 the total invested amount by the employees under the two programs amounts to BGN 3,321 thousand (BGN 411 thousand for 2018 program, BGN 326 thousand for 2019 program, BGN 330 thousand for 2020 program, BGN 442 thousand for 2021 program, BGN 427 thousand for 2022 program, BGN 661 thousand for 2023 program and BGN 724 thousand for 2024 program) and the sum invested by Veolia Environnement under the "Secured Offer" amounts to 1,787 thousand BGN, which is invoiced by Veolia Environnement to the Company (BGN 280 thousand invoiced and expensed in 2018, BGN 187 thousand invoiced and expensed in 2019, BGN 203 thousand invoiced and expensed in 2020, BGN 236 thousand invoiced and expensed in 2021, BGN 248 thousand invoiced and expensed in 2022, BGN 294 thousand invoiced and expensed in 2023 and BGN 339 thousand invoiced and expensed in 2024).

9. Other operating expenses

In thousands of BGN	*Note*	2024	2023
Inventory write-down / (reversal) to net realizable value	*14*	(143)	413
One-off taxes		119	99
Provisions for fines and penalties, net		(2,469)	1,179
Scrapping of materials		28	18
Scrapping of non-current assets		99	22
Annual regulatory fee - water and sewerage		2,718	2,636
Expenses for provision "Handback Account"	*21,25*	520	201
Other		2,531	2,437
		3,402	7,005

10. Finance income and finance costs, recognized in profit and loss

In thousands of BGN	2024	2023
Interest income	24	12
Effect from guarantee discounts	34	18
Income from interest of deposits	2,155	1,068
Financial income	2,213	1,098
Interest expenses for financial lease contracts	(141)	(36)
Interest expenses on employee benefits	(133)	(121)
Effect from guarantee discounts	(25)	(7)
Interest expenses from discounting trade payables as per agreement between Sofiyska Voda and Municipality of Sofia	(10)	(4)
Other finance costs	(33)	(38)
Loss from foreign currency exchange differences, net	(14)	(8)
Finance costs	(356)	(214)
Net finance income	1,857	884

11. Tax expenses

In thousands of BGN	*Note*	2024	2023
Current tax expense			
Income tax for current year		(5,134)	(5,250)
National additional tax		(1,515)	-
Deferred tax expense			
Origination and reversal of temporary differences	*19*	(1,798)	(618)
Total tax expense		(8,447)	(5,868)

11. Tax expenses (continued)

The relevant tax period of the Company may be subject to examination by the tax authorities until the expiration of five years from the end of the year in which the declaration is or should have been filed, and also additional tax liabilities or penalties may be imposed accordingly to the interpretation of the tax legislation. The management of the Company is not aware of any circumstances that may bring additional significant liabilities in this area.

A tax audit of the Company with respect to the Corporate Income Tax covers the period up to 31 December 2012 and tax audit on the Company with respect to Value Added Tax covers the period up to 31 August 2013. The two of them are over.

Reconciliation of effective tax rate		**2024**		**2023**
In thousands of BGN				
Profit for the year		53,876		52,120
Total tax expenses		8,447		5,868
Profit before tax		62,323		57,988
Income tax based on the Company's domestic tax rate	10.67%	(6,649)	9.05%	(5,250)
Unrecognized expenses for tax purposes	2.88%	(1,798)	1.20%	(618)
Correction of deferred tax assets from prior periods		-		-
Other		-		-
Net current income tax expense	13.55%	(8,447)	10.1%	(5,868)

12. Property, plant and equipment

In thousands of BGN	Land and buildings	Plant and equipment	Vehicles	Leasehold improvements	Assets under construction	Total
Cost						
Balance at 1 January 2023	6,418	44,439	22,809	3,018	-	76,684
Additions	1,732	-	-	-	4,326	6,058
Disposals	-	(1,115)	(145)	-	-	(1,260)
Transfers		2,593	1,706	27	(4,326)	-
Balance at 31 December 2023	8,150	45,917	24,370	3,045	-	81,482
Balance at 1 January 2024	8,150	45,917	24,370	3,045	-	81,482
Additions	-	-	-	-	2,383	2,383
Disposals	(3,745)	(750)	(253)	(267)	-	(5,015)
Transfers	4,914	1,540	702	141	(2,383)	4,914
Balance at 31 December 2024	9,319	46,707	24,819	2,919	-	83,764
Depreciation						
Depreciation as at 1 January 2023	(4,603)	(34,628)	(16,168)	(1,693)	-	(57,092)
Depreciation charge for the year	(1,609)	(2,931)	(1,463)	(196)	-	(6,199)
Depreciation on disposals	-	1,090	144	-	-	1,234
Balance at 31 December 2023	(6,212)	(36,469)	(17,487)	(1,889)	-	(62,056)
Balance at 1 January 2024	(6,212)	(36,469)	(17,487)	(1,889)	-	(62,056)
Depreciation charge for the year	(1,804)	(3,256)	(1,331)	(192)	-	(6,583)
Depreciation on disposals	3,634	745	253	172	-	4,804
Balance at 31 December 2024	(4,382)	(38,980)	(18,565)	(1,908)	-	(63,835)
Carrying amounts						
At 1 January 2023	1,815	9,811	6,641	1,325	-	19,592
At 31 December 2023	1,938	9,448	6,883	1,156	-	19,425
At 1 January 2024	1,938	9,448	6,883	1,156	-	19,425
At 31 December 2024	4,937	7,727	6,254	1,011	-	19,929

12. Property, plant and equipment (continued)

Acquisitions

The most significant tangible assets, newly acquired in 2024, amount to BGN 2,241 thousand (2023: BGN 4,299 thousand) and are listed below:

In thousands of BGN	**2024**	**2023**
Co-generator	112	1,058
Vehicles and mechanization	728	1,732
Laboratory equipment	161	439
Computer equipment	656	116
CCTV	29	6
Repair of a telescopic camera	59	-
Gardening equipment	59	105
Welding systems, grinders	118	-
Personal protective equipment	68	45
Devices for geodetic measurements and leak detection	5	244
Other equipment	246	554
	2,241	4,299

Assets pledged as collateral
The Company has no pledged current and future non-current tangible assets.

Assets pledged as collateral under finance lease contracts
As of the date of these separate financial statements, the Company is not a party to active contracts for the financing of the purchase of means of transport, from which an obligation for collateral arises.

13. Intangible assets

In thousands of BGN	Development costs	Software	Concession right	Assets under construction – concession right -other	Total
Cost					
Balance at 1 January 2023	21,041	25,571	691,504	1	738,117
Additions	-	-	46,257	1,043	47,300
Transfers	-	1,043	-	(1,043)	-
Balance at 31 December 2023	21,041	26,614	737,761	1	785,417
Balance at 1 January 2024	21,041	26,614	737,761	1	785,417
Additions	-	-	50,846	395	51,241
Transfers	-	395	-	(395)	-
Balance at 31 December 2024	21,041	27,009	788,607	1	836,658
Depreciation					
Balance at 1 January 2023	(21,038)	(20,145)	(483,985)	-	(525,168)
Depreciation for the year	(1)	(998)	(21,948)	-	(22,947)
Balance at 31 December 2023	(21,039)	(21,143)	(505,933)	-	(548,115)
Balance at 1 January 2024	(21,039)	(21,143)	(505,933)	-	(548,115)
Depreciation for the year	(1)	(1,093)	(23,204)	-	(24,298)
Balance at 31 December 2024	(21,040)	(22,236)	(529,137)	-	(572,413)
Carrying amounts					
At 1 January 2023	3	5,426	207,519	1	212,949
At 31 December 2023	2	5,471	231,828	1	237,302
At 1 January 2024	2	5,471	231,828	1	237,302
At 31 December 2024	1	4,773	259,470	1	264,245

Determination of recoverable amount

The Third Amendment Agreement to the Concession Agreement with the Municipality of Sofia was signed in March 2018. One of the main changes introduced with the signed amendment agreement was that the agreed 17% rate of return on equity used as one of the components in determination of the selling prices of the services the Company provides to clients should no longer be protected by the price restriction mechanism pursuant to the Concession Agreement. In case of approval by the Regulator of a lower rate of return, no price restriction will be present within the meaning of art. 22.7 of the Concession Agreement. Respectively, for the purposes of formation of the prices of WSS services provided by the Company, as of 2023 the rate of return of equity, which is to be used as a component in determination of the selling prices will be applied as determined by EWRC without reference to the conditions agreed in the Concession Agreement. The return on equity is an indicator that is used in determining the weighted-average cost of capital, which measure is applied by the Regulator in determining the prices of the WSS services provided by the Company. The indicator weighted-average cost of capital is applied to the regulatory value of the assets constructed by the Company (public and owned assets) and has a considerable weight in determining the values of the prices of the WSS services provided by the Company (for more information about the rate of return of equity and its effect on determination of the selling prices see below).

13. Intangible assets (continued)

On November 24, 2022, the Metropolitan Municipal Council decided to extend the term of the Concession Agreement until 2034, by means of the Fourth Amendment Agreement (FAA) to the concession contract. The Municipality of Sofia sent the Fourth Amendment Agreement to the Concession Agreement for an opinion from EWRC in relation to the powers of the Regulator under the Water Supply and Sewerage Services Regulation Act. On 09.01.2023, EWRC published its opinion on the proposed Fourth Amendment Agreement. All legal requirements related to the signing of the FAA were met and the FAA was signed on August 28, 2023 (see note 25 "Commitments for the acquisition of property, machinery, plant and equipment".

Given the change in circumstances during 2023, the Management has carried out:
- change in the useful life of asset Concession right (in 2023);
- an analysis to determine the recoverable amount of fixed tangible and intangible assets, taking into account the effects of FAA on assumptions as of December 31, 2023 and December 31,2024.

The management has performed an analysis to determine the recoverable amount of the Company's fixed tangible and intangible assets as of December 31, 2024, in accordance with the requirements of IAS 36 "Impairment of Assets". The intangible assets of the Company, the largest part of which is the "Concession Right", as well as the tangible assets owned by the Company, are treated as a single cash-generating unit (CGU) for the purposes of the impairment test. The recoverable amount of this CGU is based on fair value less costs to sell, estimated by discounted cash flows. The recoverable amount of this CGU is based on fair value less costs to sell, estimated by discounted cash flows. The fair value estimate is categorized as Level 3 based on the inputs used in the valuation technique.

The impairment test prepared by Management includes after tax cash flows for a period of 8.3 years after October 2025 (extended term of Concession Agreement up to the beginning of February 2034). A subsequent period of 3 more years after 2033 has been assumed for the collection of outstanding receivables and settlement of payables. Based on the analysis performed, the management considers that in addition to the extension of the concession contract another important assumption is the indicator "Sales prices of services related to supply, removal and purification of water". In turn, sales prices are most significantly influenced by the rate of return on equity used by EWRC in determining the service prices applicable to the Company. In the above-mentioned Fourth Amendment Agreement, a change in the rate of return is provided for in order to fix it for the extension of the Concession Agreement. When preparing the impairment test as of the date of these financial statements, the return agreed in the FAA was used.

At the end of 2024, based on the impairment test prepared by the management, the management concluded that the estimated recoverable amount is higher than the carrying amount of CGU and no impairment recognition is necessary as of December 31, 2024.

The underlying assumptions used in determining the fair value less costs to sell are as follows:

— Revenues from sales based on the volumes and sales prices are determined as follows:
  - Volumes – according to the most recent long-term forecast of the Company of the billed consumption for the years 2025-2034;
  - Service prices – for the forthcoming regulatory period 2025-2026 through pricing in accordance with the recent published price models in conformity with the effective legislation and the conservative adjustments in the regulatory recognized costs in the pricing models for the years 2027-2034;
  - The prices of the services are calculated while taking into account the Company's operating costs and the return on the regulatory base of assets, which participate in the provision of the WSS services to the customers. The return determined for the regulatory asset base is calculated by using the regulatory formula for the weighted average cost of capital, in which elements are the return on equity and debt capital.
  - The rate of return on equity has the most significant effect in determining the return, based on the regulatory bases of the assets. For the years after 2024 in the forecast is used rate of return, which reflects the actual capital structure for the company for the next regulatory period without needs to raised capital and other circumstances specific for the company.

13. Intangible assets (continued)

- Investments in assets – annual investments in the model are based on latest updates in the forecast in accordance with long-term target levels and planned activities for a regulatory period 2022 – 2026 and reflects the latest discussed with Sofia Municipality. The assumed annual investment (total for regulated and unregulated activity) for period 2025-2033 average annual are in size of BGN 52,480 thousand, for 2034 are foreseen BGN 4,845 thousand.

- In determining the revenues and operating costs (except for depreciation), inflation adjustment has been also applied in the respective years, based on the expectations for the rates of inflation.
- Discount inflation rate after tax – 8.5%.

The management believes that if the assumptions for the extension of the Concession Agreement and for the change in the rate of return for regulatory purposes based on the values set in the additional agreement for the extension of the Concession Agreement are met, a reasonable change in all other assumptions used in the model would not result in an impairment in the value of the fixed assets of the Company as at 31 December 2024.

Determining the useful life of Concession right asset

As at 31 December 2024, the useful life of the Concession right asset is determined based on the Concession Agreement and the appendices thereto effective as at that date. The signing of the Fourth Amendment Agreement to the Concession Agreement on 28 August 2023, preceded by the decision to extend the term of the Concession Agreement up to 2034 taken by Sofia Municipal Council leads to a change in the assumption for the useful life of the asset Concession Right, which was respectively extended to February 2034. The change represents a change in an accounting estimate as a result of events that occurred during the year, and accordingly its effects are accounted for in the current and future reporting periods that it affects in accordance with IAS 8 "Accounting Policy, Changes in Accounting Estimates and Errors." The revised depreciation rates are apply from 01 January 2023.

14. Inventories

In thousands of BGN	**2024**	**2023**
Spare parts and consumables	6,169	5,259
	6,169	5,259

As at 31 December 2024 the cumulative inventory write-down to net realizable value amounts to BGN 2,675 thousand (2023: BGN 2,817 thousand).

15. Trade and other receivables

In thousands of BGN	**Note**	**2024**	**2023**
Trade and other receivables		58,904	57,779
Impairment losses on trade receivables		(24,492)	(26,138)
Total trade receivables	*22*	34,412	31,641
Other receivables and prepayments		2,195	3,734
Total trade and other receivables		36,607	35,375
Non-current		3,021	2,505
Current (related and third parties)		33,586	32,870

15. Trade and other receivables (c0ntinued)

In 2024 impairment losses on trade receivables amounting to BGN 3,593 thousand have been written off (2023: BGN 2,775 thousand).
As non-current trade and other receivables are classified deferred trade receivables and cash blocked in a bank account to cover for the hand-back liability according to the Concession Agreement.

The Company's exposure to interest rate risks and the sensitivity analysis of all financial assets and liabilities are reported in Note 22 – *Financial Instruments*

Other receivables and prepayments:

In thousands of BGN	**2024**	**2023**
Insurance	984	704
Licenses	600	537
Subscriptions	170	171
Advances for electrical energy	103	88
Advances for demolition	-	492
Advances for non-current assets	-	1,578
Advances for services	262	90
Other	76	74
	2,195	3,734

16. Deposits, cash and cash equivalents

By the end of 2024, the Company has the following deposits:
• Deposit A (ING Bank) in the amount of BGN 31 million with a term until 28 May 2025 at an interest rate of 3.10%
• Deposit B (ING Bank) in the amount of BGN 15 million with a term until 28 February 2025 at an interest rate of 2.40%.
• Deposit C (BNP Pariba Bank) in the amount of BGN 25 million with a term until 24 February 2025 at an interest rate of 2.41%.
• Deposit D (BNP Pariba Bank) in the amount of BGN 6 million with a term until 2 January 2025 at an interest rate of 2.52%.

In thousands of BGN	**Note**	**2024**	**2023**
Deposits	22	77,602	61,068
Local currency		77,602	61,068
Foreign currency		-	-
Short-term deposits in the statement of cash flows		77,602	61,068
Cash on hand		-	4
Local currency		-	-
Foreign currency		-	4
Cash at banks	22	10,625	47,044
Local currency		9,888	46,666
Foreign currency		737	378
Cash and cash equivalents in the statement of cash flows	22	10,625	47,048

Cash and cash equivalents in foreign currencies are denominated in euro.
Cash and cash equivalents are also subject to impairment requirements of IFRS 9, but the impairment loss is immaterial.

17. Capital and reserves

In thousands of shares	**Ordinary shares** **2024**	**2023**
On issue at 1 January	8,884	8,884
On issue as at 31 December – fully paid	8,884	8,884

As at 31 December 2024 the Company's share capital includes 8,884,435 ordinary shares (2023: 8,884,435). All shares have a nominal value of BGN 1. Shareholders in the Company as at 31 December 2024 are:

- Veolia Central and Eastern Europe – 6,850,000 ordinary shares (77.1%);
- Vodosnabdyavane I Kanalizatsia AD - 2,034,435 ordinary shares (22.9%).

The ultimate parent of the Company is Veolia Environnement S.A., France.

The holders of ordinary shares possess dividend rights and voting rights at the Company's General Shareholders Meeting of one vote for each share in their possession. All shares rank equally with regard to the Company's residual assets.

Dividends

By Decision of the Company's General Meeting of Shareholders dated 27 September 2024, the Company's profit for 2023, in the amount of BGN 51,598 thousand, is distributed in the form of dividends, as the size of the dividend for 1 share is BGN 5.8078. The dividends were fully paid in 2024.

Legal reserves

Legal reserves are formed based on the requirement of the Bulgarian Commercial Law for transfer of 1/10 of the net profit to Reserves at least until the amount of 1/10 or more of the registered Company capital is reached.

18. Loans and borrowings

This note provides information on the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 22, *Financial instruments*.

In thousands of BGN	**2024**	**2023**
Non-current liabilities		
Lease liabilities	2,997	1,218
	2,997	1,218
Current liabilities		
Lease liabilities	1,824	544
	1,824	544
Total loans and borrowings	4,821	1,762

18. Loans and borrowings (continued)

Reconciliation of the liabilities from financial activities

In thousands of BGN	Leases	Others	Total
Changes in cash flows from financial activities			
Balance at 1 January 2024	1,762	-	1,762
Paid dividends	-	(51,598)	(51,598)
Payments on lease liabilities	(1,911)	-	(1,911)
Total changes in cash flows from financial activities	(149)	(51,598)	(51,747)
Changes related to the liability			
New lease	4,970	-	4,970
Accrued interests	141	-	141
Accrued dividends	-	51,598	51,598
Paid interests	(141)	-	(141)
Total changes related to the liability	4,970	51,598	56,568
Balance at 31 December 2024	4,821	-	4,821

In thousands of BGN	Leases	Others	Total
Changes in cash flows from financial activities			
Balance at 1 January 2023	1,671	-	1,671
Paid dividends	-	(19,923)	(19,923)
Repayment of loans	-	-	-
Lease liability payments	(1,682)	-	(1,682)
Total changes in cash flows from financial activities	(11)	(19,923)	(19,934)
Changes related to liability			
New leases	1,773	-	1,773
Accrued interests	36	-	36
Accrued dividends	-	19,923	19,923
Paid interest	(36)	-	(36)
Total changes related to liability	1,773	19,923	21,696
Balance at 31 December 2023	1,762	-	1,762

19. Deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

In thousands of BGN	Assets 2024	Liabilities 2024	Net 2024	Assets 2023	Liabilities 2023	Net 2023
Property, plant and equipment	-	(2,367)	(2,367)	-	(520)	(520)
Inventories	267	-	267	282	-	282
Trade receivables	8,777	-	8,777	8,625	-	8,625
Provisions	794	-	793	998	-	998
Accrual for unused paid leave and bonuses	723	-	724	675	-	675
Payables as per defined benefit plan	371	-	371	302	-	302
Financing	24	-	24	25	-	25
Deferred tax assets	10,956	(2,367)	8,589	10,907	(520)	10,387

19. Deferred tax assets and liabilities (continued)

In determining the current and deferred taxes the Company has adopted as an accounting basis the one stated in material accounting policies (Note 3). The deferred tax for 2024 is calculated by using the tax rate applicable to the Company, which is the legally set for now income tax rate for 2024 – 10%.

Changes in temporary differences during the year:

In thousands of BGN	**Balance as at 1 January 2023**	**Recognized in profit or loss**	**Balance as at 31 December 2023**	**Recognized in profit or loss**	**Recognized in equity**	**Balance as at 31 December 2024**
Property, plant and equipment	864	(1,384)	(520)	(1,847)	-	(2,367)
Inventories	240	42	282	(15)	-	267
Trade receivables	8,536	89	8,625	152	-	8,777
Provisions	591	407	998	(204)	-	794
Accrual for unused annual paid leave and bonuses	514	161	675	48	-	723
Liabilities under a defined benefit plan	232	70	302	69	-	371
Financing	29	(4)	25	(1)	-	24
Deferred tax assets	11,006	(619)	10,387	(1,798)	-	8,589

20. Trade and other payables

In thousands of BGN	**2024**	**2023**
Trade payables	28,585	26,808
Retentions payable to subcontractors	3,008	2,828
Payables to employees	11,435	10,493
Insurance	416	152
ISPA payable	4,694	4,574
Incl. long term part of ISPA	*3,977*	*3,837*
Incl. short term part of ISPA	*717*	*737*
Total trade payables	48,138	44,855
Social security payables	2,057	1,472
Payable as per Settlement Agreement between the Municipality of Sofia and SV	-	2,250
Incl. short term part of Settlement agreement between the Municipality of Sofia and Sofiyska voda	-	*2,250*
Payables for water usage tax	2,718	2,636
National additional tax payable	1,515	-
VAT payable	1,472	60
Other taxes payable	348	191
Other payables and accruals	4,674	5,718
	12,784	12,327
Total trade and other payables	60,922	57,182
Incl. Non-current	5,492	3,837
Incl. Current	55,430	53,345

20. Trade and other payables (continued)

On 16 January 2009, the Company signed a Settlement agreement with the Municipality of Sofia (MoS). With this agreement, both sides agreed fully and finally on all existing mutual claims against each other with relation to the Concession agreement at that time. Both sides mutually relieved each other from pretended payment of interest on amounts claimed, as Sofiyska voda accepted the obligation for investments in the period 2009-2023 in addition to already existing approved by the Regulator investment obligations in the Business plan as follows: BGN 2.5 million for the period 2009-2013, according to Art.5.1.(iii) from the Settlement agreement, BGN 5 million in the period 2014-2018 according to Art 6.1.(i) from the Settlement agreement and BGN 4.7 million in the period 2020-2023 according to Art. 6.1.(ii) from the Settlement agreement.

The obligation of BGN 2.5 million over the period 2009-2013 was fulfilled at the end of February 2014. The obligations for the next two periods are to be fulfilled in the period 2016-2023. The investments in the years - 2016 - BGN 1.16 million, 2017 - BGN 1.06 million, 2018 - BGN 2.14 million, in 2019 - BGN 0.9 million, in 2020 - BGN 0.8 million, 2021 – BGN 0.1 million, 2022 – BGN 0.3 million, 2023 – BGN 0.9 million and 2024 -BGN 2.3 million, respectively. As of the end of 2024 the obligation is fulfilled. As the above amounts from the Settlement Agreement are outside the investments set in the Company's business plans and are on the account of Sofiyska voda, they were accounted initially as expense and liability. Subsequently, the liability is decreased with the amount invested for all new assets constructed in accordance with the agreement.

21. Provisions

In thousands of BGN	2024	2023
Provision for court liabilities	499	1,864
Provision for interest	-	1,104
Provision "Handback Account" (note 25)	2,915	2,395
	3,414	5,363

Provision for court liabilities
The provision is calculated on the basis of estimation of the most likely outcome and historical evidence by the Company's lawyers.
Provisions are made for legal claims of contractual nature – indemnification of claimed damage due to emergencies related to assets operated by the Company, claims for refunds of amounts paid for assets construction, as well as claims for refund of asserted unduly paid bills.
Another group of legal cases for which a provision is made, are of labor legislative character and most often relate to potential payments of unemployment indemnifications to ex-employees in case the court pronounces the termination of the employment illegal, as well as a provision for potential future payments for interests.
In a separate group are the provisions in relation to the imposing of administrative sanctions, mostly due to findings for possible abuse of a dominant position. The most significant amount in prior financial periods is due to provisions from this group. In accordance with order №370/19.03.2014 on the grounds of art. 74, par. 1, it.3 of the Act for Protection of Competition (APC), the Commission for Protection of Competition initiated proceedings that Sofiyska Voda used its dominant position on the market in relation to charging interest for delayed payments on estimated bills for provided services under art. 21, it.1 from APC. The sanction amounts to BGN 4,800 thousand and was calculated based on 0.5% of Sofiyska Voda 2013 revenue, applying leverage ratio 8.
The Company has undertaken measures to appeal the penalty imposed in compliance with the applicable legislation. On 11 January 2016 the Supreme Administrative Court (SAC) partially respected the appeal of SV against the decision of the Commission for Protection of Competition and reduced the imposed penalty from BGN 4,800 thousand to BGN 2,400 thousand. Both SV and CPC appealed the decision before a 5-member jury of SAC.

21. Provisions (continued)

Court case 3161/2016 was commenced and the hearing was on 7 April 2016.

With the final decision of the Supreme Administrative Court of 25 May 2018 the Company was imposed a penalty of BGN 1,920 thousand under the above proceedings. In that reference an analysis was made by the Management and provisions were accrued for interests paid by customers of the Company for delay of estimated debts in prior periods. As of the date of this report no claims have been initiated by customers.

Based on the professional advice of the legal advisers of the Company the management considers that the Company is not exposed to risk for additional penalties for the period 2013 -2018, since after the final decision of the court the in May 2018 all the prescribed changes were introduced by the management.

Changes in the provisions' balances over the year is presented below:

In thousands of BGN	Balance at 1 January 2024	Provisions made during the year	Provisions used during the year	Reversed provisions during the year	Discount effect	Balance at 31 December 2024
Provision for court liabilities	1,864	129	-	(1,494)	-	499
Provision for interests	1,104	-	-	(1,104)	-	-
Provision "Handback Account"	2,395	520	-	-	-	2,915
	5,363	649	-	(2,598)	-	3,414

22. Financial instruments

Financial Risk Management

Overview

The Company has exposure to the following risks from its use of financial instruments:
- credit risk;
- liquidity risk;
- market risk.

This note presents information about the Company's exposure to each of the risks listed above, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk Management Framework

The Board of Directors has the responsibility for the establishment and supervision of the Company's risk management. The Board has established a Risk Management Committee which is responsible for the development and supervision on the Company's policies for risk management. The Committee is obliged to report regularly its actions to the Board of Directors.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. These policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations.

22. Financial instruments (continued)

The Risk Management Committee of the Company monitors how the management ensures compliance with the risk management policies and reviews the adequacy of the risk management framework related to the risks the Company faces. The Committee is being assisted by the Internal Audit department. Internal Audit undertakes both planned and unplanned inspections of the risk management controls and procedures and the results are reported directly to the management.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from the Company's receivables from customers and investments in financial instruments.

Exposure to Credit Risk

The carrying amount of the financial instruments represents the maximum credit exposure. The maximum credit exposure at the reporting date is:

In thousands of BGN	*Note*	**Carrying amount 2024**	**Carrying amount 2023**
Trade and other receivables	*15*	34,323	31,567
Contract assets	*4*	13,998	12,984
Receivables from related parties	*15,26*	89	74
Cash and cash equivalents (at banks)	*16*	10,625	47,044
Short-term deposits		77,602	61,068
		136,637	152,737

Trade and other receivables and contract assets

The credit risk exposure of the Company results from the individual characteristics of the individual customers. The exposure also depends on the risk of non-payment common to the utility sector. The Company provides WSS services on the territory of Sofia Municipality and as at 31 December 2024 the active customers of the Company are 739,750 (2023: 725,598). Based on the analyses of the Company, the services rendered have low price elasticity. The prices are regulated by the Energy and Water Regulation Commission (EWRC). The Company does not require guarantees from its customers in relation to the services rendered, but is currently developing and implementing a policy to increase the debt collection. In addition, the Company uses external collection agencies in order to take advantage of the expertise and best practices, as well as up-to-date software support. The Company's efforts are orientated towards demanding active contact with customers, tracing results and using a customers' contacts history database and other operational statistics.

In view of the credit risk it can be said that the Company's ability to influence directly its customers' behaviour is limited due to the legal framework and the complications at interruption of the consumption for individuals, as well as to the fact that the majority of uncollected trade receivables are owed by individual customers (households) and not institutional customers.

The carrying amount of trade receivables and contract assets by type of customers represents the credit exposure at the reporting date of the Company and it is as follows:

22. Financial instruments (continued)

In thousands of BGN	Book value 31 December 2024	Impairment 2024	Carrying amount 31 December 2024	Book value 31 December 2023	Impairment 2023	Carrying amount 31 December 2023
Government/municipality controlled entities	1,393	(78)	1,315	2,298	(505)	1,793
Legal entities	10,549	(706)	9,843	9,721	(1,232)	8,489
Domestic population	52,704	(22,972)	29,732	52,735	(23,619)	29,116
Other customers	8,167	(737)	7,430	5,935	(782)	5,153
Related parties	89	-	89	74	-	74
	72,902	(24,493)	48,409	70,763	(26,138)	44,625

Expected measurement of credit losses for the individual customers as at 1 January and 31 December 2024

The Company uses a provision matrix for measuring ECL (expected credit losses) on trade receivables.

For the purposes of the analysis the Company has grouped the customers into three categories:
- individual customers
- legal entities
- budgetary customers

For the three categories of customers the Company has performed an analysis of debt collection based on historical data.

In determining the impairments as at 31 December 2024 and 31 December 2023, based on the analyzed above historical data for the collection for each of the categories, the Company has developed a model of the expected evolution of the receivables for each of the categories under "Current" (not overdue) per age groups as per the tables below. In determining the impairment as at 31 December 2024, based on the so received data, the Company has applied discounting of the sums for each of the categories (without the receivables at the age over 3 years) as at the reporting date, and a discount rate has been applied based on the interest statistics of BNB for 2024 for the consumer credits in BGN for households in Bulgaria, and namely – the average annual percentage of 8.20% (7.92% in 2023), and 4.17% (2,84% in 2023) has been used for the balances of the receivables from budget and commercial customers, which is the average percentage for credits for the non-financial corporations sector.

For the receivables with forecast payments past due by more than 3 years (1,080 days), impairment of 100% of the values of the receivables has been applied in accordance with their expected evolution.

22. Financial instruments (continued)

The aging of trade receivables and short-term assets under contracts with customers of the Company from third parties as the reporting date was:

In thousands of BGN	2024 Book Value	2024 Impairment	Defaulted	2024 Average loss rate
Not past due	28,300	(698)	No	2%
Past due 30 days	3,095	(581)	No	19%
Past due 31-60 days	2,009	(599)	No	30%
Past due 61-90 days	2,078	(737)	No	35%
Past due 91-180 days	4,414	(1,875)	No	42%
Past due 181-360 days	7,241	(3,959)	No	55%
Past due 361-720 days	12,211	(7,268)	Yes	60%
Past due 721-1080 days	13,554	(8,776)	Yes	65%
	72,902	(24,493)		

In thousands of BGN	2023 Book Value	2023 Impairment	Defaulted	Average loss rate
Not past due	24,184	(736)	No	3%
Past due 30 days	3,018	(513)	No	17%
Past due 31-60 days	2,298	(637)	No	28%
Past due 61-90 days	2,104	(720)	No	34%
Past due 91-180 days	4,788	(1,941)	No	41%
Past due 181-360 days	8,194	(4,824)	No	59%
Past due 361-720 days	12,733	(7,861)	Yes	62%
Past due 721-1080 days	13,444	(8,906)	Yes	66%
	70,763	(26,138)		

Impairment of not past due receivables is related to the Company's assessment of the risk of non-collectability for certain population groups based on historical information.

Company's receivables impairment at the reporting date of the statement of financial position, including court receivables impairment:

In thousands of BGN	2024	2023
Balance at the beginning of the year	(26,138)	(29,191)
Accruals during the period	(6,197)	(5,878)
Written-off	3,593	2,775
Written- off above 3 years under IFRS	4,249	6,156
Balance at the end of the year	(24,493)	(26,138)

The quality of the trade and other receivables is assessed based on credit policy prepared by the Risk Management Committee and applied by the Company. The Company's management monitors the customers' credit risk by grouping trade and other receivables by characteristics as in 2024 it continues to carry out analysis of specific customers on the basis of precise proactive actions, working with them and the history of past communication. The Company has also introduced impairment of undue trade receivables and outstanding balances for court fees and legal remuneration related to the debt collection and litigation activities.

22. Financial instruments (continued)

Liquidity risk
Liquidity risk is the risk that the Company will face difficulties to meet its obligations relating to financial liabilities, meant to be met by cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damaging the Company's reputation.
The Company management's efforts are focused on upholding in accordance with the regulatory framework in Bulgaria the necessary revenue using the price of services, which will make it possible to reach the goals, levels of services and investments set in the current Business Plan, in the same time taking into account the cost of capital, the level of expenditure, the consumption, the annual inflation and the achieved efficiency of operating and capital costs and also meeting the requirements pursuant to the loan agreement regarding the debt service coverage ratio and the equity to total assets ratio. In connection with this, Sofiyska Voda AD submits and supports annual price applications according to the terms and procedures provided for in the regulatory legislation.

The agreed maturity for the financial liabilities is given below, including the expected payments of interests as the impact of the agreed offsetting reciprocal commitments is excluded:

31 December 2024

In thousands of BGN	**Carrying Amount**	**Contracted cash flows**	**Up to 1 year**	**Between 1-2 years**	**Between 2-5 years**	**Above 5 years**
Non-derivative financial liabilities						
Liabilities to related parties	3,684	(3,684)	(3,684)	-	-	-
Lease liabilities	4,821	(5,015)	(1,941)	(1,836)	(1,238)	-
Trade payables	48,138	(48,138)	(48,138)	-	-	-
	56,643	(56,837)	(53,763)	(1,836)	(1,238)	-

The gross amounts in the preceding table are the contractual undiscounted cash flows on non-derivative financial liabilities.
The interest payments on loans with floating interest rate in the preceding table reflect the market interest rates as at the end of the period based on EURIBOR and these amounts may vary upon change in the market rate.
Except for these financial liabilities, it is not expected that cash flows included in the table may occur much earlier or be significantly different amounts.
The below table discloses the financial assets of the Company based on their agreed maturities and the net liquidity position of the Company:

31 December 2024

In thousands of BGN	**Carrying Amount**	**Contracted cash flows**	**Up to 1 year**	**Between 1-2 years**	**Between 2-5 years**	**Above 5 years**
Non-derivative financial assets						
Cash and cash equivalents	10,625	10,625	10,625	-	-	-
Trade and other receivables*	34,322	34,322	24,601	4,943	4,778	-
Contract assets	13,998	13,998	13,998	-	-	-
Receivables from related parties	89	89	89	-	-	-
Short-term deposits	77,602	78,145	78,145	-	-	-
Total financial assets	136,636	137,179	127,458	4,943	4,778	-
Net liquidity position	**79,993**	**80,342**	**73,695**	**3,107**	**3,540**	**-**

*Trade and other receivables include impairment allowance.

22. Financial instruments (continued)

31 December 2023
In thousands of BGN

	Carrying Amount	Contracted cash flows	Up to 1 year	Between 1 - 2 years	Between 2 – 5 years	More than 5 years
Non-derivative financial liabilities						
Liabilities to related parties	3,651	(3,651)	(3,651)	-	-	-
Finance lease liabilities	1,762	(1,849)	(579)	(438)	(832)	-
Trade and other payables	44,855	(44,855)	(44,855)	-	-	-
	50,268	(50,355)	(49,085)	(438)	(832)	-

31 December 2023
In thousands of BGN

	Carrying Amount	Contracted cash flows	Up to 1 year	Between 1-2 years	Between 2-5 years	More than 5 years
Non-derivative financial assets						
Cash and cash equivalents	47,048	47,048	47,048	-	-	-
Trade and other receivables*	31,567	31,567	22,157	4,872	4,538	-
Contract assets	12,984	12,984	12,984			
Receivables from related parties	74	74	74	-	-	-
Short-term deposits	61,068	62,034	62,034	-	-	-
Total financial assets	152,741	153,707	144,297	4,872	4,538	-
Net liquidity position	**102,473**	**103,352**	**95,212**	**4,434**	**3,706**	**-**

*Trade and other receivables include impairment allowance.

Market Risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates or equity prices will affect the Company's income or the value of its investments. The objective of market risk management is to control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk

The Company is exposed to currency risk on purchases and / or sales and / or being a party in loan contracts in currencies other than the functional currency - BGN. Since 1999 the exchange rate of the Bulgarian lev (BGN) is fixed to the euro (EUR). The exchange rate is BGN 1.95583 / EUR 1.0. Significant part of the transactions made in currency other than the local are in EUR and therefore the Company's exposure to currency risk is minimal.

- ***Exposure to currency risk***

The Company's exposure to foreign currency risk was as follows based on notional amounts:

	31 December 2024			31 December 2023		
In thousands of	EUR	GBP	CZK			
Trade payables	(1,581)	1	-	(1,445)	1	23
Interest-bearing loans and borrowings	-	-		-	-	-
Total	(1,581)	1	-	(1,445)	1	23

22. Financial instruments (continued)

The following significant exchange rates are applied during the year:

	Average annual FX rate		FX rate at reporting date	
	2024	**2023**	**2024**	**2023**
CZK 100	7.786	8.150	7.766	7.911
GBP 1	2.310	2.249	2.359	2.251

Interest rate risk

- ***Profile***

As at the date of the statement of the financial position the interest rate profile of financial instruments is:

In thousands of BGN	**2024**	**2023**
Fixed rate instruments		
Financial assets	88,226	108,112
Financial liabilities	-	-
	88,226	108,112
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(4,821)	(1,762)
	(4,821)	(1,762)

- ***Analysis of the sensitivity versus the fair value of instruments with fixed interest rate***

The Company has not accrued financial assets and liabilities with fixed interest rate at fair value, accounted through profits and loss in the statement of comprehensive income.

A change of the interest rates by 25 basis points as at the date of financial statements would increase / (decrease) the equity and profit or loss with the amounts shown below. An assumption is made during the analysis that all other variables, especially the currency exchange rates are relatively constant. The analysis for 2024 is made on the same basis.

Effects in thousands of BGN	**Profit or loss**		**Equity**	
	25 basis points increase	**25 basis points decrease**	**25 basis points increase**	**25 basis points decrease**
31 December 2024				
Financial assets with floating interest rate	-	-	-	-
Financial liabilities with floating interest rate	(12)	12	-	-
Cash flow sensitivity (net)	(12)	12	-	-
31 December 2023				
Financial assets with floating interest rate	-	-	-	-
Financial liabilities with floating interest rate	(4)	4	-	-
Cash flow sensitivity (net)	(4)	4	-	-

22. Financial instruments (continued)

Capital management

The Board of Directors' policy is to maintain a strong capital base, regarded as all elements of equity, so as to maintain customers', creditors' and market's confidence and to sustain future development of the business. The Board of Directors monitors the return on capital and the level of dividends to ordinary shareholders.

The Company has formed statutory reserve through distribution of profits on the grounds of article 246 of the Commercial Act. This reserve is set aside until it reaches one-tenth or more of the capital. Sources of statutory reserves are at least one-tenth of the net profit, share premiums and funds, stipulated in the Articles of Association or approved by decision of the General Meeting of Shareholders. The statutory reserve may only be used to cover losses of the Company from the current and previous reporting periods. The entity has set the reserve accordingly.

There were no changes in the Company's approach to capital management during the year. The Company was not in a breach of any of the equity requirements enforced by external authorities.

In accordance with the Bulgarian Commercial Act, the Company as a joint stock company should maintain net assets exceeding the registered capital. As at the reporting date this capital adequacy rule is met.

(a) Accounting classifications and fair values

The table shows the balance sheet and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. Fair value information is not included if the carrying amount is a reasonable approximation of the fair value.

22. Financial instruments (continued)

Accounting classifications and fair values (continued)

31 December 2024		**Carrying amount**			**Fair value**			
In thousands of BGN	***Note***	**Amortized costs financial assets**	**Financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets, not measured at fair value								
Trade and other receivables	*15*	34,323	-	34,323	-	-	-	-
Receivables from related party	*26*	89	-	89	-	-	-	-
Cash and cash equivalents	*16*	10,625	-	10,625	-	-	-	-
Short-term deposits		77,602	-	77,602	-	-	-	-
		122,639	-	122,639	-	-	-	-
Financial liabilities, not measured at fair value								
Trade and other payables	*20*	-	(48,138)	(48,138)	-	-	-	-
Payables to related parties	*26*	-	(3,684)	(3,684)	-	-	-	-
Payables on financial lease	*27*	-	(4,821)	(4,821)	-	-	-	-
		-	(56,643)	(56,643)				
31 December 2023								
Financial assets, not measured at fair value								
Trade and other receivables	*15*	31,567	-	31,567	-	-	-	-
Receivables from related party	*26*	74	-	74	-	-	-	-
Cash and cash equivalents	*16*	47,048	-	47,048	-	-	-	-
Short-term deposits		61,068		61,068				
		139,757	-	139,757				
Financial liabilities, not measured at fair value								
Trade and other payables	*20*	-	(44,855)	(44,855)	-	-	-	-
Payables to related parties	*26*	-	(3,651)	(3,651)	-	-	-	-
Payables on financial lease	*27*	-	(1,762)	(1,762)	-	-	-	-
		-	(50,268)	(50,268)	-	-	-	-

22. Financial instruments (continued)

Measurement of fair value

Based on the predominantly short-term nature of the financial assets and liabilities of the entity, their cost is a reasonable approximation of their fair value as outlined in the table above.

23. Employee benefits

Postemployment liabilities represent the present value of defined benefits payable at retirement with respect to age and length of service.

In thousands of BGN	**2024**	**2023**
Present value of the liability on 1 January	3,402	2,657
Interest expense	133	121
Current service cost	998	1,004
Actuarial loss (profit)	(96)	51
Paid compensations to retired employees	(437)	(431)
Present value of the liability on 31 December	4,000	3,402

Liability recognized in the statement of financial position as at 31 December, including:	4,000	3,402
Short-term liabilities for retirement compensation	1,220	1,054
Long-term liabilities for retirement compensation	2,780	2,348

Expenses recognized in the statement of comprehensive income

In thousands of BGN	**2024**	**2023**
Current service cost	998	1,004
Past service cost	-	-
Interest expense	133	121

Actuarial assumptions

	2024	**2023**
Discount rate at 31 December	3.6%	4%
Salary increase (annual for 10 years)	8%	13.7%
Employee turnover	5.7%	5.8%

The actuarial assumptions for death rates are based on the National Statistics Institute's population mortality tables. For the purposes of the discounting effective annual interest rate i = 3.60 % is used. The selected discount rate is based on analysis of the offered long-term investment instruments on the Bulgarian financial market (government securities, municipality bonds, etc.).

23. Employee benefits (continued)

Actuarial assumptions

In thousands of BGN	25 basis points increase of salaries growth	25 basis points decrease of salaries growth
Effect on the liability for retirement compensation	34	(34)

In thousands of BGN	25 basis points increase of interest growth	25 basis points decrease of interest growth
Effect on the liability for retirement compensation	(42)	42

In thousands of BGN	10 basis points increase of employee turnover	10 basis points decrease of employee turnover
Effect on the liability for retirement compensation	(179)	179

In thousands of BGN	25 basis points increase of mortality rate	25 basis points decrease of mortality rate
Effect on the liability for retirement compensation	(34)	34

24. Contingencies

Bank guarantees

As at the date of the preparation of this report the Company maintains the following bank guarantees:
• Performance security for the obligations of Sofiyska Voda AD under the Concession Agreement with number 16708/12.21/Oper/NG, issued by BNP Paribas S.A. – Sofia Branch, to the amount of USD 750,000, and validity till December 15th, 2025;
• Performance security for the obligations of Sofiyska Voda AD under the Contract No.РД-568-68/10.08.2011 with the Municipality of Sofia for the repair of defects and damages that occurred in municipal areas where Sofiyska Voda AD performs construction works, with No MD2135510000, issued by "United Bulgarian Bank" AD, to the amount of BGN 763,000, and validity till December 31st, 2025;

25. Commitments for acquisition of property, plant and equipment

Concession agreement

On 23 December 1999 Sofiyska Voda AD signed a Concession Contract with the Municipality of Sofia, which is effective as of 6 October 2000, after all the preliminary conditions have been satisfied.

As per the Concession Contract the Municipality of Sofia grants and Sofiyska Voda AD receives:

- a specific right to use public assets;
- an exclusive right to render water supply, sewerage and wastewater treatment services within the concession area.

Sofiyska Voda AD has the right to invoice the customers and to collect the amounts for its benefit and at its expense. The risk of non-collected receivables is completely at its risk.

25. Commitments for acquisition of property, plant and equipment (continued)

The term of the concession contract is 25 years, however by signing the Fourth Amendment Agreement on 28 August 2023 the term was extended to February 2034. The contract does not define any concession fees to be paid.

According to the Fourth Amendment Agreement until 2034 Sofiyska Voda AD is obliged to make investments in the amount of BGN 633.9 million.

As per Annex 5 to the Initial Concession Agreement during the first 15 years Sofiyska Voda AD was obliged to reach the amount of USD 153 million of investments. After that period no further investments were specified in the Agreement.

After the Water Supply and Sewerage Services Regulation Act became effective in 2006, Sofiyska Voda's operations are directly regulated by the Energy and Water Regulatory Commission (EWRC, the Commission).

Key powers of the Commission in regulating the activities in the water supply and sewerage (WSS) services sector are as follows:

- Regulates the quality of WSS services;
- Carries out price regulation of the WSS services;
- Handles complaints of customers against WSS operators;
- Approves the general terms and conditions of contracts for the provision of WSS services to customers;
- Exercises control and imposes sanctions;
- Keeps a register of WSS services assignment contracts;
- Approves business plans proposed by the W&S operators;
- Carries out preliminary control, delivers an opinion on the compliance of concession and other types of WSS system managing contracts with WSSSRA and by-laws in the process of their preparing and the regulations for its implementation.

More precisely, what is under regulation are the prices of the services and their quality, assessed by the so-called "key- performance indicators" (KPI). In order to reach the level of services, 5-year business plans are prepared (after the 3-year business plan for the period 2006-2008), and they bind the price of the services, the investment program and the KPIs as per Ordinances and Instructions issued by EWRC.
The latest approved business plan of the Company is in accordance with the decision of EWRC No БП-Ц-4 of 01.10.2024 for the regulatory period 2022-2026, applying the "price cap" regulation method. By Decision No. БП-Ц-4 of 01.10.2024 for approval of a new Business Plan for the regulatory period 2022 - 2026, as of 01.10.2024, new prices for water supply and sewerage services have been approved for Sofiyska Voda AD. For the period from the beginning of the regulatory period - 01.01.2022 to 01.10.2024, Sofiyska Voda AD has applied water supply and sewage service prices approved for the regulatory period 2017-2021, resulting in losses in the amount of the difference between the amount of the prices approved for the regulatory period 2022-2026 and the lower prices for the regulatory period 2017-2021. The losses incurred by the Company (as a lost profit due to the application of lower prices for water supply and sewage services) amount to:
- BGN 26 154 363 for 2024
- BGN 21 022 474 for 2023
- BGN 2701 672 for 2022
Total: BGN 49 878 509, as well as interest on a monthly basis (up to 01.10.2024) totalling BGN 6 705 851.

According to the concession agreement, a special Concession Monitoring Unit (the "CMU") was established by the Grantor (MoS) for the purposes of monitoring and ensuring compliance by the Concessionaire with the provisions of this Concession Agreement. The Company cooperates with the CMU to facilitate the monitoring of the performance and the delivery of services, and prepares and submits to CMU various reports and accounts etc.

Between 54 and 48 months prior to the expected date of expire of the concession Sofiyska Voda and the Municipality of Sofia should make a joint audit of the public assets. Not later than 24 months prior to the date in question, the parties agree for the way of hand over of the assets and the activity.

25. Commitments for acquisition of property, plant and equipment (continued)

Concession agreement (continued)

As of the 15th Contractual year until the end of the period of the concession contract, Sofiyska Voda AD is due to transfer 1% of its annual distributable profit to a special "handback account". The financial result for the year ending on 31 December 2015 was the first annual profit from which the Company distributed 1% to the special account in 2016. The money from the Handback Account may be used before the Expiry Date during the last Regulatory Period to pay for construction works only. Such works shall be identified in the Handback Schedule established in accordance with the concession contract, but may not be part of the last Business plan. The Handback Account shall be transferred to "Vodosnabdiyavane I Kanalizacia" EAD on the Expiry Date by the Concessionaire on receipt of a handback certificate issued by the Grantor to the Concessionaire. The accumulated in the special account amount covers completely Sofiyska Voda AD's liabilities with regards to Handback obligations.

Regarding the special right to use public assets and to render services of water supply, sewerage and wastewater treatment to the customers within the concession territory (service commitment), an intangible asset named "concession right" has been recognized. The carrying amount of the concession right as at 31 December 2024 is BGN 259,471 thousand from which 24,240 assets under client contracts (2023: BGN 231,828 thousand, from which 15,271 assets under client contracts).

For 2024 the investments in fixed assets and intangible assets, including concession rights, amounted to BGN 53,624 thousand (2023: 51,625 thousand), of which BGN 50,846 thousand (2023: 46,257 thousand) are recognized as revenue from construction and represents investments in improvements and new public assets.

For the period since the beginning of the Concession until the end of 2024 the amount of investments made by the Company into the concession infrastructure is BGN 941,190 thousand.

Comparison between committed investments in the approved business plan for the periods 2017 – 2021 and 2022 – 2026 is disclosed in the table below:

Investments in regulated services	**2017 (in mln. BGN)**	**2018 (in mln. BGN)**	**2019 (in mln. BGN)**	**2020 (in mln. BGN)**	**2021 (in mln. BGN)**	**2022 (in mln. BGN)**	**2023 (in mln. BGN)**	**2024 (in mln. BGN)**
Committed investments in accordance with approved Business plan 2017- 2021 and Business plan 2022 – 2026	44.2	44.4	38.7	33.8	33.0	44,3	52.6	46.3
Actual investments	43.6	40.8	43.8	38.0	38.2	44.5	48.7	52.1

The above-mentioned investments for 2024 for regulated activity amount to BGN 52.1 million do not include investments for unregulated activity, as well as investments according to the Settlement Agreement, the Third Amendment Agreement and investments to compensate for the consideration for the built new water supply infrastructure with funds from the budget of the Municipality of Sofia.
Investments in regulated services, according to the latest forecasts for the first year of the next regulatory period (2025), amount to BGN 46.0 million.

Based on the above, the Company is in compliance with the investment requirements under the concession agreement and there is no ground for the Concessionaire to potentially require the termination of the concession referring to non-compliance due to lower investment than committed.

25. Commitments for acquisition of property, plant and equipment (continued)

The Third Amendment Agreement to the Concession Agreement was signed in March 2018 with Municipality of Sofia. The main proposed substantial amendments are as follows:

- Introducing a commitment for the Concessionaire for a minimum Investment Programme to be made until the end of the concession: BGN 209 million for the current regulatory period (2017-2021) and an additional BGN 165 million until the end of the concession in 2025, to the extent that the Business Plan and prices for the regulatory period 2022-2026, which will be approved by the Regulator, allow it.

- Setting additional investment commitment for the Concessionaire (on top of the Investment Programme) to provide an amount of BGN 1.5 million per annum for funding of specific WSS projects of public interest, specified by MoS.
- The contractual rate of return of 17% shall no longer be protected by the Price Restriction mechanism, i.e in case the Regulator approves a lower rate of return, there will not be an Event of Price Restriction as per Clause 22.7. Respectively, for the purposes of formation of Concessionaire's Prices for the WSS services provided, the rate of return determined by the Regulator shall be applied starting as of 2022;
- It is proposed all databases, including the customer database, as well as the assets registry and the geographic information system provided to the Concessionaire by the Grantor at the beginning of the concession to remain ownership of the Grantor. Also, all licenses for the use of intellectual property rights, product or equipment warranties or other rights or contracts in the name of the Concessionaire, shall be assigned or otherwise transferred to the Grantor at the end of the concession. Respectively, they shall be duly returned to MoS after expiry of the concession agreement.

At the end of September 2021, an official letter was sent, by which Sofiyska Voda AD and Veolia proposed the extension of the Concession Agreement (CA) due to the distorted economic balance of the concession. Following numerous working meetings and negotiations held between the parties, on 24 November 2022, the Sofia Municipal Council decided to extend the validity of the Concession Agreement until 2034 via the Fourth Amendment Agreement (FAA) to the CA. The Municipality of Sofia submitted the FAA to the CA for an opinion to the Energy and Water Regulatory Commission (EWRC) in connection with the powers of the Regulator under the Water Supply and Sewerage Services Regulation Act. On 09.01.2023, the EWRC published its opinion on the proposed FAA. All legal requirements related to the signing of the FAA were met, and the agreement on the extension of the CA is to be signed on 28 August 2023.

Accordingly, the main amendments to the Concession Agreement by means of the FAA are as follows:
• A set rate of return on equity of 13%;
• Additional investments on an annual basis at the amount of BGN 11 million;
• Binding the payment of dividends to the level of implementation of the investment program;
• a mechanism for transferring assets that are not currently being operated by the Concessionaire
• the possibility of training employees in key positions, specified by the Municipality of Sofia, in connection with the future operation of the System;
• relationship between the investment obligations of the Concessionaire and acceptance by the Regulator of the contractual rate of return on equity and the equity structure;
• waiver by the Concessionaire of possible future claims for partial restoration of the economic balance.

25. Commitments for acquisition of property, plant and equipment (continued)

Commitments for acquisition of property, plant and equipment (continued)

Business Plan 2022 – 2026

In 2023, after the signing of the Fourth Amendment Agreement, the Company submitted an updated Business Plan 2022-2026 to the Municipality of Sofia and, after receiving a positive opinion from the Municipality of Sofia, it was submitted to the EWRC on 7 November 2023. As a result of correspondence, additional instructions, and working meetings between the Company and EWRC in 2024, the final version of the Business Plan 2022-2024 was submitted on July 26, 2024.

By Decision No. БП-Ц-4/1.10.2024, the EWRC approved the business plan for the development of activities as a water and sewerage operator for the regulatory period 2022-2026, applying the "price-cap" regulation method. As of the date of these financial statements, EWRC approves two decisions for the prices of water and sewerage services effective from October 1, 2024 (Decision No. БП-Ц-4/1.10.2024) and effective from January 1, 2025 (Decision No. Ц-30/19.12.2024).

Description of the process, status, and steps taken for challenging the return on capital ratio in the price formation and KPIs

Court case 6374/2021 was initiated by the Administrative Court of Sofia in regard to the appeal filed by the Company against the decision of the EWRC on setting the target levels of the KPIs for the quality of the water supply and sewerage (WSS) services in the regulatory period 2022-2026. The first court hearing was held on 14.09.2021. By its ruling dated 21.09.2021, the Administrative Court stated that no further action would be taken on the appeal of Sofiyska Voda AD in the part against item 2 of decision ПК-1/28.05.2021, by which the Commission set estimated specific targets for the quality indicators of the WSS services. The ruling was appealed before the Supreme Administrative Court (SAC) where court case 10769/2021 was commenced. By its decision dated 08.12.2021, SAC revoked the decision of the Administrative Court of Sofia and referred the case back for reconsideration under item 2 as well. The technical-economic expert opinion demanded by the Company was allowed. By decision dated 08.12.2022, the Administrative Court of Sofia revoked Decision No. ПК-1/ 28.05.2021 of the EWRC, appealed by Sofiyska Voda, in its parts under items 1 and 2. The decision was subject to appeal. The EWRC appealed the decision and the administrative case 872/202 was commenced in the SAC. By its decision the SAC upheld the decision of the Administrative Court of Sofia. The decision of the SAC is final and is not subject to appeal.
Court case 6373/2021 was initiated by the Administrative Court of Sofia in regard to the appeal filed by the Company against the decision of the EWRC on setting the rate of return on equity and debt capital of Sofiyska Voda AD for the regulatory period 2022-2026. The first court hearing was scheduled for 23.11.2021 where the hearing of a court economic expert opinion was admitted. The prepared court economic expert opinion was presented and it had to be supplemented. By its decision dated 30.11.2022, the court revoked Decision НВ-1/28.05.2021 of the EWRC in its parts under items 1, 1.1. and 1.2., and referred the case as an administrative file back to the EWRC for a new decision in compliance with the instructions in the court decision on the interpretation and application of the law. The decision is subject to appeal. The EWRC appealed the decision and the administrative case 932/2023 was commenced in the Supreme Administrative Court. By its decision the SAC upheld the decision of the Administrative Court of Sofia in the part where Decision НВ-1/28.05.2021 of the Energy and Water Regulatory Commission, in the parts under items 1, 1.1. and 1.2., was revoked in respect of Sofiyska Voda AD, and annulled the decision of the Administrative Court of Sofia for the remainder. The decision of the SAC is final and is not subject to appeal.

As a result of the legal proceedings, in its decision No. НВ -2/10.07.2024, the EWRC determined the rate of return on equity in accordance to the reasons given in the court decisions, taking into account the specifics of the Concession Agreement of "Sofiyska Voda" AD. Additionally, as a result of the conducted legal proceedings and issued court decisions, the EWRC issued new decisions to determine the levels of key quality indicators for water and sewerage services, which allowed the Company to finalize the preparation of the Business Plan 2022-2026, which was approved by EWRC with decision No. БП-Ц -4/1.10.2024.

26. Related parties

The Company has a related party relationship with its parent company – "Veolia Central and Eastern Europe" (77.10% of the shares of Sofiyska Voda AD), as well as with the companies within Veolia Group and with its minority shareholder- Vodosnabdyavane i kanalizatsiya EAD (ViK) (22.9%). The ultimate parent company is Veolia Environnement S.A., France.

The related parties of the Company are the ultimate parent company and all companies under common control and key management personnel. As the minority shareholder ViK is solely owned by Sofia Municipality (MoS), thus being government-related entity, related parties are also companies, which are under the control of the same government.

The Company has performed analysis over the individually and collectively significant transactions with companies under the control of the Government, which are as follows:

- Construction revenue and expenses with MoS (please, see also note 4)
- Green energy income with National Electricity Company EAD – state-owned (disclosed in Note 4);
- Under a contract signed with NEC EAD, the latter has invoiced to Sofiyska Voda BGN 1,215 thousand (without VAT) for water that Sofiyska Voda has purchased and has run through NEK's plants in order for the water to reach the suburban area of Sofia. The expense is recognized in Expenses for materials – Electricity, water, heating. On the other hand, Sofiyska Voda has invoiced to NEC BGN 1,215 thousand (without VAT) due to the fact that NEC has generated electricity from the water running through their plants. The revenue has been recognized in Revenue from water supply.

The subsidiary in the financial statements of Sofiyska Voda AD is Water Industry Support and Education EOOD, where Sofiyska Voda AD owns 100% of the capital (2020: 100%).

26. Related parties (continued)

The following transactions took place in 2024:

Related party	Relation	Transactions during the year	Transaction as at 31 December 2024		Balance as at 31 December 2024	
В хиляди лева			**Revenue**	**Expenses**	**Receivables**	**Payables**
Veolia Voda CEE	Controls 77.1% of the equity	Services provided	-	1,500	-	2,996
		Sequoia shares	-	339	-	339
Veolia Campus	Company under common control	Trainings	-	22	5	-
Veolia Ceska Republika	Company under common control		-		1	-
Veolia Environnement SA, France	Company under common control	Discount	-	-	8	-
		Trainings	-	57	-	31
		Google workplace	-	98	-	98
		Software for HR	-	25	-	25
		Financial software	-	2	-	-
		Learning softwate	-	1	-	1
		Bank guarantee tax	-	3	-	3
Vodosnabdyavane i Kanalizatsia EAD	Controls 22.90% of the shares of Sofiyska Voda AD	Rental costs	-	64	-	8
		Sales of materials	86	-	14	-
		Water meter testing cost	-	127	-	34
		Garbage fee	-	1	-	1
		Guarantees under contract		1	2	
Veolia Service Bulgaria EOOD		Re-invoicing of costs	1	9	2	-
		Trainings	-	16	-	13
		Licenses	-	5	-	6
Veolia Energy Varna EAD	Company under common control	Re-invoicing of costs	-	-	1	-
		Re-invoicing of costs	1	-	-	-

Related party	Relation	Transactions during the year	Transaction as at 31 December 2024		Balance as at 31 December 2024	
			Revenue	Expenses	Receivables	Payables
Veolia Energy Solutions Bulgaria EAD	Company under common control	Re-invoicing of costs	8	-	18	-
		Guarantee under a contract	-	1	-	5
		Installation of air-conditioner	-	-	-	3
		Maintenance of air-conditioner	-	14	-	-
		SCADA monitoring	-	-	1	-
		Consulting activities	3	-	-	-
		Non-ferrous metals audit	49	-	-	-
		Investment project	25	-	-	-
SAD S.A. - Branch BALGARIA Foreign entity branch	Company under common control	Re-invoicing of costs	-	-	36	-
DZZ Zona 2015	SAD S.A. - Branch BALGARIA Foreign entity branch owns 50% of the company's capital of the	Repair works on the water supply network	-	-	1	-
		Re-invoicing of costs	1	-	-	-
INSTITUT ENVIR SLUZEB		Accommodation costs	-	8	-	-
KRUGER S/A		Licenses HUBGRADE	-	56	-	111
VEOLIA CHINA HOLDING LIMITED		Licenses	-	3	-	6
S.C. APA NOVA BUCURESTI S.A		Trainings	-	4	-	4
		Total:	**174**	**2,356**	**89**	**3,684**

26. Related parties (continued)

The following transactions took place in 2023:

Related party	Relation	Transactions during the year	Transaction as at 31 December 2023		Balance as at 31 December 2023	
In thousands of BGN			**Revenue**	**Expenses**	**Receivables**	**Payables**
Veolia Voda CEE	Controls 77.1% of the equity	Services provided	-	1,497	-	2,993
Veolia Campus	Company under common control	Trainings	-	72	-	24
Veolia Ceska Republika	Company under common control	Trainings	-	1	-	-
Veolia Environnement SA, France	Company under common control	Discount	2	-	3	-
		Sequoia shares	-	542	-	294
		Trainings	-	1	-	1
		Google workplace	-	106	-	160
		Software for HR	-	24	-	37
		Rental costs	-	61	-	6
Vodosnabdyavane i Kanalizatsia EAD	Controls 22.90% of the shares of Sofiyska Voda AD	Water meter testing cost	-	20	-	10
		Sales of material	17	-	10	-
		Garbage fee	-	1	-	1
Veolia Service Bulgaria EOOD		Re-invoicing of costs	3	11	4	6
Veolia Energy Varna Bulgaria EAD	Company under common control	Re-invoicing of costs	6	-	8	1
		Re-invoicing of costs	3	-	9	-

Related party	Relation	Transactions during the year	Transaction as at 31 December 2023		Balance as at 31 December 2023	
Veolia Energy Solutions Bulgaria EAD	Company under common control	Guarantees under contracts	-	-	-	4
		Purchase of air-conditioners	-	5	-	-
		Maintenance of air-conditioner	-	16	-	3
		SCADA monitoring	-	-	1	-
SAD S.A. - Branch BALGARIA foreign entity branch	Company under common control	Re-invoicing of costs	-	-	36	-
DZZ Zona 2015	SAD S.A. - Branch BALGARIA foreign entity branch Owns 50% of the capital of the company	Re-invoicing of costs	-	-	1	-
INSTITUT ENVIR SLUZEB		Trainings	-	1	-	-
KRUGER S/A		Licenses KRUGER	-	56	-	56
VEOLIA CHINA HOLDING LIMITED		Licenses	-	3	-	3
VEOLIA HOLDING CESKA REPUBLIKA		Trainings	-	52	2	52
		Total:	**31**	**2,469**	**74**	**3,651**

26. Related parties (continued)

Transactions with directors and officers on key management personnel:

The Company has relationship of a related party with directors and officers on key positions. The total amount of the accounted remunerations included in personnel expenses and in hired services are as follows:

The remunerations for the key managers consist of:

In thousands of BGN	**2024**	**2023**
Short-term employee benefits	742	583
Share-based payment	-	-
	742	583

In thousands of BGN		
Of which on balance sheet short-term income as at 31 December	45	43

In 2024 the Company has incurred expenses amounting to BGN 1,500 thousand for technical services (2023: BGN 1,497 thousand), which include also the remunerations for key management personnel provided. The services are rendered by Veolia Voda CEE and the expenses are disclosed as part of the transactions with this related party in the information above.

27. Leases

(a) Leases as lessee (IFRS 16)

The Company leases buildings, office space and warehouses, IT server locations, vehicles and other equipment. The leases typically run for several years, and some have an option to renew the lease with one year after the end date. Some leases provide for additional rent payments that are based on changes in local price indices.

The Company leases IT equipment with contract terms from one year to three years. These leases are short-term and/or leases of low-value items. The Company has elected not to recognise right-of-use assets and lease liabilities for these leases.

See material accounting policy in Note 3.
Information about leases for which the Company is a lessee is presented below.

(i) Right-of-use assets

Right-of-use assets related to equipment and leased properties that do not meet the definition of investment property are presented below:

In thousands of BGN	**Office rent and other**	**Vehicles**	**Total**
2024			
Balance at 1 January 2024	1 716	340	2 056
Depreciation charge for the year	(1,784)	(103)	(1,887)
Depreciation of disposals with right of use			
Depreciation on disposals	4,915	-	4,915
Disposals	(111)	-	(111)
Balance at 31 December	**4,736**	**237**	**4,973**

27. Leases (continued)

In thousands of BGN	Office rent and other	Vehicles	Total
2023			
Balance at 1 January 2023	1,573	646	2,219
Depreciation charge for the year	(1,.589)	(306)	(1,895)
Depreciation of disposals with right of use		14	14
Additions to right-of-use assets	1,732	-	1,732
Depreciation on disposals	-	(14)	(14)
Balance at 31 December	**1,716**	**340**	**2,056**

(ii) Lease liabilities

In thousands of BGN	2024	2023
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1,941	579
One to five years	3,074	1,270
More than five years	-	-
Total undiscounted lease liabilities at 31 December	**5,015**	**1,849**
Lease liabilities included in the statement of financial position at 31 December	4,821	1,762
Current	1,824	544
Non-current	2,997	1,218

(iii) Amounts recognised in profit or loss

In thousands of BGN

	Note	2024	2023
Leases under IFRS 16			
Interest on lease liabilities		(141)	(36)
Depreciation of right of use assets		(1,887)	(1,895)
Expenses relating to short-term leases	*7*	(13)	(9)

(iv) Amounts recognised in statement of cash flows

In thousands of BGN	2024	2023
Total cash outflow for leases	1,911	1,682

(v) Extension options

Some leases contracts contain extension options exercisable by the Company. In such cases, for contracts which expire within one year of the reporting date, the Company has assumed and extension of up to one year. Where practicable, the Company seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

28. Subsequent events

There are no events occurring after the date of the reporting period, which require adjustments or additional disclosures to the annual financial statements.

Deloitte.

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This document is a translation of the original Bulgarian text, in case of divergence the Bulgarian original shall prevail.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Sofiyska Voda AD

REPORT ON THE AUDIT OF THE SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying separate financial statements of Sofiyska Voda AD (the Company), which comprise the separate statement of financial position as at December 31, 2024, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the separate financial statements, including material accounting policy information and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2024, and its separate financial performance and its separate cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Basis for Opinion

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 Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act (IFAASRA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the requirements of IFAASRA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	*How our audit addressed the key audit matter*
Unbilled revenue from water supply, sewerage and wastewater treatment services ***See Notes 3 (k) and 4 to the separate financial statements*** The Company's main revenue streams are related to the water supply, sewerage and wastewater treatment services. The Company recognized revenue of BGN 199,029 thousand from these services and related finance income in the amount of BGN 4,347 thousand for the year ending December 31, 2024, of which BGN 13,998 thousand representing unbilled revenue. Revenue is generally recognized based on periodic meter readings. The amount of recognised revenue for the year includes also an estimate of consumption for the period between the date of the last meter reading and the reporting date. Developing the estimate of unbilled revenue requires significant management judgement and is based on assumptions of daily consumption, mainly based on historical patterns. Due to the significance of the circumstances set out above that: (a) the process of recognition and estimation of the unbilled revenue as of the year end assumes significant judgment, inherent high degree of uncertainty related to assumptions and specific model calculations by the management; and (b) the significance of the reporting item itself for the separate financial statements, we have considered this matter as a key audit matter.	*In this area, our audit procedures included, among others:* • Inquiries and obtaining of an understanding of the Company's process of unbilled revenue estimation and recognition. • Assessment of the adequacy and the consistency of application of the revenue recognition policy of the Company in terms of unbilled revenue and associated contract assets. Our audit procedures included also testing the adequacy of the adopted accounting policy for revenue recognition in accordance with the applicable standards. • Review and assessment of the adequacy and the consistency of application of the methodology used by the Company for measurement of the unbilled revenue. • Assessment of design and implementation of key controls over the unbilled revenue recognition process of the Company. Based on the procedures set out above, we developed tailored audit procedures to enable us to address the risks of material misstatement associated with the recognition and measurement of unbilled revenue: – Analysis and assessment of the adequacy of management assumptions based on: o Building an expectation for unbilled revenues as of December 31, 2024 based on observed subsequent development for the months of January and February and comparison to the reported by the Company; o Tracing the actual invoiced amounts for January and February 2025 related to accrued unbilled revenues as of December 31, 2024; – Assessment of the relevance and adequacy of the disclosures in the Company's separate financial statements related to revenue, including unbilled revenue and contract assets.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables and contract assets *See Notes 3 (b), 4.B, 15 and 22 to the separate financial statements* The Company recognizes trade receivables and contract assets – unbilled receivables with a gross carrying amount of BGN 58,904 thousand and respectively BGN 13,998 thousand as at December 31, 2024 and accumulated loss allowance is at the amount of BGN 24,492 thousand, as disclosed in Note 4.B and Note 15. The Company applies the simplified approach for expected credit losses (ECL) in accordance with the requirements of IFRS 9: Financial Instruments. Within the application of this approach lifetime expected credit losses on trade receivables and contract assets are estimated without prior identification of significant increase in credit risk. The determination of loss allowance for trade receivables and contract assets, within the application of this model, requires Company's Management to exercise a significant degree of judgment with respect to measuring the expected credit losses. The key inputs and areas of judgement in the assessment of ECL are related to the estimates of relevant loss rates (recoverability), discount rates and including forward looking information (FLI) of macro-economic factors in the determination of the estimates of ECL. Due to the significance of the circumstances set out above that: (a) the process of determining the loss allowance for trade receivables and contract assets – unbilled receivables, assumes judgments, inherent high degree of uncertainty related to assumptions and specific model and calculations of the credit losses by the management; and (b) the significance of the reporting item itself for the separate financial statements of the Company, as noted above, we have considered this matter as a key audit matter.	*In this area, our audit procedures included, among others:* • Inquiries and obtaining an understanding of the Company's process of determining the credit loss allowances for trade receivables and contract assets – unbilled receivables. • Inspection and review of internal policies, and procedures related to the process of determining the credit loss allowances. Inquiries with Company's modelling and credit risk management experts. • Review and assessment of the adequacy and, the consistency of application of the methodology and model used by the Company to calculate allowances for credit losses under trade receivables and contract assets – unbilled receivables. • Assessment of design and implementation of key controls over the credit loss allowance estimation process. Based on the procedures set out above, we developed tailored audit procedures to enable us to address the risks of material misstatement associated with the accrued credit loss allowances on trade receivables and contract assets – unbilled receivables: - Analysis and assessment, together with the credit risk experts part of the audit team, of the adequacy of management judgments in relation to expected recoveries in the context of the specifics of customer types and the availability of internal historical and forward looking information for the future collectability development; - Analysis and assessment of the appropriateness of the calculation for the relevant recovery rates and discount rates by examining supporting information for key assumptions used and input data; - Independent recalculation of the credit loss allowance on trade receivables and contract assets – unbilled receivables as at December 31, 2024. - Assessment of the relevance and adequacy of the disclosures in the Company's separate financial statements related to the credit loss allowances on trade receivables and contract assets.

Key audit matter	*How our audit addressed the key audit matter*
Commitments under service concession arrangement and impairment of non-current assets *See Notes 3 (d), 13 and 25 to the separate financial statements* As disclosed in Note 1 and Note 25, the Company is a party to a concession agreement with the Municipality of Sofia, under which it has been granted the right to use public assets, such as water supply and sewerage infrastructure. The agreement also gives the Company an exclusive right to render water supply and sewerage services within the concession area. The said service concession agreement and related regulatory requirements, impose on the Company an obligation to implement specific investment projects through an approved business plan, as also discussed in Note 25, as well as to achieve certain key performance indicators. In case of incompliance with the investment requirements under the concession agreement, the concessionaire can potentially require the termination of the concession referring to non-compliance due to lower investment than committed. The concession agreement is subject to the reporting and accounting requirements of IFRIC 12: Service Concession Agreements, under which an intangible asset – concession right is recognized. The intangible asset – concession right represents a material part (88%) of the total non-current assets of the Company. As at December 31, 2024, the Company has tested its intangible assets, as well as property, plant and equipment for impairment, as required by the relevant financial reporting standards taking into consideration the conclusion of the Fourth Additional Agreement to the Concession Agreement in 2023 and the approved, with a decision dated 01.10.2024 by EWRC, business plan for the regulatory period 2022 – 2026,applying the "price cap" price regulation method. The impairment test was performed by reference to the recoverable amount of the Company's sole cash generating unit ("CGU"). The determination of the recoverable amount requires making a number of complex assumptions and judgements, in particular	*In this area, our audit procedures included, among others:* • Inquiries and obtaining an understanding of the Company's process for compliance with regulatory and concession requirements; the process for incorporation of these requirements into the model for assessment of the recoverable amount of property, plant and equipment and intangible assets; • Assessment of the adequacy and consistency of the application of the methodology for identification of impairment and its estimation. Our audit procedures included also testing the adequacy of the adopted accounting policy for reporting of the concession agreement in accordance with IFRIC 12: Service concession agreements. • Inspection and review of internal policies, and procedures related to the process of concession and associated regulatory requirements compliance. • Review and assessment of the adequacy, and the consistency of application of the method applied by the Company to estimate the recoverable amount of property, plant and equipment and intangible assets, including concession right. • Assessment of design and implementation of key controls over the impairment testing process. Based on the procedures set out above, we developed tailored audit procedures to enable us to address the risks of material misstatement associated with the reporting for the commitments under the concession agreement and the determination of the recoverable amount of property, plant and equipment and intangible assets, including concession right: • Inspection and review of minutes of meetings of Company's Board of Directors, specifically focused on the investment projects' progress and Company's business plan; • Inquiries of the Company's legal advisors and inspection of their formal responses to our audit inquiries, with an aim to identify any contingent liabilities (e.g. penalties) as of the reporting date arising from the service concession arrangement;

those relating to grouping of assets into CGUs, discount rates used and estimated future cash flows.
 	
Due to the significance of the circumstances set out above that: (a) the impairment assessment assumes a number of judgments, inherent high degree of uncertainty related to assumptions and specific model calculations; and (b) the significance of the commitments under the concession agreement and the reporting requirements for service concession agreement as a whole to the separate financial statements of the Company, we have considered this matter as a key audit matter.
	• Inspection of the registers of official communication with the Commission for Energy and Water Regulation, with an aim to identify additional matters, which have to be considered in the reporting of any contingent liabilities as of the reporting date, as well as in the impairment testing of property, plant and equipment and intangible assets, incl. concession right;
	• Analysis and assessment of the adequacy of the Company's discounted cash flow model against the requirements of the relevant financial reporting standards, market practice, concession contract terms, as well as assessment of its internal consistency;
	• Evaluation of the quality of the Company's forecasting by comparing historical projections with actual outcomes;
	• Analysis and assessment together with the valuation experts part of the audit team, of the adequacy of the management judgements in relation to:
	  o future prices and expected sales and operating costs – by reference to the business plan, and the Company's internal documents, such as budget and forecasts;
	  o key macroeconomic assumptions, such as discount rates and inflation rates – by reference to publicly available external sources.
	  o assessment of the susceptibility of the impairment model and the resulting impairment conclusion to management bias, by challenging the Company's analysis of the model's sensitivity to changes in key underlying assumptions.
	• Assessment of the relevance and adequacy of the disclosures in the Company's separate financial statements related to the concession reporting, impairment testing of property, plant and equipment, intangible assets incl. concession right and related commitments and contingencies.

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

The Executive Directors ("Management") are responsible for the other information. The other information comprises the separate report on the activities, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the separate 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 it is not specifically stated in our auditor's report and to the extent it is specifically stated.

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.

We have nothing to report in this regard.

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 IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of separate 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.

The Board of Directors and the Audit Committee ("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 skepticism 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, actions 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 separate 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 Required to be Reported by the Accountancy Act

In addition to our reporting responsibilities according to ISAs described in section *Information Other than the Separate Financial Statements and Auditor's Report Thereon*, with respect to the separate report on the activities, we have also performed the procedures, together with the required under ISAs, in accordance with the Guidelines regarding new extended reports and communication by the auditor of the Professional Organization of Registered Auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures include tests over the existence, form and content of the other information in order to assist us in forming an opinion as to whether the other information includes the disclosures and reporting as required by Chapter Seven of the Accountancy Act and the Public Offering of Securities Act, applicable in Bulgaria.

Opinion under Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, in our opinion:

- The information included in the annual separate report on the activities for the financial year for which the separate financial statements have been prepared, is consistent with the separate financial statements.

- The annual separate report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100m, paragraph 7, p. 2 of the Public Offering of Securities Act.

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 and Assurance of Sustainability Reporting Act

In accordance with the requirements of the Independent Financial Audit and Assurance of Sustainability Reporting Act in connection with Art. 10 of Regulation (EU) No 537/2014, we hereby additionally report the information stated below.

- Deloitte Audit OOD was appointed as a statutory auditor of the separate financial statements of the Company for the year ended December 31, 2024 by the General Meeting of Shareholders held on January 26, 2024 for a period of three years.
- The audit of the separate financial statements of the Company for the year ended December 31, 2024 represents second total consecutive statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report provided to the Company's Audit Committee on March 31, 2025, in compliance with the requirements of Art. 60 of the Independent Financial Audit and Assurance of Sustainability Reporting Act.
- We hereby confirm that no prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit and Assurance of Sustainability Reporting Act were provided.
- We hereby confirm that in conducting the audit we have remained independent of the Company.

Deloitte Audit

Deloitte Audit OOD
Registration number: 033

Sylvia Peneva
Statutory Manager
Registered Auditor, in charge of the audit

4, Mihail Tenev Str.
1784 Sofia, Bulgaria

March 31, 2025