



**„Sofiyska Voda“ AD**

**Annual Consolidated Report on the Activities and Consolidated Financial Statements**

**For the year ended 31 December 2025**

**With independent Auditor's Report thereon**

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# **SOFIYSKA VODA AD AND WATER INDUSTRY SUPPORT AND EDUCATION EOOD (“THE GROUP”)**

## **ANNUAL CONSOLIDATED REPORT ON THE ACTIVITIES FOR THE YEAR ENDING 31 DECEMBER 2025**

### **Financial review:**

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

In 2025, the revenue from main charges of Sofiyska Voda AD (the Parent Company) and its subsidiary Water Industry Support and Education EOOD amounted to BGN 248 M, which is higher by 19.01% than the revenue from main charges in the same period of the previous year – BGN 208.4 M. The main reasons are: an increase in the price of the WSS service from 1 October 2024 by 20% and by 5% from 1 January 2025. In 2025, the total billed volumes of the Group increased by +3.1% compared to 2024, or by 2.842 million m<sup>3</sup> more. Regarding drinking water, a decrease by 0.1% was registered, or 112 thousand m<sup>3</sup> less vs. 2024.

The Group’s total revenue for 2025 amounted to BGN 297.5 M ( BGN 262.4 M in the same period of 2024). The revenue from construction in 2025 amounted to BGN 48.5 M ( BGN 50.8 M in 2024). The breakdown of revenues by types of services is presented in Note 4 to the consolidated financial statements.

In 2025, the cogeneration installation in Kubratovo WWTP, commissioned at the end of 2009, met predominantly the plant’s demands for power supply.

The Group’s operating costs in 2025 amounted to BGN 220.1 M (2024 – BGN 201.9 M). This amount includes BGN 48.5 M for construction costs, which resulted from the application of IFRIC 12.

The depreciation and amortization costs for 2025 amounted to BGN 34.7 M. The value is higher than the one reported for 2024 (BGN 30.9 M).

As at the end of 2025, the Group generated net financial income of BGN 1.3 M as a result of the four deposit agreements concluded throughout the year, as follows:

- Deposit A with ING Bank of 15 million euros with maturity on 29 September 2026 and an interest rate of 2.07%.
- Deposit B with BNP Paribas bank of 15.9 million euros with maturity on 17 June 2026 and an interest rate of 1.80%.
- Deposit C with ING Bank of 0.25 million euros with maturity on 3 July 2026 and an interest rate of 1.57%.

As a result of the factors listed above, the profit after taxes for 2025 is BGN 68.7 M compared to BGN 53.9 M in the same period of 2024.

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 consolidated financial statements.

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

The Group’s revenue from regulated and non-regulated business for the next 12 months, without the revenue under IFRIC Interpretation 12 Service Concession Arrangement, is expected to increase to BGN 271.7 M or by BGN 22.7 M more compared to 2025 (9.1% higher revenues) for the financial year 2026.

The Group also anticipates a significant increase in the costs without the costs under IFRIC Interpretation 12 – Service Concession Arrangement, which will reach up to BGN 199,844 thousand, or BGN 27,884 thousand higher costs compared to 2025 (16.2% higher costs).

The expected net profit of the Group for 2026 is BGN 63,842 thousand, or BGN 4,984 thousand less compared to 2025 (7.2% decrease vs. the result in 2025).

In 2026, the Group intends to implement investments according to its investment program of BGN 54,220 thousand, or BGN 2,325 thousand higher vs. the amount invested in 2025 (4.5% higher investments).

**Signed significant contracts:**

Contract No.	Subject	Contractor	Start Date	End Date	Value in BGN, VAT excluded	Option value and renewal
10227	Delivery of fire hydrants	VASIL-VASILEV KVS-3 EOOD	12.02.2025	11.02.2028	1 500 000.00	250 000+300 000
10235	Delivery of emergency clamps and universal couplings with gripping mechanism – Lot 1	Aliaxis Bulgaria EOOD	17.02.2025	16.02.2027	1 200 000.00	300 000+240 000
10236	Delivery of universal clamps for connection with ductile iron, steel, PVC, PE and asbestos cement, clamps for connection of PE pipes – Lot 2	Aliaxis Bulgaria EOOD	17.02.2025	16.02.2027	1 200 000.00	300 000+240 000
10240	Cashless purchase of fuels from a chain of petrol stations through CCB AD	Bent Oil AD	13.02.2025	12.02.2027	2 554 400.00	700 000+600 000
10262	Maintenance, repair and reconstruction of the buildings, facilities and open areas of Sofiyska Voda AD	DZZD SV 2024 – Futura Systems AD and El Systems AD	27.02.2025	26.02.2027	3 500 000.00	700 000
10268	Sludge transportation	DLV EOOD	28.03.2025	27.03.2027	1 960 000.00	882 000
10290	Electronic processing, printing, folding, enclosing and delivery of invoices, notification letters, information and advertising materials to customers of Sofiyska Voda AD	Direct Services OOD	04.04.2025	03.04.2027	2 790 000.00	697 500+558 000
10291	Delivery of active electric energy high, medium and low voltage and inclusion into the balancing group of the sites of Sofiyska Voda AD	Kumer OOD	01.05.2025	30.04.2026	4 000 000.00	2 000 000
10307	Purchasing rights to use the cloud service SAP Analytics Cloud (SAC) and implementation of a financial planning process at Sofiyska Voda AD	A1 Bulgaria EAD	23.04.2025	22.04.2028	1 045 766.91	
10324	Delivery of equipment, construction and commissioning of a drinking water pumping station PS Vladaya in RLP XVIII, village of Vladaya, MoS – Vitosha region	MONTAZHI Co EOOD	14.05.2025	13.05.2027	1 449 706.20	
10341	Design, repair, rehabilitation and commissioning of a digester at Kubratovo WWTP	MONTAZHI Co EOOD	22.05.2025	21.05.2028	2 027 998.00	

Contract No.	Subject	Contractor	Start Date	End Date	Value in BGN, VAT excluded	Option value and renewal
10352	Design, construction and commissioning of new PV installations at sites of Sofiyska Boda AD – Bistritsa PWTP, Pancharevo PWTP and Kubratovo WWTP	POWER SMART OOD	30.05.2025	29.05.2030	5 068 640.25	
10381	Implementation of an investment project: a section of a new trunk water main for Kokalyane reservoir, from the feeding water main for Belikata villa area, at LP 04234.6963.384, territory of the village of Bistritsa, to the connection with the existing water main for Kokalyane reservoir, at LP 37914.6801.84, territory of the village of Kokalyane, MoS – Pancharevo region; section: crossing Bistritsa River and its slopes (section point 205 – section point 249 of the route)	MONTAZHI Co EOOD	24.06.2025	23.06.2028	3 970 000.00	
10396	Water supply, sewerage and wastewater treatment – for sites under Appendix 1	TECHNICAL UNIVERSITY – SOFIA	16.06.2025	15.06.2030	3 646 875.00	
10401	Delivery of flange stop valves, LOT 1: Delivery of flange stop valves	N M G WATER SYSTEMS DZZD	07.07.2025	06.07.2028	1 380 000.00	276 000+230 000
10490	Meter reading on the territory of the Municipality of Sofia	DZZD OV 2021	31.10.2025	30.10.2028	8 250 000.00	1 375 000 + 1 650 000
10535	Providing physical unarmed security service, security with alarm systems and patrol cars to prevent criminal encroachments on sites of Sofiyska Voda AD	Agency for Security SCORPIO OOD	01.12.2025	30.11.2029	29 300 000.00	

**Signed related party transactions:**

On 29.07.2025, a contract was concluded for subscription for access, use and support of the system Hubgrade Performance Plant, SewerView and Anammox/AnitaMox for Kubratovo WWTP with KRÜGER A/S.

On 15.12.2025, a new contract was concluded for rental of real estate – real part of a terrain - asphalt pavement with an area of 1053 sq. m, Lozenets Region, Peyo Yavorov Blvd., Borisova Gradina Park, with Vodosnabdiavane i Kanalizatsia EAD.

**Contracts concluded in the year as per art. 240b 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 Group outside the scope of its normal activity, or which substantially deviate from the market conditions.

In 2025, the members of the Boards of Directors did not conclude contracts with the Group under art.240 “b” of the Commerce Act.

**Information about events and indicators of nature unusual for the company, 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 Group 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 company and if the disclosure of this information is material for the financial position of the company:**

As at the date of preparation of these consolidated financial statements, the Group 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 \$750,000 and validity until 15 December 2028;
- Performance guarantee of Sofiyska Voda AD under Contract No.ПД-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 765,000 and validity until 31 December 2026.

**Information about shareholdings of the company, 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 (2024: 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 company, 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 company, 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 2025, Sofiyska Voda AD and its subsidiary had no concluded loan agreements as a lender or borrower with companies from the Veolia Environnement 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 company has applied or intends to apply in view of their elimination:**

The consolidated financial statements were prepared on the basis of the assumption that the Group 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 Parent Company are described in detail in the paragraph below for the Investments over the period January - December 2025. The implementation of the investment program provided for in the established plan is financed with company's own funds, i.e., from the Company's revenue generated through the prices envisaged 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 company and its business group:**

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

**Information about "greenness"**

The Group has a requirement to disclose "greenness" data: % of revenue, capital expenditure, operational costs, imposed by the European Union. In 2025, according to the assessment made and the criteria set for the Group, the distribution of the revenues, costs and investments is as follows:

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

	In thousands of BGN
Revenues	185 022
Costs	135 331
Investments	28 927

The technical indicators are:

- The energy used for drinking water abstraction and treatment is 0.0105 kWh/m<sup>3</sup>;
  - Total losses are less than the long-term KPI set by the Energy and Water Regulatory Commission of 49%, and constitute 36.84%;
- Criteria 1-5.3. Construction, extension and operation of wastewater collection and treatment:

	In thousands of BGN
Revenues	112 442
Costs	84 771
Investments	22 968

The technical indicators are:

- Net energy consumption is less than 20 kWh/p.e. and is -6.88 kWh/p.e.

**Information about the main characteristics of the internal control system and risk management system applied by the company in the process of preparing the financial statements.**

The Group 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:

- Control Environment;
- Risk Assessment (Enterprise Risk Assessment Process);
- Information and Communication (Information system, including the business processes related to it, referring to financial reporting and communications);
- Control Activities; and
- 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 Ethics (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;
- New procedure dated August 2024 – Management of Internal Control Environment in Sofiyska Voda AD;
- Internal Regulations of Sofiyska Voda AD, last updated in January 2023;
- Whistleblowing procedure (submission, investigating and reporting breaches) of Sofiyska Voda – a new version from October 2025, also including a new channel for receiving alerts through the platform of the Online Services Department;
- Instruction “Protection of persons who report or publicly disclose breaches”, last updated in February 2025;
- Procedure “Conflict of Interest Prevention. Gifts, Hospitality and Donations”, updated in February 2026;
- Anti-Corruption phone line (+359 2 8122 521, published on the official website of Sofiyska Voda: [www.sofiyskavoda.bg](http://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 Group, updated in January 2026;
- Accounting Policy;
- Accounting Closing Procedure with the latest version from September 2025;
- Instruction on receiving, accounting and paying invoices from suppliers with latest version from May 2025;
- Procedure on purchasing, stocktaking, sale and writing off of fixed assets with version from November 2024;
- Instruction on stocktaking of inventories, effective from December 2023;
- Procedure “Administrative service of employees”, with latest version from April 2023.

### **Risk Assessment**

The Group 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 the 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 Group. The procedure is reviewed and updated regularly in order to ensure that the Group applies a unified approach in risk assessment and risk management in all fields of its activity. The top management meets twice a year to discuss the status of identified and managed risks (strategic and operational) and to take decisions on changing their assessment (if necessary), to add new risks or deactivate existing ones that are no longer relevant.

### **Information and Communication**

All employees are given a clear message from the top management of the Parent Company 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'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 Unit is in charge of the information exchanged with the Municipality of Sofia, the EWRC and other institutions. The relations with customers are managed by the teams of the Commercial Directorate.

The intranet of the Group 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 entity's objectives. Control activities are implemented throughout the organization, at all levels and in all units. They include a range of activities, such as approvals, authorization, verification, coordination, review of the operating performance, security of assets, and segregation of duties.

All effective policies, procedures and instructions on the specific work processes 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 and the work of the internal control function in the Group) under the Independent Financial Audit Act and the expressing of sustainability assurance.

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 (independent and objective activity under the International Standards for the Professional Practice of Internal Auditing), 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, 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 company in the amount of at least 10% of its equity; if the total value of the liabilities or receivables of the company 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 28.02.2025, an extraordinary General Shareholder Meeting of Sofiyska Voda AD was held, where Mr. Frederic Laurent Faroche and Mr. Biser Nikolaev Damyanovski were removed as members of the Board of Directors and Mr. Jerome Louis-Marie Pierre Lemaire, Mr. Stefan Ivanov Pamukchiev and Mr. Ventsislav Iliev Mihaylov were elected as Board members. Also, the General Shareholder Meeting determined the amount of the remuneration of the Board members and the amount of the management guarantee.

On 12 September 2025, the regular Annual General Shareholder Meeting of Sofiyska Voda AD was held. The following decisions were taken at the General Meeting:

1. The consolidated report on the activity of Sofiyska Voda AD for 2024 and the consolidated annual financial statements of the Group for 2024 were approved;
2. The separate report on the activity of Sofiyska Voda AD for 2024 and the separate annual financial statements of Sofiyska Voda AD for 2024 were approved;
3. The report on the activity of the Audit Committee of Sofiyska Voda AD for 2024 was approved;
4. The General Meeting extended the term of office of the Audit Committee of Sofiyska Voda AD for a period of 2 (two) years;
5. The General Meeting decided for the profit of Sofiyska Voda AD for 2024, in the amount of BGN 53,337,333.54 (after 1% allocation to handback account as per the Concession Agreement), to be distributed between the shareholders of the Parent Company in the form of dividends, as the amount of the dividend per share is BGN 6.003458;
6. The Board members were released from liability to the Company for their activity in 2024 as follows: Mr. Francois Debergh, Ms. Mariana Iteva, Mr. Frederic Faroche (removed with the Decision under it. 1 of the extraordinary General Shareholder Meeting held on 28.02.2025), Mr. Vasil Trenev, Mr. Biser Damyanovski (removed with the Decision under it. 1 of the extraordinary General Shareholder Meeting held on 28.02.2025) and Mr. Georgi Bankov.

Within the statutory time limits, the Parent 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 Shareholder Meeting on the way of distributing the profit on its account in the Trade Register at the Registry Agency.

### **Board of Directors:**

In 2025, there were changes in the Board of Directors of the Parent Company. With the decision taken at the extraordinary General Shareholder Meeting held on 28.02.2025, Mr. Frederic Laurent Faroche and Mr. Biser Nikolaev Damyanovski were removed as members of the Board of Directors and Mr. Jerome Louis-Marie Pierre Lemaire, Mr. Stefan Ivanov Pamukchiev and Mr. Ventsislav Iliev Mihaylov were elected as Board members.

Following the change, the Board of Directors of Sofiyska Voda AD comprised 7 members: Mr. Francois Michel Debergh; Mr. Jerome Louis-Marie Pierre Lemaire; Ms. Mariana Georgieva Iteva, Mr. Vasil Borisov Trenev, Mr. Georgi Ivanov Bankov, Mr. Stefan Ivanov Pamukchiev and Mr. Ventsislav Iliev Mihaylov.

In 2025, the Group 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 2025 were BGN 937,000 (2024: BGN 742,000), of which the amount unpaid as at the reporting date was BGN 75,000 (31.12.2024: unpaid BGN 45,000). The income of the Board members in the period is as follows: Member 1: BGN 5,000, Member 2: BGN 8,000, Member 3: BGN 35,000, Member 4: BGN 12,000, Member 5: BGN 5,000, Member 6: BGN 5,000 and Member 7: BGN 5,000.

The Board members did not hold, acquire or transfer shares or bonds of the Group during the year.

The Board Members have no rights to acquire shares in the Group.

In 2025, 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 – managed and held more than 25% of the capital of GV Public Partners EOOD, UIC 206041187, participated in the management of LB Bulgaricum EAD, UIC 831622969.
5. Jerome Louis-Marie Pierre Lemaire – participated in the management of Veolia Solutions Bulgaria EAD, UIC: 130547859, Veolia Services Bulgaria EAD, UIC 121371700; Veolia Energy Varna EAD, UIC 103195446, Vigi Group (branch – Greece), registered in the Trade Register of Greece with number 161508001001.

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

#### **Acquired and transferred shares:**

In 2025, the Parent 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 2025, the share capital included 8,884,435 ordinary registered shares (2024: 8,884,435), each having a par value of BGN 1.

As at 31 December 2025, the shareholders in the Parent Company's capital are:

- Veolia Central & Eastern Europe – 6,850,000 ordinary registered shares (77.1%);
- Vodospadnyavane 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 Group has no branches.

### **Business Plan:**

The preparation of the Business Plan 2027 – 2031 of Sofiyska Voda AD started during the second half of 2025. The document has to be prepared and submitted for consideration to the Energy and Water Regulatory Commission (EWRC) by the end of June 2026. On 15.09.2025, the Group published on its webpage the proposal for the levels of the KPIs of the WSS services in the period 2027 - 2031, observing the requirements of the EWRC. The levels of the KPIs of the WSS services approved finally by the EWRC will be set in the draft Business Plan. In December 2025, the EWRC determined the rate of return on the Parent Company's equity, which corresponds to the rate of return set in the Concession Agreement – 13%.

During the reporting period (2025), the Group reported good results as regards the main aspects of the activity, as the efforts were directed towards maintaining its operational efficiency and optimizing the business processes. In November 2025, the EWRC published a "Comparative Analysis of the WSS Sector in the Republic of Bulgaria for 2024". The analysis confirmed the leading position of Sofiyska Voda AD in the WSS sector of 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 2025, the EWRC conducted its traditional annual audit of the Parent Company. The audit did not find any violations of the regulatory requirements and the currently effective legislation.

### **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, also a number of working meetings were 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 Parent 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 are no ascertained cases of noncompliance with the commitments under the Concession Agreement in 2025.

### **Events following the reporting date:**

Pursuant to the Law on the introduction of the Euro in the Republic of Bulgaria, with effect from 1 January 2026, the euro becomes the legal currency and legal tender in Bulgaria. The official exchange rate is set at BGN 1.95583 per 1 euro.

The introduction of the euro as official currency in the Republic of Bulgaria is a change in the functional (reporting) currency of the Group, which will be reflected prospectively and is not an event after the reporting period, requiring an adjustment to the financial statements for the year ending on 31 December 2025.

The Group does not expect substantial effects from the revaluation of the opening balances in euro as at 1 January 2026 and from the process of changing the functional (reporting) currency.

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

### **Information about services provided by the independent auditor:**

The expenses on the remuneration of the appointed independent auditor amounted to BGN 268 thousand (of which for the auditor of the parent company – BGN 264), of which BGN 202 thousand for the statutory independent financial audit (of which for the auditor of the parent company – BGN 198).

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 Parent Company, the following services:

- Statutory financial audit of the Parent Company's separate and consolidated financial statements, prepared for the year ending 31 December 2025 in compliance with the IFRS accounting standards adopted by the EU;
- Audit of financial information for consolidation purposes of the Group, prepared as at and for the year ending 31 December 2025, 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:

The customer service teams continued to make efforts to optimize the available resources and achieve the objectives set out in the Customer Charter in 2025. The main goal is to provide quality service within the shortest possible period of time. The average time for considering requests, applications, complaints and other documents remained at the level achieved of 9 calendar days.

Some organizational and technological improvements were made towards achieving a high level of customer satisfaction.

The working hours of the Tsar Boris CSC were changed and two shifts were introduced, thus allowing the customers to visit it during a longer period of day.

In 2025, the Online Service Unit was set up to meet the increasing volume of communication through the website of the Parent Company. The questions received via this channel are over 100 per day. At the same time, the requests for changing accounts are also increasing on a daily basis, which requires the relevant resources. In addition to expanding the team, a business analysis and process review have begun for the purpose of automation and robotization. Mechanisms for automating some of the activities are about to be implemented.

Two specialized teams were formed in the Written Correspondence Dept. to process the incoming correspondence and customer inquiries, divided by competence areas – for technical and commercial issues. In order to optimize human resources and increase the motivation and attractiveness of the position, a home office option was introduced for the teams processing the written correspondence. The successful practice continues of holding meetings with customers on resolving finally cases that have arisen. During these meetings, problems are discussed and an individual approach is proposed to achieve a mutually beneficial solution for the parties. Upon receipt of signals and if necessary, field visits are organized in order to find the most appropriate solution for both parties, taking into account the technical possibilities and requirements.

Work is under way to optimize the customer service processes in the Call Center, as a project was launched for submitting automated self-readings by phone, using the Speech-to-text technology with a voice assistant. The home office option was also approved for the team of the Call Center, thus, in addition to increasing the capacity of the employees, savings were also realized on transportation costs.

During the calendar year, the missed calls were 15% vs. 9.5% in 2024, which resulted from the significantly increased volume without any change in the available resources. The level of “service by an operator up to 30 seconds” marked a decrease and it is 66%, with the main reason being the reduced number of the team employees due to unoccupied vacancies in a recruitment process. For the period, the registered average waiting time recorded for the customers in the call queue decreased to 8 seconds.

In 2025, two customer satisfaction surveys were carried out:

- Traditional annual survey with Parent Company's customers through a direct standardized interview with customers from the representative sample carried out by an external supplier. The results from the survey were analyzed and the recommendations were taken into account. The general result of it was that the overall customer satisfaction was 82%. According to the survey, the high levels of satisfaction were maintained with the main directions of company activities, namely water quality, continuity and water pressure. With the highest level of customer approval is the variety of payment channels.
- Survey among the employees of Sofiyska Voda AD (Mirror survey) in their role of users of the company services. The survey was conducted through an internal questionnaire with the same questions as in the external survey. The objective was to compare the results and take the necessary measures for improvement. The overall rating of satisfaction with the company activity given by the employees is 91%.

A phone survey is conducted every quarter to measure customer experience – the so-called “Effort Evaluation” that shows how difficult it is to work with Sofiyska Voda. The survey is carried out via interviewing a sample of around 1,000 customers who use the company services for the quarter. The “Effort Evaluation” survey aims at showing how our customers perceive us through all interactions they have with the Parent Company, its products and services. This is yet another way to get customer feedback through surveys, complaints and inquiries, which help the Company optimize and manage the processes.

The traditional annual raffle for loyal customers continued in 2025, and the Parent Company customers, drawn by the committee, get discounts on the invoices.

### **Customer Relations**

In 2025, there is a serious increase by 11.9% in the total number of contacts with customers compared to 2024.

The main reason for the growth is the increase by 13.6% in the incoming calls to the free phone line 080012121 and by 51% in the communication via the online channel.

For customers' convenience, the Parent Company has been developing a wide variety of channels and forms of communication and ways of interacting with them – customer service centers with physical locations, Call Center with free 24-hour phone and hotline, anti-corruption phone line, webpage with options for creation of customer profiles, online requests, online chat and chatbot, mobile application with options for submission of self-readings, online payments, submission of signals, multiple push notifications, analysis of the consumption and many others.

### **Customer Service Centers**

In 2025, the total number of visits to all Customer Service Centers (CSCs) decreased by 7.6% or a little over 9,000 visits less.

The main reasons due to which customers visited the Customer Service Centers remain the following: to receive information, make inquiries regarding customer accounts and request technical services.

### **Internet Services**

The services accessible via the website of Sofiyska Voda are increasingly widely used. There is an increase in the number of new customers registered on the company website. In 2025, the newly registered customers were 25,650 or by 25% more compared to 2024. The total number of online self-readings submitted by customers in 2025 were 1,034,937 (vs. 841,733 in 2024), which is 19% higher vs. the previous year. The readings provided from the remotely-read water meters were 137,943 (73,540 in 2024).

The inquiries received by the team for online services via the website over the period January – December 2025 were 24,120 or by over 7,000 more compared to the previous year.

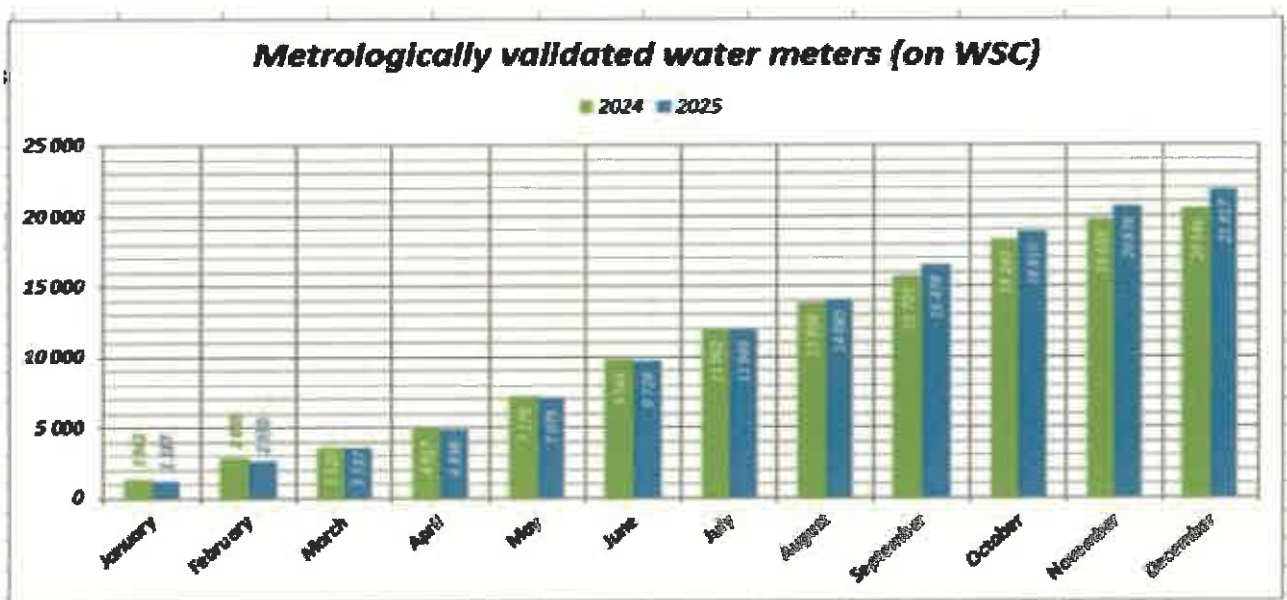
One of the channels with the highest increase in 2025 is the Online chat. It is becoming increasingly popular among the customers due to being easy to use and quick to service. Over the past 2025, this channel registered an increase of 15% compared to 2024.

Over the past year 37,444 customers registered to receive an e-invoice. The total number of the people who receive e-invoices was already 334,017 at the end of 2025.

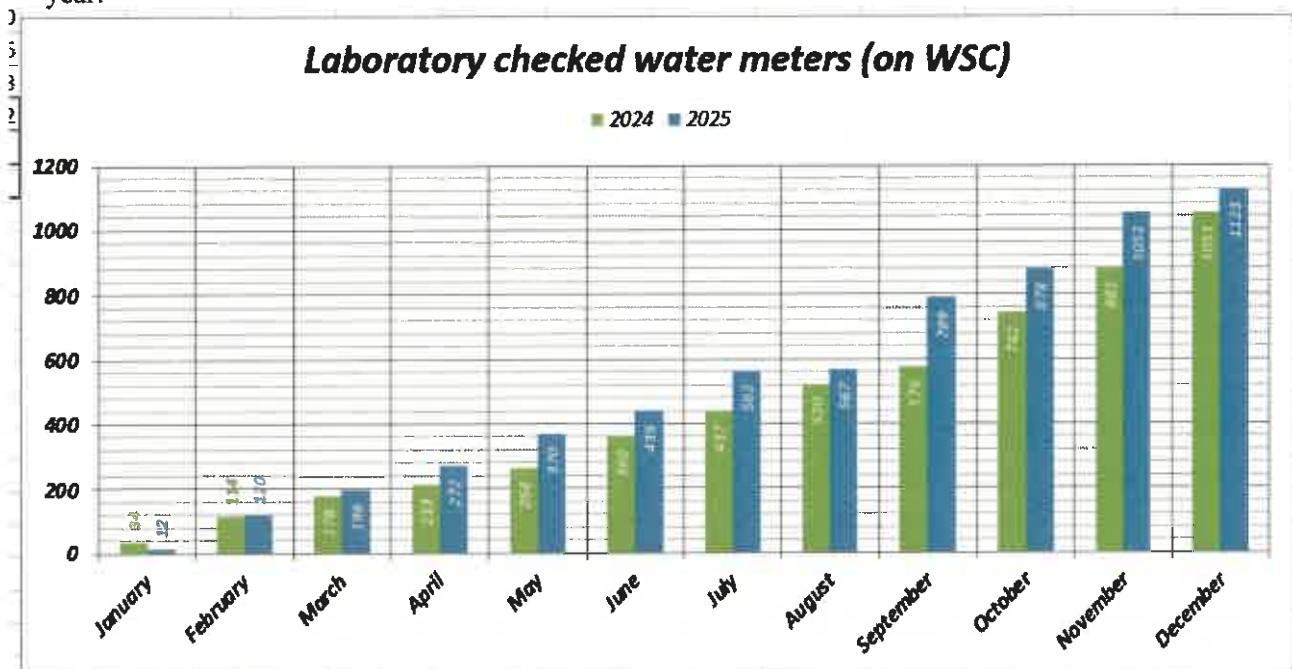
The analysis of the indicators reported for the past 2025 clearly shows increasing dynamics and growing trend among the customers towards more and more widely use of different channels for remote communication, as well as quite increased utilization of the various online services.

## Water Meter Services, Billing and Debt Collection

### Replacement of water meters on water service connections



The number of metrologically validated water meters increased by 1,271 or 6% vs. the same period of last year.

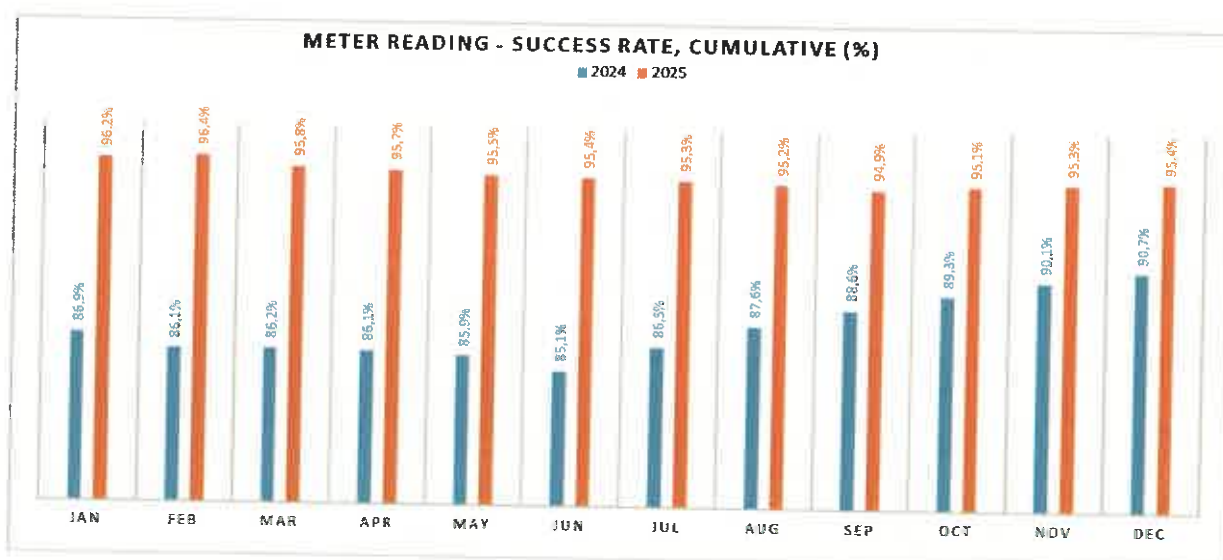


The metrologically validated water meters in 2025 were 1,123 water meters, which is an increase by nearly 7% compared to 2024. The inspection of the water meters in authorized laboratories for water meters are connected mainly to confirmation of the accuracy of the billed water volumes.

### Water Meter Reading

In 2025, the total number of water meters, including the individual water meters, measuring the water consumption in condominiums, read by Sofiyska Voda AD, was 1,587,542, which is higher by 2% vs. 2024.

The meter reading activity is assigned mainly to a contractor whose employees read most of the water meters (mainly those of domestic customers). The smaller part of the activity is performed by Parent Company employees, who read the water meters of big and industrial customers in line with the monthly reading schedule. The overall reading efficiency increased in 2025 and it is presented per month on the following chart:



An increase is recorded for the success rate in the meter reading activity for 2025, reaching 95.4% compared to 90.7% in 2024. The main reason for the increase is an improvement in the meter reading organization of both Parent Company teams.

### Billing

In 2025, a slight decrease was registered in the billed volumes of potable water by 0.1% on an annual basis in comparison with 2024 (79.54 million m<sup>3</sup> in 2025 and 79.65 million m<sup>3</sup> in 2024). An increase was registered in the supplied non-potable water compared to the previous year by 40.67% or 2.085 M m<sup>3</sup>. An increase is registered also in the billed volumes to another WSS operator by 11.2% or 874 thousand m<sup>3</sup>.

At the end of 2025, the EWRC determined a new tariff for the water supply, sewerage and wastewater treatment services, valid as of 1<sup>st</sup> of January 2026. The total amount of the billed volumes in 2025 was BGN 286.69 M, VAT inclusive, which is more by BGN 46.17 M (19.20%) compared to 2024.

### Collection of receivables

The total collected amount as at 31.12.2025 was BGN 282.59 M in comparison with BGN 235.14 M in 2024, or the registered increase was 20.2% on an annual basis. The annual collection rate for 2025 was 98.58% compared to 97.77% in 2024. The main factors with a direct impact on debt collection were the decision to adopt the euro as an official currency in Bulgaria, the escalating political and uncertain economic situation, as well as the new price of the WSS services since 01.01.2025. The permanent factors with a negative impact remain the low priority of payment of the bills for WSS services, the slow legal procedures and the generation of current interests on liabilities exceeding 3 years.

The total amount collected as a result of the activities of the internal debt collection teams was BGN 26.70 M in comparison with BGN 21.83 M in 2024, or a registered annual growth of 22.30%.

The Parent Company continued working towards enhancing the measures to improve debt collection by introducing a new corporate Viber Business Channel used in the initial phase of debt collection process in order to prevent debt accumulation. This channel enriched the digital tools for improving debt collection and cash flow.

The successful practice continued to apply different approaches, flexible solutions and individually structured deferred payment agreements for customers with temporary financial difficulties.

## **BUSINESS DEVELOPMENT**

In the period January – December 2025, the revenue resulting from the activity of the Business Development Directorate amounted to BGN 3,850,404.

### **Public and industrial customers**

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

Over the period January – December 2025, contracts were concluded or offers accepted for BGN 899,296 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 to the customers – installation, testing and sealing of individual water meters, as well as small plumbing services.

Over the period January - December 2025, the revenue from the service Installing and Testing of Individual Water Meters amounted to BGN 3,060,682, and in the same period of 2024, the revenue was BGN 2,440,982.

Over the period January - December 2025, the revenue from the service Water Meter Sealing amounted to BGN 197,376, and in the same period of 2024, the revenue was BGN 191,878. The realized revenue from contractors in 2025 amounted to BGN 347,852, and in the same period of 2024, it amounted to BGN 286,197.

Over the period January - December 2025, 5,316 remotely-read water meters were installed at both entire buildings and condominiums, new and old buildings, as well as for individual customers in a total amount of BGN 2,083,151. Over the same period of 2024, 4,448 remotely-read systems were installed for BGN 1,643,141, i.e. the revenue in 2025 is 27% higher.

## **OPERATION AND MAINTENANCE**

### **Water resource management**

The continuous monitoring of the water volumes supplied to the concession area is 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 2025 was 135,497,711 m<sup>3</sup>.

The raw water abstracted from all water sources in the period January - December 2025 compared to the same period of 2024 decreased by 2,835,778 m<sup>3</sup>.

### **Consumption trends**

In 2025, the Parent Company's total billed volumes increased by 3.1% compared to 2024, or by 2.847 million m<sup>3</sup> more.

Regarding the potable water, the registered decrease was 0.1% or 112 thousand m<sup>3</sup> less compared to 2024.

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

Water	2024	2025	Annual variation (m <sup>3</sup> )	Annual variation (%)
	m <sup>3</sup>	m <sup>3</sup>		
Households	60 997 270	60 678 331	-318 939	-0.52%
Budget Customers	3 616 504	3 456 871	-159 633	-4.41%
Commercial Customers	15 041 040	15 407 562	366 522	2.44%
Non-potable water	5 127 829	7 213 153	2 085 324	40.67%
Raw Water (WS Beli Iskar and WS Bozhurishte)	7 930 844	8 804 610	873 766	11.02%
<b>Total potable water WS Sofia</b>	<b>79 654 814</b>	<b>79 542 764</b>	<b>-112 050</b>	<b>-0.14%</b>
Total billed water for all water supply systems	92 713 487	95 560 527	2 847 040	3.07%

The greatest increase is observed for commercial customers, respectively by 2.4% (367 thousand m<sup>3</sup>) on an annual basis, mainly due to the increased production and the repaired leaks.

Regarding the households, a decrease is registered of 0.5% (319 thousand m<sup>3</sup>) resulting from the lower population in the concession area. The higher prices and awareness of the need to reasonably use the water resources lead to a decrease in the monthly water consumption.

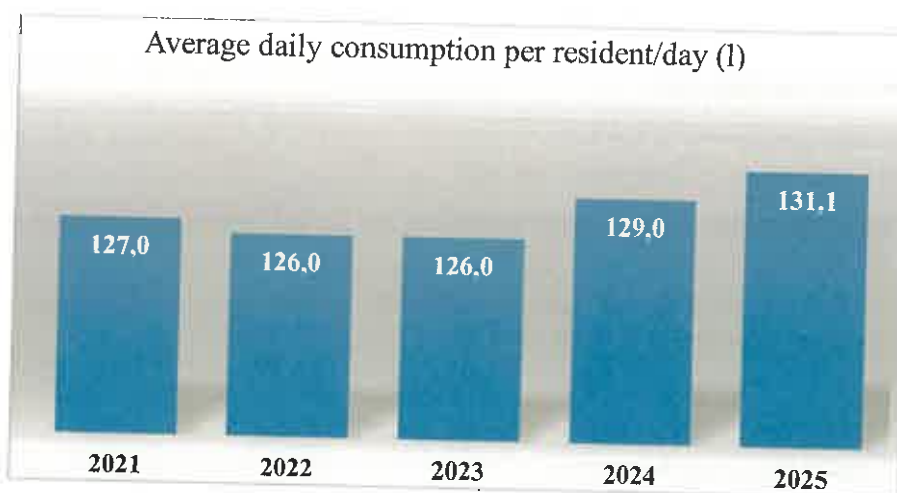
An increase was registered for raw water, which is due to the increased billed volumes for Samokov (+796 thousand m<sup>3</sup>), and for WS Bozhurishte (+77 thousand m<sup>3</sup>) vs. 2024. The volumes of raw water supplied from the two water systems (WS Beli Iskar and WS Bozhurishte) to the only customer of the Parent Company – the state-owned Vodospabdyavane i Kanalizatsia EOOD, depend on the available reserves of its own bored wells.

In 2025, the volumes of non-potable water registered an increase compared to 2024 of 40.67% (2.085 million m<sup>3</sup>), as the main customer is Toplofikatsia Sofia EAD.

### Consumption of households – analysis of the current trends

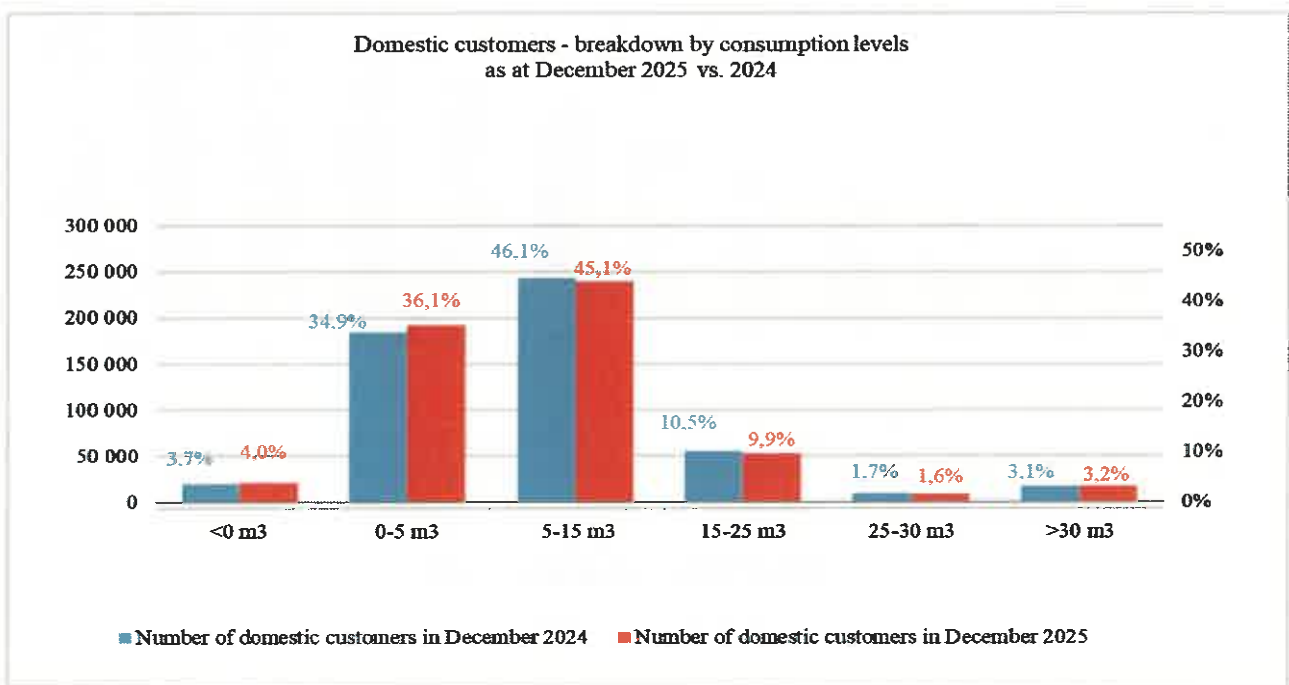
In 2025, the billed volumes of potable water for the households had the highest share of 76% in the total billed consumption, as the total billed volumes for the households were 319 thousand m<sup>3</sup> less compared to 2024.

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

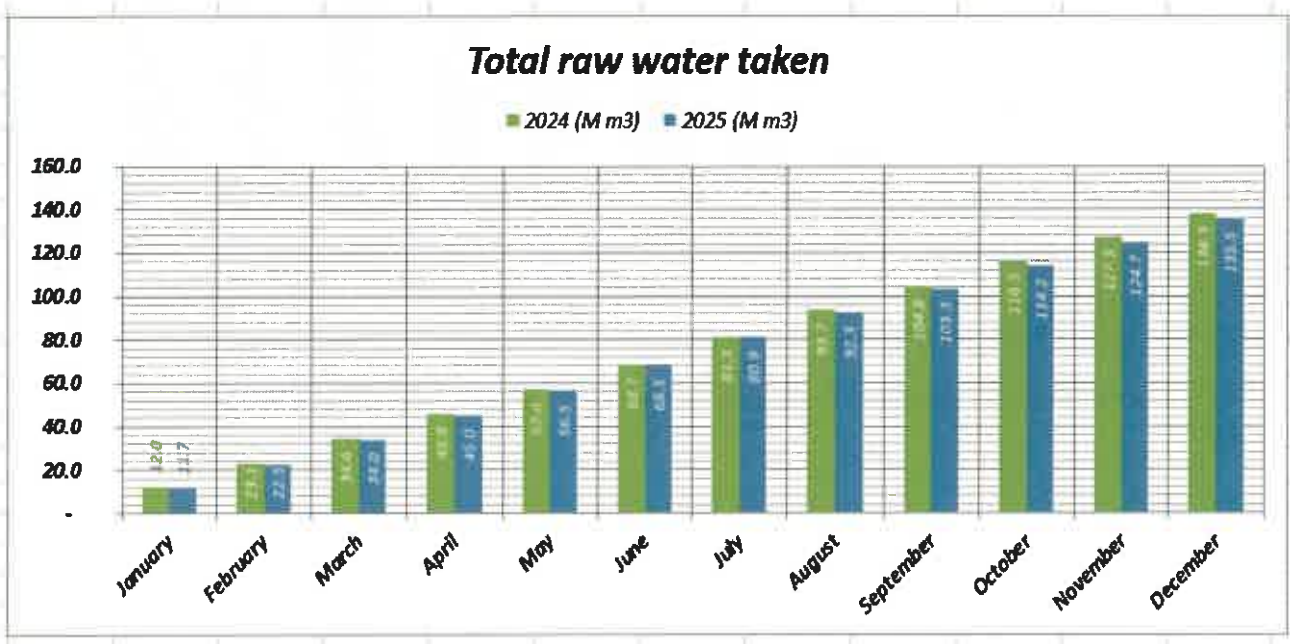


The average daily consumption is calculated as a ratio between the billed annual volumes for households and the number of the population of Sofia city (forecast for 2025 of the National Statistical Institute), divided by 365 days.

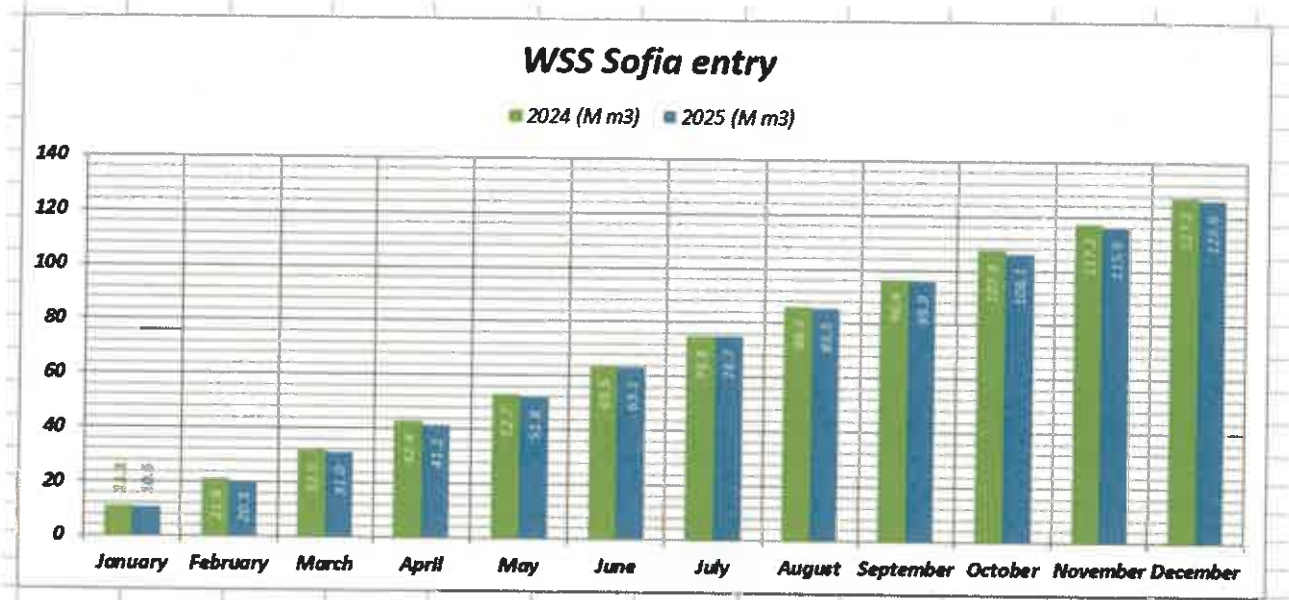
This trend is also related to the dynamics of the customer groups with higher water consumption towards those with lower water consumption. On a monthly basis, the Parent Company monitors the number of household customers, whose water consumption is measured according to the following monthly consumption: 0-5 m<sup>3</sup>, 5-15 m<sup>3</sup>, 15-25 m<sup>3</sup>, 25-30 m<sup>3</sup>, exceeding 30 m<sup>3</sup>/month. In 2025, the highest was the share of customers with an average monthly consumption of 5-15 m<sup>3</sup> (45.1%) and of those with 0-5 m<sup>3</sup> (36.1%):



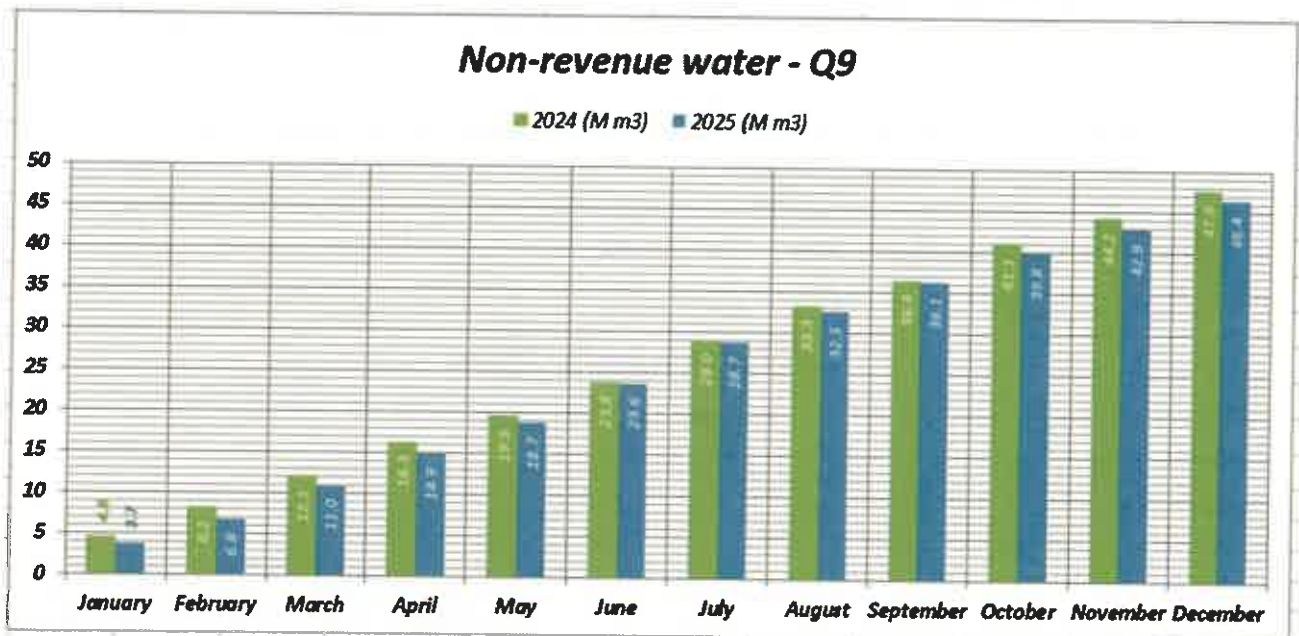
### Reduction of unaccounted-for water



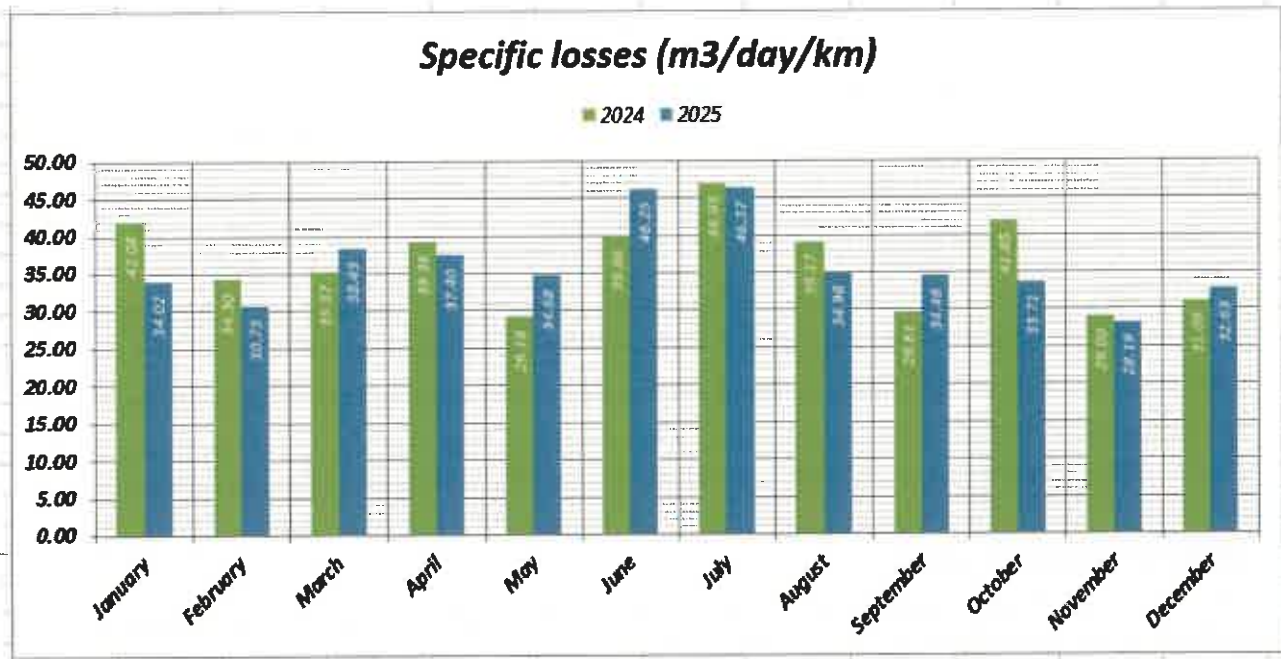
The total abstracted water volumes marked a decrease by 2.84 million m<sup>3</sup>, or a decrease of 2%.



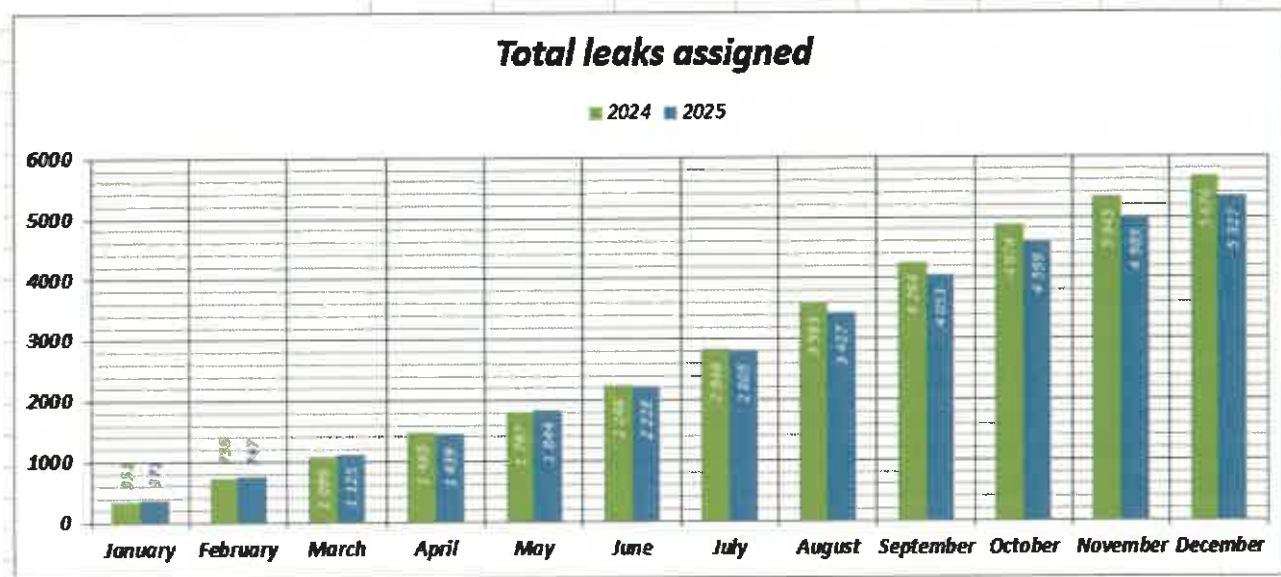
Over the period January – December 2025, there was a decrease in the water supplied at the entry of WS Sofia by nearly 1.31 million m<sup>3</sup> in comparison with the same period of 2024.



Non-revenue water (Q9) marked a decrease by over 1.202 million m<sup>3</sup> compared to the same period of last year.



The level of the specific losses is marked by a decrease of 0.50 m<sup>3</sup>/day/km of network on average, or a decrease by 1.36%.



The total leaks assigned marked a decrease by 6.15%, or 345 leaks, in comparison with the same period of the previous year.

### 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 2025 are as follows:

✓ KPI 2a - compliance level for the large water supply zones – 99.98%, which exceeds the regulatory requirements for the long-term levels of the KPI (99.94% as per an approved business plan);

✓ KPI 2b - compliance level for the small water supply zones – 98.56%, which exceeds the regulatory requirements for the long-term levels of the KPI (98.46% as per an approved business plan);

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

In 2025, samples from the points included in all 6 water supply zones were monitored, exceeding the frequency required under Ordinance 9 on the Quality of Water Intended for Drinking and Household Purposes.

### **Laboratory Testing Complex**

The Laboratory Testing Complex (LTC) of Sofiyska Voda AD implements the Parent 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 2025, in the LTC, a total of 20,291 samples were received, to which 251,669 analyses were performed (2,652 of them were given to an external accredited laboratory). For comparison, in 2024, a total of 17,225 samples were received, to which 217,052 analyses were made, which shows 16% increase in the number of analyses and 18% increase in the number of the samples in 2025 compared to 2024.

The increased number of samples and analyses in the Laboratory Analyses – Drinking Water Unit is due to the additional number of samples taken for analysis of phytoplankton, phenols and other indicators, in relation to the worsened taste and odor of the drinking water in the late spring and early summer periods of 2025, as well as more samples received from customers with paid lab services and samples from internal monitoring (reservoirs, water sources, etc.).

The increased number of samples in the Laboratory Analyses – Wastewater Unit is due to the received more samples in relation to the monitoring of the new facilities in Kubratovo WWTP.

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

In 2025, the LTC continued the successful fulfilment of its contracts for the provision of laboratory services to external customers, under which revenues were realized, and its 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 2025, LTC participated in proficiency tests for 141 analyses, from which the satisfactory results were 140 and the unsatisfactory – 1. The success rate of LTC from all participations in 2025 is 99.29%. 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 bodies and other regulatory units.

In October 2025, the LTC submitted documents to the Executive Agency “Bulgarian Accreditation Service” for re-accreditation and extension the scope of accreditation because the existing certificate expires on 16.08.2026.

### **Water Network Management**

The focus of the Parent Company in 2025, as in 2024, 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 regarding the occurred or future operational events through the Information Center, where the zones affected by the emergency and planned water supply interruptions are visualized, and through the SMS notification service for the 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 Parent Company. Additional upgrade of the Pegasus software application 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 teams of Commercial Losses, Technical Water Meter Maintenance, as well as Maintenance of Water Systems and Sanitary Restricted Areas;
- The total number of customers who requested the SMS notification service for planned water supply interruptions was 47,241, and in the period January - December 2025, a total of 46,000 messages were sent;

Over the period January - December 2025, the ratio of the 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 sewer network continued in 2025, and as a result of it, during that period, more than 100 km of the network within the concession area were cleaned proactively, which is 17 km less compared to 2024.

In the period January - December 2025, the sewer network surveyed and recorded with all cameras of the Parent Company was 55 km, which is 18 km less in comparison with 2024.

In addition, 12 km of sewers over  $\Phi 1500$  were inspected on foot compared to 16 km in 2024.

At the request of different institutions, we are required more and more often to survey river beds. In 2025, 11 km of rivers were surveyed, which is linked to the diversion of resources from other important activities on the sewer network.

### **Wastewater treatment**

In the period January – December 2025, the Sofia Wastewater Treatment Plant (SWWTP) treated 110.6 million m<sup>3</sup> of wastewater from the sewer network of the Municipality of Sofia, which is 1.62% less compared to last year.

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<sub>5</sub>), 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<sub>5</sub>), 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 2025, the legally required 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 decrease in the inflowing volume of wastewater, with retention in the level of concentration of carbon pollution vs. the previous year, as well as retention of the level of the nitrogen and phosphorus loads.

### **Sludge Stabilization and Utilization**

Primary sludge, which is generated during the mechanical treatment of the water, and the excess activated sludge, formed in the biological treatment process, are treated in Sofia's Kubratovo WWTP.

The primary and secondary sludge formed is additionally treated for the purpose of its stabilization. Mixed, the two types of sludge are fed for mechanical thickening into centrifuges, after which are transported to a thermal hydrolysis installation.

In that process, the pre-thickened sludge is hydrolyzed and broken down under the influence of steam and high pressure, whereby achieving reduced sludge viscosity and an increase in feeding volumes compared to the conventional anaerobic treatment. The thermal processing, in turn, disrupts the hydrophilic nature of the sludge, which allows for improved dewatering afterwards.

The hydrolyzed sludge is fed into four anaerobic digesters, passing through stabilization, after which the sludge is directed for mechanical dewatering via belt filter presses until obtaining a "sludge cake" with dry matter content - around 25.51% for the period January – December 2025.

Over the period January – December 2025, 14,208 tons of absolute dry matter sludge from the treatment processes were stabilized and dewatered, and 19,872 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 from the treatment facilities are entered in the public register - National Waste Information System to Executive Environment Agency. Sofiyska Voda AD monitors and submits the required reports to the Ministry of Environment and Water.

## INVESTMENTS JANUARY – DECEMBER 2025

In 2025, Sofiyska Voda worked on the implementation of the investment program under the Business Plan totaling BGN 50.89 M. The structure of the planned and implemented investments is as follows:

Service	Business Plan 2025	Implemented investments January – December 2025	% Delivered investments vs. the Business Plan for 2025
Water supply	24 061 825	21 217 976	88%
Sewerage	17 698 393	22 076 575	125%
Wastewater treatment	4 222 893	5 375 201	127%
<b>TOTAL INVESTMENTS IN REGULATED SERVICES:</b>	<b>45 983 111</b>	<b>48 669 752</b>	<b>106%</b>
INVESTMENTS FROM EXTERNAL FINANCING		44 098	
<b>INVESTMENTS IN NON-REGULATED BUSINESS</b>	<b>3 160 000</b>	<b>329 786</b>	<b>10%</b>
Considerations	248 293	180 987	73%
Additional Investments under the Third Amendment Agreement	1 500 000	2 670 462	178%
<b>TOTAL ADDITIONAL INVESTMENTS:</b>	<b>1 748 293</b>	<b>2 851 449</b>	<b>163%</b>
<b>TOTAL INVESTMENTS:</b>	<b>50 891 404</b>	<b>51 895 085</b>	<b>102%</b>

The total realized investments were in the size of BGN 51.90 M. Implementation of the total annual investments planned was 102%. The implemented investments in regulated services were in the size of BGN 48.70 M (106% - implementation).

A great part of the envisaged investments for the reconstruction of the water network at the beginning of the year were postponed due to changes and delay in administrative procedures of agreeing and approval of the detailed designs.

In 2025, the delay in the completion of the sites for expansion of the sewer system (the Parent Company's commitment under it. 3 of Annex 20, Appendix No. 2 to the Fourth Amendment Agreement to the Concession Agreement, concluded between the Municipality of Sofia and Sofiyska Voda AD – average planned annual cost of BGN 11 M) was compensated for to a great extent. With the projects implemented in 2025, it is expected for the total realized investments in 2024 and 2025 to be in the size of BGN 19.7 M.

According to the capex forecast in 2025, it is expected for the financial commitment under the Third Amendment Agreement to the Concession Agreement to be fulfilled.

As a result of the efforts made, the total realized investments meet to a great extent those set in the business plan.

## QUALITY MANAGEMENT

In June 2025, Sofiyska Voda AD passed successfully an audit of the Parent 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, the Energy Management System under BDS ISO 50001:2018, as well as the registration under Regulation 1221/2009 of the Community Eco-Management and Audit Scheme – EMAS. In 2025, a new independent certifying authority was selected to audit the compliance of the Anti-Bribery Management System BDS ISO 37001:2016 in line with the requirements of the Veolia Group.

During the conducted recertification audit under BDS ISO 9001:2015, BDS ISO 14001:2015 and BDS ISO 45001:2018 and control audit under BDS ISO 37001:2016 and BDS ISO 50001:2018, no non-conformities were identified. This result confirms the high compliance and efficiency level of the processes implemented at the Parent Company.

## **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 added also ISO 50001:2018 Energy Management Systems to the Integrated Management System.

In 2025, 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 upgrading 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 environment.

### **Environmental incidents**

In 2025, 4 incidents were reported: 1 fire, close to the fence, on the territory of Bistritsa PWTP; 1 fire, in dangerous proximity to the territory of Kubratovo SWWTP; 1 emergency floodgate opening due to intense rainfall at the inlet of Kubratovo SWWTP, and 1 case of sudden pollution at the inlet of Kubratovo SWWTP.

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 Parent 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 2025, the implementation of the planned activities related to the preservation of biodiversity at the sites of the Parent Company continued, the respective audits were conducted and adequate practices were introduced. The implementation of the objectives for 2025 was satisfactory and led to improved environmental impact.

### **Training and initiatives**

In 2025, 3 seminars were conducted on the subject: “Invasive species on the territory of Bistritsa PWTP, Kubratovo WWTP”, as well as an online seminar, in which employees from different units of Sofiyska Voda AD, as well as from the other Veolia companies in Bulgaria took part. Audits were conducted of the state of biodiversity at Bistritsa PWTP, Pancharevo PWTP, Mala Tsarkva PWTP and Kubratovo WWTP.

In 2025, a number of environmental protection initiatives took place, as some of the most significant were:

- Collecting and delivering 205 kg of caps in the “Caps for Future” campaign;
- Organizing and conducting training seminars on the subject “Invasive species on the territory of the sites operated by Veolia”.

### **Waste Management**

The Group strictly complies with the Bulgarian waste management legislation. In 2025, the following has been delivered for disposal, utilization or recycling:

- 13 tons of hazardous waste;
- 42.68 tons of non-hazardous waste;
- 49,540 tons (dry matter) – sludge from SWWTP Kubratovo for utilization on agricultural areas.

### **Green energy production**

The green energy generated in the period January – December 2025 at the Sofia Wastewater Treatment Plant Kubratovo (WWTP) was 19,047 MWh, which is 9.80% more compared to the same period of 2024. The production is based on the cogeneration facility for the recovery of biogas released in the sludge treatment process at the plant. In 2025, the green energy produced in the treatment plant covered 78.11% of the electricity needs of the treatment plant.

A trend was established of restoring the electricity production after the additional facilities commissioned on the sludge line – Thermal Hydrolysis and Anammox reactor, implemented under a project of the Municipality of Sofia with funding under 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**

### **Trainings and exchange of information**

In 2025, there were 13,404 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 1,071. The number of participations in occupational health and safety trainings was 4,618 (there are employees, who took part in more than 1 training).

In September 2025, the corporate H&S week was conducted, focused on the authority and responsibility of the employees to stop dangerous work.

Corporate software for occupational health and safety management is applied (Acciline +). In 2025, 659 events were registered in the application (good practices, safety visits, field data, unsafe events, unsafe conditions, unsafe behavior and property 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 2025, there were 4 lost time injuries per art. 55, par. 1 (during work), 2 lost time injuries per art. 55, par. 2 (on the way to work) and 1 incident (injury without loss of ability to work). Also, 634 near-misses were registered (undesired events having the potential to injure a human).

The OHS Leadership Project for the development of an interdependent H&S culture continued in 2025 as well.

## **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 are factors 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 of 1 January 2025, the salaries of all employees were increased by 2.4%, which is the official average annual inflation for 2024 as per the data announced by the National Statistical Institute.

In March 2025, the annual bonuses of the employees for the previous year were paid in line with the approved bonus scheme of the Parent Company, taking into account the fulfilment of the Company's business objectives agreed in the previous year.

As of 1 April 2025, the salaries of the employees were increased by 4.41% on average.

For an eight 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 2025, a total of 1,125 employees were involved in trainings, and there were 11,042 participations.

The training hours were 27,965, of which nearly 16,256 hours – in the form of online training.

There were 6,424 participations and 14,560 training hours in trainings for enhancing the professional competences.

The Group 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 4,618 participations and 13,405 training hours in mandatory H&S trainings held in 2025.

Sofiyska Voda AD is a registered partner in the employers' information system, enrolling students in a dual vocational training system. In 2025, 6 students from the high school of mechanical and electrical engineering "N. Y. Vaptsarov" completed a two-year training for electric and machine fitter jobs in a real working environment.

Over the year, initiatives were implemented under key programs for Sofiyska Voda AD, which would contribute to the company's development in the long run, in relation to different activities and processes.

20 high-potential employees took part in the Talent Program, after passing through the selection phases and approval. They took part in Evaluation and Development Centers, worked with mentors, passed training in the Leaders' Academy, developed projects under tasks assigned by the Management.

Successful start also of the first year of the "Bridge to Knowledge" Mentorship Program  
36 employees were selected as mentors, of whom 13 were from the senior management and mentored the participants in the talent program, while the remaining mentors were from the middle management and specialists, who passed knowledge to newly appointed employees and such relocated to different positions. All mentors passed through a specialized training program and supervision.

In 2025, the development of an expert competence model, aimed at identifying the key competencies for the Parent Company, was completed. Thus, the company has two competence models – for leaders and experts, each with 7 competencies in three categories. These tools serve for more targeted establishing of leadership potential, needs of developing and identifying talents and successors at key positions.

### **Summer Internship Program**

In 2025, 19 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, participate in activities and practice-oriented trainings, and enhance their professional knowledge and skills. Ten of them continued their career at the Parent Company.

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

- In May 2025, 12-grade students majoring in Water Construction visited Bistritsa Potable Water Treatment Plant and Sofia's Kubratovo Wastewater Treatment Plant within their mandatory additional practice related to the major.

- In July 2025, a four-day practical training of the 10-grade students, majoring in WSS Construction, was conducted, during which they learned more about the activity, mission, vision and values of the company.

During the training, colleagues, professionals in the WSS sphere, were guest lecturers at the high school and acquainted the students with the activities related to the electrical and mechanical maintenance of the WSS systems, the drinking and wastewater treatment process, the management of the water and sewer network, as well as the monitoring and maintenance of the Parent 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.

- In 2025, a new joint project was launched between Sofiyska Voda AD and the Sofia High School of Construction, Architecture and Geodesy "Hristo Botev" under the name "Modernization of Vocational Education and Training", funded under the Education Program 2021–2027. The main purpose of the initiative is to provide modern and high-quality vocational education and training corresponding to the rapidly changing labor market requirements.

Within the project, our cooperation is focused on organizing and conducting additional practical training in a real working environment, intended for students aged 16 and over, who are not enrolled in dual education. The additional practical trainings account for 240 (astronomical) hours for each student and are conducted under the leadership of an experienced mentor according to a specially developed program. The practice is directly related to the vocational training of the student and complements the mandatory training under the standard study schedule without duplicating or substituting it.

The initiative promotes the exchange and sharing of knowledge by providing the opportunity to the students to acquire practical experience in dynamically developing sectors. They work under the leadership of proven professionals in real working environment, which allows them to develop skills corresponding to the requirements of the labor market. In addition, the project creates a foundation of long-term partnerships between the educational institutions and the business, opening up new opportunities for future cooperation and joint initiatives.

Eight students from the 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> grades participated in first edition of the project. They held their practical preparation at different company departments. This distribution allowed students to become familiar with various aspects of the professional activity and gain valuable experience in line with their educational needs and interests.

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

In connection with the signed framework agreement for educational cooperation with the Professional School of Ecology and Biotechnology "Prof. Dr. Asen Zlatarov", 24 students from 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.

### **Cooperation with the University of Architecture, Civil Engineering and Geodesy and the Technical University of Sofia**

Sofiyska Voda AD took part in the career forums organized by the University of Architecture, Civil Engineering and Geodesy and the Technical University of Sofia.

In connection with the accreditation procedures of UACEG for professional field "Architecture, Civil Engineering and Geodesy" and the majors from the regulated professions, we provided an evaluation of the knowledge, skills and competencies of the graduated students, as well as of the quality of education at the university.

In 2025, three UACEG students completed their mandatory additional practice at the company in the form of a three-week training, during which they participated in the daily activities and work processes.

In April 2025, nine students from the Technical University of Sofia with major Engineering Ecology, visited Sofia's Kubratovo Wastewater Treatment Plant, getting acquainted with the technological processes and good practices in the operation of the facility.

### **Participation in career forums**

In 2025, 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 possibility for the company to present its ongoing and future projects, as well as the opportunities for career development offered by it. Part of the professional events, in which representatives of the Recruitment Unit of Sofiyska Voda AD were involved, were:

- Career forum of the Faculty of Biology at Sofia University "St. Kliment Ohridski"
- Internships Forum of the Technical University of Sofia;
- Career forum of the Faculty of Chemistry and Pharmacy at Sofia University "St. Kliment Ohridski";
- "Career Days – Students Meet the Business" of the University of Architecture, Civil Engineering and Geodesy, Sofia city;
- Job fair organized by Labor Bureau – Vazrazhdane.

### **Management's responsibility**

In compliance with the legal requirements, the Management draws up an annual consolidated report on the activities and consolidated financial statements for each financial year, presenting a true and fair view of the financial position of the Group for the calendar year, considering the financial performance and the cash flows in conformity with the applicable accounting framework. For the preparation of the consolidated financial statements, the Group applies the requirements of IFRS Accounting Standards, as adopted by the EU and the Bulgarian accounting legislation.

The Management's responsibility includes: development, deployment and maintenance of an internal control system, ensuring the preparation and fair presentation of the consolidated 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 consolidated financial statements have been prepared in full compliance with IFRS Accounting Standards, as adopted by the EU.

The Management also confirms that in the preparation of this consolidated annual report on the activities, it has provided a true and fair presentation of the development and financial performance of the Group for the past period, as well as its position and the major risks it has faced. The Management has approved the issuing of the consolidated annual report on the activities and the consolidated financial statements for 2025.

Sofia, 30 March 2026

Aneliya Ilieva  
/Finance Director/

Vasil Trenev  
/Executive Director/



**Consolidated statement of financial position**

**As of 31 December**

<i>In thousands of BGN</i>	<i>Note</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Assets</b>			
Property, plant and equipment	12	16,351	19,929
Intangible assets	13	285,475	264,245
Deferred tax assets	19	7,465	8,589
Trade and other receivables	15	3,587	3,021
<b>Total non-current assets</b>		<b>312,878</b>	<b>295,784</b>
Inventories	14	6,829	6,169
Trade and other receivables	15	33,464	33,503
Contract assets	4	15,157	13,998
Related party receivables	26,15	283	89
Income tax receivables		1,079	2
Short-term deposits	16,22	61,592	77,602
Cash and cash equivalents	16,22	33,842	10,797
<b>Total current assets</b>		<b>152,246</b>	<b>142,160</b>
<b>Total assets</b>		<b>465,124</b>	<b>437,944</b>
<b>Equity</b>			
Share capital	17	8,884	8,884
Reserves	17	10,774	10,774
Retained earnings		345,274	330,088
<b>Total equity</b>		<b>364,932</b>	<b>349,746</b>

Consolidated statement of financial position (continued)


<i>In thousands of BGN</i>	<i>Note</i>	<b>31 December 2025</b>	<b>31 December 2024</b>
<b>Liabilities</b>			
Lease liabilities	27,22	1,469	2,997
Employee benefits	23	3,397	2,780
National additional tax liabilities	20	1,990	1,515
Trade and other payables	20,26	3,994	3,977
<b>Total non-current liabilities</b>		<b>10,850</b>	<b>11,269</b>
Lease liabilities	27,22	1,879	1,824
Contract liabilities	4	13,138	11,038
Payables to related parties	22,26	3,769	3,684
Trade and other payables	20	63,769	55,433
Income tax payables		-	316
National additional tax liabilities	20	1,515	-
Provisions	21	4,006	3,414
Employee benefits	23	1,266	1,220
<b>Current liabilities</b>		<b>89,342</b>	<b>76,929</b>
<b>Total liabilities</b>		<b>100,192</b>	<b>88,198</b>
<b>Total equity and liabilities</b>		<b>465,124</b>	<b>437,944</b>

The notes from 8 to 63 are an integral part of these consolidated financial statements.

  
Vasil Trenev  
Executive Director



  
Anelia Ilieva  
Finance Director

  
Sylvia Peneva  
Registered Auditor, in charge of the audit  
Deloitte Audit OOD  
Registration number 033  
Date: 30.03.2026

## Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December

<i>In thousands of BGN</i>	<i>Note</i>	<b>2025</b>	<b>2024</b>
Revenue from main activities	4	247,968	208,363
Construction revenue	4	48,492	50,846
Other income	5	1,004	3,185
		<u>297,464</u>	<u>262,394</u>
Expenses for materials	6	(24,617)	(26,978)
Expenses for hired services	7	(83,792)	(78,689)
Depreciation and amortization	12,13	(34,662)	(30,881)
Employee benefit expenses	8	(50,402)	(45,445)
Social security contributions and other social expenses	8	(12,486)	(10,340)
Impairment loss on trade receivables and contract assets	22	(7,785)	(6,197)
Other operating expenses	9	(6,492)	(3,402)
<b>Operating profit</b>		<u>77,228</u>	<u>60,462</u>
Finance income	10	1,603	2,213
Finance costs	10	(350)	(356)
<b>Net finance income</b>		<u>1,253</u>	<u>1,857</u>
<b>Profit before taxes</b>		78,481	62,319
Income tax expenses	11	(9,777)	(8,447)
<b>Profit for the year</b>		<u>68,704</u>	<u>53,872</u>

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

For the year ended 31 December


In thousands of BGN


	Note	2025	2024
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified in profit or loss:</i>			
Remeasurement of defined benefit liability	23	(180)	96
		(180)	96
<b>Other comprehensive income for year, net of tax</b>		(180)	96
<b>Total comprehensive income for the year</b>		68,524	53,968

The notes from 8 to 63 are an integral part of these consolidated financial statements.

  
Vasil Trenev  
Executive Director



  
Anelia Ilieva  
Finance Director

  
Sylvia Peneva  
Registered Auditor, in charge of the audit  
Deloitte Audit OOD  
Registration number 033  
Date: 30.03.2025

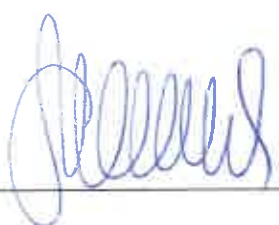
Consolidated statement of changes in equity  
In thousands of BGN


	Note	Share capital	Legal reserve	Retained earnings	Total equity
<b>Balance at 1 January 2024</b>		8,884	10,774	327,718	347,376
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	53,872	53,872
Other comprehensive income, net of taxes		-	-	96	96
<b>Total comprehensive income for the year</b>		-	-	53,968	53,968
<b>Transactions with shareholders</b>					
<b>Installments to shareholders</b>					
Dividends	17	-	-	(51,598)	(51,598)
<b>Total installments to shareholders</b>		-	-	(51,598)	(51,598)
<b>Balance at 31 December 2024</b>	17	8,884	10,774	330,088	349,746
<b>Balance at 1 January 2025</b>		8,884	10,774	330,088	349,746
<b>Total comprehensive income for the year</b>					
Profit for the year		-	-	68,704	68,704
Other comprehensive income, net of taxes		-	-	(180)	(180)
<b>Total comprehensive income for the year</b>		-	-	68,524	68,524
<b>Transactions with shareholders</b>					
<b>Installments to shareholders</b>					
Dividends	17	-	-	(53,338)	(53,338)
<b>Total installments to shareholders</b>		-	-	(53,338)	(53,338)
<b>Balance at 31 December 2025</b>	17	8,884	10,774	345,274	364,932

The notes from 8 to 63 are an integral part of these consolidated financial statements.

  
Vasil Tenev  
Executive Director



  
Anelia Ilieva  
Finance Director

  
Sylvia Peneva  
Registered Auditor, in charge of the audit  
Deloitte Audit OOD  
Registration number 033  
Date: 30.03.2026

## Consolidated statement of cash flows

For the year ended 31 December

In thousands of BGN

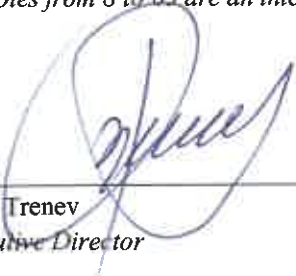
	Note	2025	2024
<b>Cash flow from operating activity</b>			
Net profit for the year		68,704	53,872
Adjustments for:			
Depreciation of property, plant and equipment	12	6,054	6,583
Amortisation of intangible assets	13	28,608	24,298
Impairment loss on trade receivables and contract assets	22	7,785	6,197
Write-down of inventories to net realizable value/ (realization)	9	631	(143)
Scrapping materials	9	86	28
Expenses for scrapping fixed assets	9	14	98
Net finance (income)/costs	10	(1,253)	(1,857)
Gain on sale of property, plant and equipment		(176)	(12)
Tax expense	11	9,777	8,447
		<u>120,230</u>	<u>97,511</u>
Changes in:			
- employee benefits		331	560
- provisions		592	(1,949)
- inventories		(1,378)	(795)
- trade and other receivables		(9,463)	(7,169)
- trade and other payables		7,339	4,109
- contract assets	4	(1,159)	(1,014)
- contract liabilities	4	2,100	709
<b>Cash flow from operating activity</b>		<u>118,591</u>	<u>91,962</u>
Income tax paid		(7,733)	(4,812)
<b>Net cash flow from operating activity</b>		<u>110,858</u>	<u>87,150</u>
<b>Cash flows from investing activity</b>			
Income from sale of property, plant and equipment		176	13
Acquisition of property, plant and equipment		(2,057)	(2,383)
Acquisition of intangible assets		(47,931)	(53,178)
Transfer from/to deposits		17,492	(14,379)
<b>Net cash flow used in investing activity</b>		<u>(32,320)</u>	<u>(69,927)</u>

**Consolidated statement of cash flows (continued)**


**For the year ended 31 December**


<i>In thousands of BGN</i>	<i>Note</i>	<b>2025</b>	<b>2024</b>
<b>Cash flow from financing activity</b>			
Payment of lease liabilities	27	(2,034)	(1,911)
Dividends paid	17	(53,338)	(51,598)
Interest paid	18	(121)	(141)
<b>Net cash flow used in financing activity</b>		<b>(55,493)</b>	<b>(53,650)</b>
<b>Net change in cash and cash equivalents</b>		<b>23,045</b>	<b>(36,427)</b>
Cash and cash equivalents at 1 January		10,797	47,224
<b>Cash and cash equivalents at 31 December</b>	<i>16,22</i>	<b>33,842</b>	<b>10,797</b>

*The notes from 8 to 63 are an integral part of these consolidated financial statements.*

  
Vasil Trenev  
Executive Director



  
Anelia Ilieva  
Finance Director

  
Sylvia Peneva  
Registered Auditor in charge of the audit  
Deloitte Audit OOD  
Registration number 033  
Date: 30. 03. 2026

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## 1. Reporting entity

„Sofiyska Voda“ AD (the Parent 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 Group is Bulgaria, Sofia, 159 Tsar Boris III street, Business Centre Tsar Boris, floors 2 and 3. The Group is 77.1% owned by Veolia Central and Eastern Europe and 22.9% owned by Vodostnabdiavane 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 group Book of Shareholders on 04.02.2022.

The Group'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.

As of 31 December 2025 and 31 December 2024 the consolidated financial statements of „Sofiyska Voda“ AD's Group comprise the Parent company and its subsidiary Water Industry Support & Education EOOD (together referred to as the „Group“).

## 2. Basis of preparation

### (a) Basis of accounting

The present consolidated 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 of the 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 Group's consolidated financial statements prepared by law by „Sofiyska Voda“ AD as a parent company. All financial statements are published on the official website of „Sofiyska Voda“ AD, section Reports.

The consolidated financial statements as of and for the year ended 31 December 2025 were approved for issuance by the Board of Directors on 30 March 2026.

### (b) Basis of measurement

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

### (c) Functional and presentation currency

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

### (d) Going concern

These consolidated financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. The positive outlook for the Group's operations is supported by the fact that despite the unprecedented international and local situation in 2025 after the start of the war in Ukraine, the Group's business activities were not substantially affected:

- in 2025 with the war between Ukraine and Russia, the management of the Group 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 Group, the realized investments in regulated services on an annual basis in nominal terms exceeded by +5.9% the planned investments for 2025 in the approved Business Plan 2022-2026.

### (e) Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of the Group'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 Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group 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 Group's Executive Director.

### (e) Use of estimates and judgments

When measuring the fair value of an asset or liability, the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group;
- 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 Group.

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 Group 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 Group 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 Group 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**

<b>Financial assets at FVTPL</b>	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 Group currently does not hold financial assets measured at FVTPL.
<b>Financial assets at amortised cost</b>	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 Group has significant trade and other receivables measured at amortized cost.
<b>Debt investments at FVOCI</b>	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 Group 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 Group 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 Group 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 Group does not transfer and keep substantially all risks and rewards of ownership, nor it keeps control on the financial asset.

**Financial liabilities**

The Group derecognises a financial asset when the contractual obligations have been fulfilled, annulled or expired. The Group 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 Group 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 Parent company is presented at historical cost as at the date of registration.

(vi) *Impairment of financial assets*

The Group 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 Group 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 Group's historical experience and justified credit evaluation and including forecast information. The Group assumes that the credit risk on a given financial asset has increased significantly if it is overdue for more than 30 days. The Group considers a financial asset to be in default when:

- it is unlikely that the borrower will repay his credit obligations to the Group in full without requiring the Group 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 Group 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 group in accordance with the contract and the cash flows the Group expects to receive).

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

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

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

*Measurement of ECLs (continued)*

Since the Group 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 analysed the actually collected interest for overdue and accordingly adjusted the accrued impairment for each of the categories.

In calculating the ECLs, the Group 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 are 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 Group investigates the observed dependencies for both linear and nonlinear relationships (impacts) on the uncollectability (and respectively, collectability) 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 Group 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 behaviour based on the nature of the services provided by the Group;
- the restructuring of a receivable from the Group under conditions that the Group 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 Group 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 Group 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 Group makes an individual assessment regarding the timing and amount of the derecognition based on whether there is a reasonable expectation of recovery. The Group 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 Group's recovery procedures. The recovery pattern is influenced by the specific economic situation in which the Group operates, the specifics of the water supply and sewerage sector and the respective payment behaviour 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 Group 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 consolidated 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 Group. 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 Group 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	2025	2024
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“ AD is party under the Concession Agreement with the Municipality of Sofia (Grantor), under which a specific right emerges for the Group 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 Group. As the concession agreement includes a requirement for the Group to deliver construction services to the grantor in order to enhance the infrastructure, the Group 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 wastewater treatment to the customers on the territory of the concession.

Respectively, during the construction phase, the Group'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“ AD 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 Group 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 Group 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 Group, 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 Group 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 Group 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 Group 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group 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 Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group 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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group 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 Group 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 Group's assets.

**3. Material accounting policy information (continued)**

**(e) Leases (continued)**

*Short-term leases and leases of low-value assets*

The Group 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 Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

**(f) Basis of consolidation**

The consolidated financial statements include the financial statements of the Parent company and its controlled company (subsidiary) as of December 31 of each year. A subsidiary is an entity controlled by the Group.

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.

In the consolidated financial statements, the financial information of the subsidiary is consolidated using the full consolidation method, line by line. The Parent company's investment is eliminated against its equity interest in the Subsidiary at the date of acquisition. All intragroup assets and liabilities, equity, income, expenses and cash flows related to transactions between members of the Group are eliminated upon consolidation, except for gains or losses from currency revaluations on a monetary position of the Parent company when denominated in a foreign currency of at least one of the parties. There are no non-controlling interests in the subsidiary.

Investments are accounted for in the consolidated 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 Group'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 consolidated 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 Group'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 Group has obligation to pay certain amounts to each employee who retires with the Group 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 Group is obliged to pay him compensations amounted to two gross monthly salaries. If the employee's length of service in the Group 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 Group 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 Group grants share-based payment awards to its employees, while it has no obligation to settle the transaction, because this an obligation of its parent group, 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 Group 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 Group'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 Group 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 Group's accounting policies relating to contracts with customers is provided in Note 4.

(l) Government grants

The Group recognizes government grants to assets initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 IFRS accounting standards that are effective for the current reporting period*

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

- **Amendments to IAS 21 – Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2025).

The adoption of the new amendments to the existing IFRS accounting standard has not had any material impact on the disclosures or on the amounts reported in these financial statements.

*(ii) New standards and amendments to existing IFRS accounting standards adopted by the EU, which are not yet effective*

At the date of authorisation of these financial statements, the Group has not applied the following amendments to IFRS accounting standards that have been issued by IASB and adopted by EU but are not yet effective:

- **Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments** (effective for annual periods beginning on or after 1 January 2026);
- **Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity** (effective for annual periods beginning on or after 1 January 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 1 January 2026).
- **IFRS 18 – Presentation and Disclosure in Financial Statements** (effective for annual periods beginning on or after 1 January 2027);

### 3. Material accounting policy information (continued)

#### *(iii) New and revised IFRS accounting standards in issue but not adopted by the EU*

At present, the IFRS accounting standards adopted by the EU do not significantly differ from the 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 the EU as at the date of authorization of these financial statements (the effective dates listed below is for IFRS Accounting Standards as issued by the IASB):

- **IFRS 19** (with further amendments) – Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027);
- **Amendments to IAS 21** – Translation to a Hyperinflationary Presentation Currency (effective for annual periods beginning on or after 1 January 2027);
- **IFRS 14** – Regulatory Deferral Accounts (effective for annual periods beginning on or after 1 January 2016) – The European Commission has decided not to launch the endorsement process for this interim standard and to wait for the final standard;
- **Amendments 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 permitted). Endorsement process postponed indefinitely until the research project on the equity method has been concluded.

The Group does not expect that the adoption of the accounting standards listed above will have a material impact on the financial statements of the Group in future periods, except for IFRS 18 which is expected to have material impact on the presentation and disclosure of information in the financial statements. The Group is in process of analysing the specific impact of IFRS 18 on its 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 Group's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to IAS 39 Financial Instruments - Recognition and Measurement would not significantly impact the separate financial statements, if applied as at the reporting date.

4. Revenue

**A. Categories of revenues and breakdown of the revenues**

The Group 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 Group. The other sources of revenues have been listed in Note 5.

<i>In thousands of BGN</i>	Note	2025	2024
<b>A.1. Revenues from contracts with customers – main activities</b>			
<i>Revenues related to water supply and sewerage</i>			
Revenue from water supply		147,828	129,927
Revenue from sewerage		43,564	38,275
Revenue from wastewater treatment		45,830	30,409
Revenue deduction, which offsets the consideration for the new water and sewerage infrastructure financed by the Municipality of Sofia's budget		(251)	(260)
Penalties for industrial discharges of water with excessive concentration of pollutants		622	697
		<u>237,593</u>	<u>199,048</u>
<b>Revenues from non-regulated services</b>			
Revenues from sale of services		<u>5,677</u>	<u>4,846</u>
<b>Revenues from the sale of green energy</b>			
Revenues from green energy		<u>47</u>	<u>122</u>
<b>Total revenues from sales of services and green energy</b>		<u><b>243,317</b></u>	<u><b>204,016</b></u>
<b>A.2. Finance income related to WSS services</b>			
<b>Finance Income related to water supply and sewerage</b>			
Interest income from overdue receivables		<u>4,651</u>	<u>4,347</u>
<b>Total revenues from sales of services (A.1. and A.2.)</b>		<u><b>247,968</b></u>	<u><b>208,363</b></u>
<b>A.3. Revenues from construction services</b>			
Water supply infrastructure		14,487	21,393
Potable water treatment infrastructure		1,129	3,777
Sewerage infrastructure		19,597	13,757
Wastewater treatment infrastructure		2,844	1,730
Water service connections and water meters		10,435	10,189
		<u>48,492</u>	<u>50,846</u>
<b>Total revenues from contracts with customers (A.1. and A.3.)</b>		<u><b>291,809</b></u>	<u><b>254,862</b></u>
<b>Total finance income from main activities (A.2.)</b>		<u><b>4,651</b></u>	<u><b>4,347</b></u>

#### 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 Group 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 10<sup>th</sup> March and 10<sup>th</sup> 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 Group 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 2025, the Group transferred two instalments for a total amount of BGN 717 thousand (2024: BGN 737 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 2025, set aside for servicing and repayment of the EIB loan, based on the price component included into the WSS services tariff, amounts to BGN 714 thousand (2024: BGN 857 thousand), presented above as a reduction of the Group’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 2025 and 2024 (refer to Note 20). The net presentation within revenues from water supply, sewerage and wastewater treatment is based on the assessment that the Group 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 2025	1 January 2025
Receivables, which are included in ‘trade and other receivables’, net of impairment	32,896	34,417
Contract assets– unbilled receivables	15,157	13,998
Contract liabilities	<u>(13,138)</u>	<u>(11,038)</u>
<b>Total</b>	<u>34,915</u>	<u>37,377</u>

#### **Contract assets – unbilled receivables**

Contract assets refer to the rights of the Group 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 Group 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 wastewater treatment. Net impact to the revenue recognized in the period is an increase at the amount of BGN 1,159 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 Group's billing system.

As at 31 December 2025 the Group has contract liabilities at the amount of BGN 13,138 thousand (2024: BGN 11,038 thousand).

The amount of BGN 4,276 thousand recognized as contract liabilities at the beginning of the period was recognized as income during the year ended on 31 December 2025 (2024: BGN 4,251 thousand).

##### **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 Group 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%). After 1 January 2026, the statutory interest rate will be calculated as the interest rate on the European Central Bank's (ECB) main refinancing operations + 8%.

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 Group has identified one performance obligation in compliance with the requirements of the IFRS 15 in the arrangements with its customers, which include three consolidated components – water supply, sewerage and wastewater treatment. The three components cannot be consolidated as consolidated 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 Group in accordance with the Concession agreement. In line with the requirements of the Concession agreement, public assets built by the Group are owned by the Grantor. They include improvement of existing assets and construction of new components of the water supply and sewerage system.

The Group recognizes an intangible asset – concession right. In accordance with the Concession agreement, the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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

<i>In thousands of BGN</i>	2025	2024
Penalties due from contractors	158	146
Gain on sale of inventories to subcontractors for construction works	407	254
Gain on sale of Property, plant and equipment	176	12
Income from rent	24	26
Income from sale of carbon emissions	-	1,944
Other	239	803
	<u>1,004</u>	<u>3,185</u>

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

	2025	2024
Revenue from sale of vehicles	336	13
NBV of sold vehicles	<u>(160)</u>	<u>(1)</u>
	<u>176</u>	<u>12</u>

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

	2025	2024
Revenue from sales of materials	3,367	2,453
Cost of sales of materials	<u>(2,960)</u>	<u>(2,199)</u>
	<u>407</u>	<u>254</u>

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 31.12.2025 on stock.

6. Expenses for materials

*In thousands of BGN*

	2025	2024
Electricity, water, heating	3,180	3,270
Sub-contractors	4,940	8,672
Fuels and lubricants	1,377	1,480
Water for technological needs	1,858	1,636
Chemicals	9,112	8,103
Plumbing materials	1,457	1,254
Other	2,693	2,563
	<u>24,617</u>	<u>26,978</u>

7. Expenses for hired services

*In thousands of BGN*

	2025	2024
Construction services provided by sub-contractors	37,023	36,071
Repairs and maintenance of concession infrastructure	9,713	8,426
Insurance	1,147	1,154
Commission for collection of trade receivables	2,119	1,842
Rent	9	13
Security	14,822	13,608
Other expenses for hired services	18,958	17,575
	<u>83,792</u>	<u>78,689</u>

*Other expenses for hired services include:*

*In thousands of BGN*

	2025	2024
Water meter reading	2,233	2,235
Transportation of sludge	686	1,121
Courier services	466	404
Printing services	680	544
Technical services	1,494	1,499
Consultancy	1,015	905
Asphalt covering	1,074	974
EWRC fee	400	389
Disinfection	208	215
Communication	318	293
Annual software licenses	2,584	1,935
Hired transportation	469	296
Water tankers	251	373
Software maintenance and internet	2,209	1,715
Training	324	400
Announcements and communications	167	172
Local taxes and fees	120	123
Cleaning of offices and water tanks	968	137
Fees	75	69
Buildings demolition costs	1,539	1,539
Other	1,679	2,237
	<u>18,959</u>	<u>17,575</u>

The accrued charges on remunerations for the appointed auditor for 2024 amount to BGN 287 thousand and for 2025 amount to BGN 268 thousand including the statutory independent financial audit of BGN 202 thousand.

## 8. Employee benefit expenses

<i>In thousands of BGN</i>	<i>Note</i>	<b>2025</b>	<b>2024</b>
Wages and salaries		49,137	43,808
Compulsory social security and pension contribution		8,377	7,220
Social expenses		417	237
Expenses for additional pension contribution		1,033	894
Current and past service costs in relation to employee benefits	23	1,034	998
Voucher expenses		2,388	2,164
Share-based payments		502	464
		<u>62,888</u>	<u>55,785</u>

The salary expenses include an accrual for unused annual paid leave amounting to BGN 2,404 thousand (2024: BGN 2,093 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 467 thousand (2024: BGN 406 thousand).

The average number of the Group's personnel is 1,059 employees (2024: 1,054 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, 2024 and 2025 Group employees were granted the opportunity to get included into plans giving rights over the increase in the price of the shares of the Parent group Veolia Environnement (France). Description below is applicable for 2018, 2019, 2020, 2021, 2022, 2023, 2024 and 2025 plans.

The Group 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 Group, 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 Group between the date of granting and the date of repurchase.

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

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 Group as equity-settled share-based payments transactions.

As at 31 December 2025 the total invested amount by the employees under the two programs amounts to BGN 4,207 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, BGN 724 thousand for 2024 program and BGN 886 thousand for 2025 program ) and the sum invested by Veolia Environnement under the “Secured Offer” amounts to 2,163 thousand BGN, which is invoiced by Veolia Environnement to the Group (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, BGN 339 thousand invoiced and expensed in 2024 and BGN 376 thousand invoiced and expensed in 2025).

9. Other operating expenses

<i>In thousands of BGN</i>	<i>Note</i>	<b>2025</b>	<b>2024</b>
Inventory write-down / (reversal) to net realizable value	14	631	(143)
One-off taxes		172	119
Provisions for fines and penalties, net		53	(2,469)
Scrapping of materials		86	28
Scrapping of non-current assets		14	98
Annual regulatory fee - water and sewerage		2,768	2,718
Expenses for provision "Handback Account"	21,25	538	520
Other		2,230	2,531
		<u>6,492</u>	<u>3,402</u>

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

<i>In thousands of BGN</i>	<b>2025</b>	<b>2024</b>
Interest income	89	24
Effect from guarantee discounts	33	34
Income from interest of deposits	1,481	2,155
<b>Financial income</b>	<u>1,603</u>	<u>2,213</u>
Interest expenses for financial lease contracts	(121)	(141)
Interest expenses on employee benefits	(152)	(133)
Effect from guarantee discounts	(30)	(25)
Interest expenses from discounting trade payables as per agreement between Sofiyska Voda and Municipality of Sofia		(10)
Other finance costs	(36)	(33)
Loss from foreign currency exchange differences, net	(11)	(14)
<b>Finance costs</b>	<u>(350)</u>	<u>(356)</u>
<b>Net finance income</b>	<u>1,253</u>	<u>1,857</u>

11. Tax expenses

<i>In thousands of BGN</i>	<i>Note</i>	<b>2025</b>	<b>2024</b>
<b>Current tax expense</b>			
Income tax for current year		(6,663)	(5,134)
National additional tax		(1,990)	(1,515)
<b>Deferred tax expense</b>			
Origination and reversal of temporary differences	19	(1,124)	(1,798)
<b>Total tax expense</b>		<u>(9,777)</u>	<u>(8,447)</u>

### 11. Tax expenses (continued)

The relevant tax period of the Group 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 Group is not aware of any circumstances that may bring additional significant liabilities in this area.

A tax audit of the Group with respect to the Corporate Income Tax covers the period up to 31 December 2012 and tax audit on the Group 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	2025	2024
<i>In thousands of BGN</i>		
Profit for the year	68,704	53,872
Total tax expenses	<u>9,777</u>	<u>8,447</u>
Profit before tax	<u>78,481</u>	<u>62,319</u>
Income tax based on the Group's domestic tax rate	10.00% (7,849)	10.00% (6,232)
Unrecognized expenses for tax purposes	0.97% 62	1.17% (700)
National additional tax liabilities	<u>(1,990)</u>	<u>(1,515)</u>
Net current income tax expense	12.46% <u>(9,777)</u>	13.55% <u>(8,447)</u>

## 12. Property, plant and equipment

<i>In thousands of BGN</i>	Land and buildings	Plant and equipment	Vehicles	Leasehold improvements	Assets under construction	Total
<b>Cost</b>						
Balance at 1 January 2024	8,150	45,935	24,381	3,046	-	81,512
Additions	-	-	-	-	-	-
Disposals	(3,745)	(750)	(253)	(267)	2,383	2,383
Transfers	4,914	1,540	702	141	-	(5,015)
Balance at 31 December 2024	9,319	46,725	24,830	2,920	(2,383)	83,794
Balance at 1 January 2025	9,319	46,725	24,830	2,920	-	83,794
Additions	438	-	-	-	2,057	2,495
Disposals	-	(916)	(527)	-	-	(1,443)
Transfers	-	1,915	131	11	(2,057)	-
Balance at 31 December 2025	9,757	47,724	24,434	2,931	-	84,846
<b>Depreciation</b>						
Depreciation as at 1 January 2024	(6,212)	(36,487)	(17,498)	(1,890)	-	(62,087)
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)	(38,998)	(18,576)	(1,910)	-	(63,866)
Balance at 1 January 2025	(4,382)	(38,998)	(18,576)	(1,910)	-	(63,866)
Depreciation charge for the year	(1,950)	(2,564)	(1,358)	(182)	-	(6,054)
Depreciation on disposals	-	902	522	-	-	1,424
Balance at 31 December 2025	(6,332)	(40,660)	(19,412)	(2,092)	-	(68,496)
<b>Carrying amounts</b>						
At 1 January 2024	1,938	9,448	6,883	1,156	-	19,426
At 31 December 2024	4,937	7,727	6,254	1,011	-	19,929
At 1 January 2025	4,937	7,727	6,254	1,011	-	19,929
At 31 December 2025	3,425	7,064	5,022	840	-	16,351

**12. Property, plant and equipment (continued )**

**Acquisitions**

The most significant tangible assets, newly acquired in 2025, amount to BGN 2,047 thousand (2024: BGN 2,241 thousand) and are listed below:

<i>In thousands of BGN</i>	<b>2025</b>	<b>2024</b>
Co-generator	149	112
Vehicles and mechanization	288	728
Laboratory equipment	518	161
Computer equipment	353	656
CCTV	9	29
Repair of a telescopic camera	50	59
Diesel generator and pumps	254	-
Gardening equipment	13	59
Welding systems, grinders	75	118
Personal protective equipment	10	68
Devices for geodetic measurements and leak detection	20	5
Other equipment	308	246
	<u>2,047</u>	<u>2,241</u>

***Assets pledged as collateral***

The Group has no pledged current and future non-current tangible assets.

***Assets pledged as collateral under finance lease contracts***

As of the date of these consolidated financial statements, the Group 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
<b>Cost</b>					
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
Balance at 1 January 2025	21,041	27,009	788,607	1	836,658
Additions	-	-	48,492	1,346	49,838
Transfers	-	1,346	-	(1,346)	-
Balance at 31 December 2025	21,041	28,355	837,099	1	886,496
<b>Depreciation</b>					
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)
Balance at 1 January 2025	(21,040)	(22,236)	(529,137)	-	(572,413)
Depreciation for the year	-	(1,023)	(27,585)	-	(28,608)
Balance at 31 December 2025	(21,040)	(23,259)	(556,722)	-	(601,021)
<b>Carrying amounts</b>					
At 1 January 2024	2	5,471	231,828	1	237,302
At 31 December 2024	1	4,773	259,470	1	264,245
At 1 January 2025	1	4,773	259,470	1	264,245
At 31 December 2025	1	5,096	280,377	1	285,475

#### 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 Group 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 Group, as of 2022 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 Group. The indicator weighted-average cost of capital is applied to the regulatory value of the assets constructed by the Group (public and owned assets) and has a considerable weight in determining the values of the prices of the WSS services provided by the Group (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 Group's fixed tangible and intangible assets as of December 31, 2025, in accordance with the requirements of IAS 36 "Impairment of Assets". The intangible assets of the Group, the largest part of which is the "Concession Right", as well as the tangible assets owned by the Group, 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 Group. 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 2025, 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, 2025.

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 Parent company of the billed consumption for the years 2026-2034;
  - Service prices – for the forthcoming regulatory period 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 Parent 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 material effect in determining the return, based on the regulatory bases of the assets. For the years after 2025 in the forecast is used rate of return, which reflects the actual capital structure for the Parent company for the next regulatory period without needs to raised capital and other circumstances specific for the Group.

### 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 2026-2033 average annual are in size of BGN 62.851 thousand, for 2034 are foreseen BGN 5,988 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 – 5.7%.

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 Group as at 31 December 2025.

#### Determining the useful life of Concession right asset

As at 31 December 2025, 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 2024, 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 applied from 01 January 2023.

### 14. Inventories

<i>In thousands of BGN</i>	2025	2024
Spare parts and consumables	6,829	6,169
	<u>6,829</u>	<u>6,169</u>

As at 31 December 2025 the cumulative inventory write-down to net realizable value amounts to BGN 3,176 thousand (2024: BGN 2,675 thousand).

### 15. Trade and other receivables

<i>In thousands of BGN</i>	Note	2025	2024
Trade and other receivables		58,264	58,947
Impairment losses on trade receivables		<u>(25,363)</u>	<u>(24,530)</u>
Total trade receivables	22	<u>32,901</u>	<u>34,417</u>
Other receivables and prepayments		<u>4,433</u>	<u>2,196</u>
Total trade and other receivables		<u>37,334</u>	<u>36,613</u>
<i>Non-current</i>		3,587	3,021
<i>Current (related and third parties)</i>		33,747	33,592

## 15. Trade and other receivables (continued)

In 2025 impairment losses on trade receivables amounting to BGN 4,590 thousand have been written off (2024: BGN 3,593 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 Group'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:*

<i>In thousands of BGN</i>	2025	2024
Insurance	931	984
Licenses	1,707	600
Subscriptions	176	170
Advances for electrical energy	-	103
Advances for non-current assets	1,385	-
Advances for services	97	262
Other	137	77
	<u>4,433</u>	<u>2,196</u>

## 16. Deposits, cash and cash equivalents

By the end of 2025, the Group has the following deposits:

- Deposit A (ING Bank) in the amount of BGN 15 million with a term until 29 September 2026 at an interest rate of 2.07%
- Deposit B (BNP Paribas Bank) in the amount of BGN 15.9 million with a term until 17 June 2026 at an interest rate of 1.80%.
- Deposit C (ING Bank) in the amount of BGN 0.25 million with a term until 03 July 2026 at an interest rate of 1.57%.

<i>In thousands of BGN</i>	Note	2025	2024
Deposits	22	61,592	77,602
Local currency		9	77,602
Foreign currency		<u>61,583</u>	-
Short-term deposits in the statement of cash flows		<u>61,592</u>	<u>77,602</u>
Cash on hand		-	4
Local currency		-	3
Foreign currency		-	1
Cash at banks	22	<u>33,842</u>	<u>10,793</u>
Local currency		33,705	10,056
Foreign currency		137	737
Cash and cash equivalents in the statement of cash flows	22	<u>33,842</u>	<u>10,797</u>

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	
	2025	2024
On issue at 1 January	8,884	8,884
On issue as at 31 December – fully paid	<u>8,884</u>	<u>8,884</u>

As at 31 December 2025 the Group's share capital includes 8,884,435 ordinary shares (2024: 8,884,435). All shares have a nominal value of BGN 1. Shareholders in the Parent company as at 31 December 2025 are:

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

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

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

### *Dividends*

By Decision of the Parent company's General Meeting of Shareholders dated 12 September 2025, the Group's profit for 2024, in the amount of BGN 53,338 thousand, is distributed in the form of dividends, as the size of the dividend for 1 share is BGN 6.003458. The dividends were fully paid in 2025.

### *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 Parent company capital is reached.

## 18. Loans and borrowings

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

*In thousands of BGN*

	2025	2024
<b>Non-current liabilities</b>		
Lease liabilities	1,469	2,997
	<u>1,469</u>	<u>2,997</u>
<b>Current liabilities</b>		
Lease liabilities	1,879	1,824
	<u>1,879</u>	<u>1,824</u>
Total loans and borrowings	<u>3,348</u>	<u>4,821</u>

18. Loans and borrowings (continued)

Reconciliation of the liabilities from financial activities

In thousands of BGN

Changes in cash flows from financial activities

	Leases	Others	Total
Balance at 1 January 2025	4,821	-	4,821
Paid dividends	-	(53,338)	(53,338)
Payments on lease liabilities	(2,034)	-	(2,034)
<b>Total changes in cash flows from financial activities</b>	<b>2,787</b>	<b>(53,338)</b>	<b>(50,551)</b>
<b>Changes related to the liability</b>			
New lease	561	-	561
Accrued interests	121	-	121
Accrued dividends	-	53,338	53,338
Paid interests	(121)	-	(121)
<b>Total changes related to the liability</b>	<b>561</b>	<b>53,338</b>	<b>53,899</b>
<b>Balance at 31 December 2025</b>	<b>3,348</b>	<b>-</b>	<b>3,348</b>

In thousands of BGN

Changes in cash flows from financial activities

	Leases	Others	Total
Balance at 1 January 2024	1,762	-	1,762
Paid dividends	-	(51,598)	(51,598)
Repayment of loans	-	-	-
Lease liability payments	(1,911)	-	(1,911)
<b>Total changes in cash flows from financial activities</b>	<b>(149)</b>	<b>(51,598)</b>	<b>(51,747)</b>
<b>Changes related to liability</b>			
New leases	4,970	-	4,970
Accrued interests	141	-	141
Accrued dividends	-	51,598	51,598
Paid interest	(141)	-	(141)
<b>Total changes related to liability</b>	<b>4,970</b>	<b>51,598</b>	<b>56,568</b>
<b>Balance at 31 December 2024</b>	<b>4,821</b>	<b>-</b>	<b>4,821</b>

19. Deferred tax assets and liabilities

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

	Assets 2025	Liabilities 2025	Net 2025	Assets 2024	Liabilities 2024	Net 2024
<i>In thousands of BGN</i>						
Property, plant and equipment	-	(3,669)	(3,669)	-	(2,367)	(2,367)
Inventories	331	-	331	267	-	267
Trade receivables	8,931	-	8,931	8,777	-	8,777
Provisions	617	-	617	794	-	794
Accrual for unused paid leave and bonuses	813	-	813	723	-	723
Payables as per defined benefit plan	419	-	419	371	-	371
Financing	23	-	23	24	-	24
Deferred tax assets	11,134	(3,669)	7,465	10,956	(2,367)	8,589

19. Deferred tax assets and liabilities (continued)

In determining the current and deferred taxes the Group has adopted as an accounting basis the one stated in material accounting policies (Note 3). The deferred tax for 2025 is calculated by using the tax rate applicable to the Group, which is the legally set for now income tax rate for 2025 – 10%.

Changes in temporary differences during the year:

<i>In thousands of BGN</i>	Balance as at 1 January 2024	Recognized in profit or loss	Balance as at 31 December 2024	Recognized in profit or loss	Recognized in equity	Balance as at 31 December 2025
Property, plant and equipment	(520)	(1,847)	(2,367)	(1,302)	-	(3,669)
Inventories	282	(15)	267	64	-	331
Trade receivables	8,625	152	8,777	154	-	8,931
Provisions	998	(204)	794	(177)	-	617
Accrual for unused annual paid leave and bonuses	675	48	723	90	-	813
Liabilities under a defined benefit plan	302	69	371	48	-	419
Financing	25	(1)	24	(1)	-	23
Deferred tax assets	10,387	(1,798)	8,589	(1,124)	-	7,465

20. Trade and other payables

<i>In thousands of BGN</i>	2025	2024
Trade payables	38,993	28,588
Retentions payable to subcontractors	3,164	3,008
Payables to employees	12,596	11,435
Insurance	854	416
ISPA payable	4,691	4,694
<i>incl. long term part of ISPA</i>	3,995	3,977
<i>incl. short term part of ISPA</i>	696	717
Total trade payables	60,298	48,141
Social security payables	2,095	2,057
Payables for water usage tax	2,768	2,718
National additional tax payable	3,505	1,515
VAT payable	620	1,472
Other taxes payable	423	348
Other payables and accruals	1,559	4,674
	10,970	12,784
Total trade and other payables	71,268	60,925
<i>incl. non-current</i>	5,984	5,492
<i>incl. current</i>	65,284	55,433

## 20. Trade and other payables (continued)

On 16 January 2009, the Group 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“ AD 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 were to be fulfilled in the period 2016-2023. The investments in the years were as follows: 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 Group’s business plans and are on the account of „Sofiyska voda“ AD, 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*

	2025	2024
Provision for court liabilities	552	499
Provision “Handback Account” (note 25)	3,454	2,915
	<u>4,006</u>	<u>3,414</u>

*Provision for court liabilities*

The provision is calculated on the basis of estimation of the most likely outcome and historical evidence by the Group’s lawyers.

Provisions are made for legal claims of contractual nature – indemnification of claimed damage due to emergencies related to assets operated by the Group, 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.

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

<i>In thousands of BGN</i>	Balance at 1 January 2025	Provisions made during the year	Provisions used during the year	Reversed provisions during the year	Discount effect	Balance at 31 December 2025
Provision for court liabilities	499	80	-	(27)	-	552
Provision “Handback Account”	2,915	539	-	-	-	3,454
	<u>3,414</u>	<u>6189</u>	<u>-</u>	<u>(27)</u>	<u>-</u>	<u>4,006</u>

## 22. Financial instruments

### *Financial Risk Management*

#### *Overview*

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk;
- market risk.

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

#### *Risk Management Framework*

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, through its training and management standards and procedures, aims to develop a constructive control environment in which all employees understand their roles and obligations.

The Risk Management Committee of the Group 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 Group 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 Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises from the Group'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*

	<i>Note</i>	<b>Carrying amount 2025</b>	<b>Carrying amount 2024</b>
Trade and other receivables	15	32,618	34,328
Contract assets	4	15,157	13,998
Receivables from related parties	15,26	283	89
Cash and cash equivalents (at banks)	16	33,842	10,797
Short-term deposits	16	61,592	77,602
		<u>143,492</u>	<u>136,814</u>

## 22. Financial instruments (continued)

### Trade and other receivables and contract assets

The credit risk exposure of the Group 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 Group provides WSS services on the territory of Sofia Municipality and as at 31 December 2025 the active customers of the Group are 755,417 (2024: 739,750). Based on the analyses of the Group, the services rendered have low price elasticity. The prices are regulated by the Energy and Water Regulation Commission (EWRC). The Group 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 Group uses external collection agencies in order to take advantage of the expertise and best practices, as well as up-to-date software support. The Group'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 Group'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 Group and it is as follows:

<i>In thousands of BGN</i>	Book value	Impairment	Carrying amount	Book value	Impairment	Carrying amount
	31 December		31 December	31 December		31 December
	2025	2025	2025	2024	2024	2024
Government/municipality controlled entities	1,537	(47)	1,490	1,393	(78)	1,315
Legal entities	10,527	(1,534)	8,993	10,549	(706)	9,843
Domestic population	53,205	(22,793)	30,412	52,704	(22,972)	29,732
Other customers	7,869	(989)	6,880	8,210	(774)	7,434
Related parties	283	-	283	89	-	89
	<u>73,421</u>	<u>(25,363)</u>	<u>48,058</u>	<u>72,945</u>	<u>(24,530)</u>	<u>48,415</u>

### Expected measurement of credit losses for the individual customers as at 1 January and 31 December 2025

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

For the purposes of the analysis the Group has grouped the customers into three categories:

- individual customers
- legal entities
- budgetary customers

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

In determining the impairments as at 31 December 2025 and 31 December 2024, based on the analyzed above historical data for the collection for each of the categories, the Group 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 2025, based on the so received data, the Group 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 2025 for consumer credits in BGN for households in Bulgaria, and namely – the average annual percentage of 8.29% (8.20% in 2024), and 4.00% (4.17% in 2024) 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 Group from third parties as the reporting date was:

<i>In thousands of BGN</i>	2025 Book Value	2025 Impairment	Defaulted	2025 Average loss rate
Not past due	27,467	(659)	No	2%
Past due 30 days	3,398	(652)	No	19%
Past due 31-60 days	2,304	(683)	No	30%
Past due 61-90 days	2,497	(966)	No	39%
Past due 91-180 days	4,892	(2,117)	No	43%
Past due 181-360 days	7,771	(4,472)	No	58%
Past due 361-720 days	11,606	(7,467)	Yes	64%
Past due 721-1080 days	13,486	(8,347)	Yes	62%
	<u>73,421</u>	<u>(25,363)</u>		

<i>In thousands of BGN</i>	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	13,597	(8,813)	Yes	65%
	<u>72,945</u>	<u>(24,530)</u>		

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

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

<i>In thousands of BGN</i>	2025	2024
Balance at the beginning of the year	(24,531)	(26,175)
Accruals during the period	(7,785)	(6,197)
Written-off	4,590	3,593
Written- off above 3 years under IFRS	2,363	4,249
Balance at the end of the year	<u>(25,363)</u>	<u>(24,530)</u>

The quality of the trade and other receivables is assessed based on credit policy prepared by the Risk Management Committee and applied by the Group. The Group's management monitors the customers' credit risk by grouping trade and other receivables by characteristics as in 2025 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 Group 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 Group will face difficulties to meet its obligations relating to financial liabilities, meant to be met by cash or another financial asset. The Group'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 Group's reputation.

The Group 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 2025

<i>In thousands of BGN</i>	Carrying Amount	Contracted cash flows	Up to 1 year	Between 1-2 years	Between 2-5 years	Above 5 years
<b>Non-derivative financial liabilities</b>						
Liabilities to related parties	3,769	(3,769)	(3,769)	-	-	-
Lease liabilities	3,348	(3,444)	(1,949)	(1,167)	(328)	-
Trade payables	60,298	(60,298)	(60,298)	-	-	-
	<u>67,415</u>	<u>(67,511)</u>	<u>(66,016)</u>	<u>(1,167)</u>	<u>(328)</u>	<u>-</u>

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 Group based on their agreed maturities and the net liquidity position of the Group:

#### 31 December 2025

<i>In thousands of BGN</i>	Carrying Amount	Contracted cash flows	Up to 1 year	Between 1-2 years	Between 2-5 years	Above 5 years
<b>Non-derivative financial assets</b>						
Cash and cash equivalents	33,843	33,843	33,843	-	-	-
Trade and other receivables*	32,618	32,619	23,340	4,139	5,140	-
Contract assets	15,157	15,157	15,157	-	-	-
Receivables from related parties	283	283	283	-	-	-
Short-term deposits	61,592	78,145	78,145	-	-	-
<b>Total financial assets</b>	<u>143,493</u>	<u>160,047</u>	<u>150,768</u>	<u>4,139</u>	<u>5,140</u>	<u>-</u>
<b>Net liquidity position</b>	<u>76,078</u>	<u>92,536</u>	<u>84,752</u>	<u>2,972</u>	<u>4,812</u>	<u>-</u>

\*Trade and other receivables include the accrued impairment.

22. Financial instruments (continued)

31 December 2024

<i>In thousands of BGN</i>	Carrying Amount	Contracted cash flows	Up to 1 year	Between 1 - 2 years	Between 2 – 5 years	Above 5 years
<b>Non-derivative financial liabilities</b>						
Liabilities to related parties	3,684	(3,684)	(3,684)	-	-	-
Finance lease liabilities	4,821	(5,015)	(1,941)	(1,836)	(1,238)	-
Trade and other payables	48,141	(48,141)	(48,141)	-	-	-
	<u>56,646</u>	<u>(56,840)</u>	<u>(53,766)</u>	<u>(1,836)</u>	<u>(1,238)</u>	<u>-</u>

31 December 2024

<i>In thousands of BGN</i>	Carrying Amount	Contracted cash flows	Up to 1 year	Between 1-2 years	Between 2-5 years	Above 5 years
<b>Non-derivative financial assets</b>						
Cash and cash equivalents	10,797	10,797	10,797	-	-	-
Trade and other receivables*	34,329	34,329	24,601	4,943	4,785	-
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	<u>136,815</u>	<u>137,358</u>	<u>127,630</u>	<u>4,943</u>	<u>4,785</u>	<u>-</u>
<b>Net liquidity position</b>	<u>80,169</u>	<u>80,518</u>	<u>73,864</u>	<u>3,107</u>	<u>3,547</u>	<u>-</u>

\*Trade and other receivables include the accrued impairment.

**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 Group'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 Group 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 Group's exposure to currency risk is minimal.

• **Exposure to currency risk**

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

<i>In thousands of</i>	31 December 2025			31 December 2024		
	EUR	GBP	PLN	EUR	GBP	CZK
Trade payables	(2,047)	1	3	(1,581)	1	-
Interest-bearing loans and borrowings	-	-	-	-	-	-
Total	<u>(2,047)</u>	<u>1</u>	<u>3</u>	<u>(1,581)</u>	<u>1</u>	<u>-</u>

## 22. Financial instruments (continued)

### Market risk (continued)

The following significant exchange rates are applied during the year:

	Average annual FX rate		FX rate at reporting date	
	2025	2024	2025	2024
PLN 10	4.628	-	4.613	-
GBP 1	2.245	2.310	2.284	2.359

### Interest rate risk

- Profile**

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

<i>In thousands of BGN</i>	2025	2024
<b>Fixed rate instruments</b>		
Financial assets	95,434	88,398
Financial liabilities	-	-
	<u>95,434</u>	<u>88,398</u>
<b>Variable rate instruments</b>		
Financial assets	-	-
Financial liabilities	(3,348)	(4,821)
	<u>(3,348)</u>	<u>(4,821)</u>

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

The Group 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
<b>31 December 2025</b>				
Financial assets with floating interest rate	-	-	-	-
Financial liabilities with floating interest rate	(11)	11	-	-
Cash flow sensitivity (net)	<u>(11)</u>	<u>11</u>	<u>-</u>	<u>-</u>
<b>31 December 2024</b>				
Financial assets with floating interest rate	-	-	-	-
Financial liabilities with floating interest rate	(12)	12	-	-
Cash flow sensitivity (net)	<u>(12)</u>	<u>12</u>	<u>-</u>	<u>-</u>

**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 Parent 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 Group from the current and previous reporting periods. The entity has set the reserve accordingly.

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

In accordance with the Bulgarian Commercial Act, the Parent 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)

(a) Accounting classifications and fair values (continued)

31 December 2025		Carrying amount			Fair value			
<i>In thousands of BGN</i>	<i>Note</i>	Amortized costs financial assets	Financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets, not measured at fair value</b>								
Trade and other receivables	15	32,618		32,618	-	-	-	-
Receivables from related parties	26	283		283	-	-	-	-
Cash and cash equivalents	16	33,842		33,842	-	-	-	-
Short-term deposits	16	61,592		61,592	-	-	-	-
		128,335		128,335	-	-	-	-
<b>Financial liabilities, not measured at fair value</b>								
Trade and other payables	20	-	(60,298)	(60,298)	-	-	-	-
Payables to related parties	26	-	(3,769)	(3,769)	-	-	-	-
Payables on financial lease	27	-	(3,348)	(3,348)	-	-	-	-
		-	(67,415)	(67,415)	-	-	-	-
<b>31 December 2024</b>								
<b>Financial assets, not measured at fair value</b>								
Trade and other receivables	15	34,329	-	34,329	-	-	-	-
Receivables from related party	26	89	-	89	-	-	-	-
Cash and cash equivalents	16	10,797	-	10,797	-	-	-	-
Short-term deposits		77,602	-	77,602	-	-	-	-
		122,817	-	122,817	-	-	-	-
<b>Financial liabilities, not measured at fair value</b>								
Trade and other payables	20	-	(48,141)	(48,141)	-	-	-	-
Payables to related parties	26	-	(3,684)	(3,684)	-	-	-	-
Payables on financial lease	27	-	(4,821)	(4,821)	-	-	-	-
		-	(56,646)	(56,646)	-	-	-	-

## 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.

<i>In thousands of BGN</i>	<b>2025</b>	<b>2024</b>
Present value of the liability on 1 January	4,000	3,402
Interest expense	152	133
Current service cost	1,034	998
Actuarial loss (profit)	180	(96)
Paid compensations to retired employees	(703)	(437)
Present value of the liability on 31 December	4,663	4,000
Liability recognized in the statement of financial position as at 31 December, including:		
<i>Short-term liabilities for retirement compensation</i>	4,663	4,000
<i>Long-term liabilities for retirement compensation</i>	1,266	1,220
	3,397	2,780
<i>Expenses recognized in the statement of comprehensive income</i>		
<i>In thousands of BGN</i>	<b>2025</b>	<b>2024</b>
Current service cost	1,034	998
ast service cost	-	-
Interest expense	152	133
<b>Actuarial assumptions</b>		
Discount rate at 31 December	<b>2025</b> 3.5%	<b>2024</b> 3.6%
Salary increase	8.8%	8%
Employee turnover	5.4%	5.7%

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  $i = 3.02\%$  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

<i>In thousands of BGN</i>	25 basis points increase of salaries growth	25 basis points decrease of salaries growth
Effect on the liability for retirement compensation	44	(44)
<i>In thousands of BGN</i>	25 basis points increase of interest growth	25 basis points decrease of interest growth
Effect on the liability for retirement compensation	(56)	56
<i>In thousands of BGN</i>	10 basis points increase of employee turnover	10 basis points decrease of employee turnover
Effect on the liability for retirement compensation	(229)	229
<i>In thousands of BGN</i>	25 basis points increase of mortality rate	25 basis points decrease of mortality rate
Effect on the liability for retirement compensation	(42)	42

## 24. Contingencies

### Bank guarantees

As at the date of the preparation of this report the Parent 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 15 December 2028;
- Performance security for the obligations of „Sofiyska Voda“ AD under the Contract No.ПД-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 765,000, and validity till 31 December 2026;

## 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)**  
*Concession agreement (continued)*

The term of the concession contract is 25 years, however by signing the Fourth Amendment Agreement on 28 August 2024 the term was extended to February 2034. The contract does not define any concession fees to be paid.

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

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 WSSRA 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 Parent Company is in accordance with the decision of EWRC No БП-ІІ-4 of 01.10.2024 for the regulatory period 2022-2026, applying the "price cap" regulation method. By Decision No. БП-ІІ-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, the Parent Company 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 Parent 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 2 701 672 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 Parent 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“ AD 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 15<sup>th</sup> 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 was distributed 1% to the special account in 2016. The amount, accumulated in 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 2025 is BGN 280,377 thousand from which 36,293 assets under client contracts (2024: BGN 259,471 thousand, from which 24,240 assets under client contracts).

For 2025 the investments in fixed assets and intangible assets, including concession rights, amounted to BGN 51,895 thousand (2024: 53,624 thousand), of which BGN 48,492 thousand (2024: 50,846 thousand) are recognized as revenue from construction and represent investments in improvements and construction of new public assets.

For the period since the beginning of the Concession until the end of 2025 the amount of investments made by the Parent Company into the concession infrastructure is BGN 993,085 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)	2025 (in mln. BGN)
Committed investments in accordance with approved Business plan 2017- 2021 and regarding Business plan 2022 – 2026	44.2	44.4	38.7	33.8	33.0	44.3	52.6	46.3	46.0
Actual investments	43.6	40.8	43.8	38.0	38.2	44.5	48.7	52.1	48.7

The above-mentioned investments for 2025 for regulated activity amount to BGN 48.7 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 (2026), amount to BGN 47.6 million.

Based on the above, the Parent 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)

*Concession agreement (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 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;
- Relation 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)

### *Business Plan 2022 – 2026*

In 2023, after the signing of the Fourth Amendment Agreement, the Parent 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 Parent Company and EWRC, the final version of the Business Plan 2022-2024 was submitted on July 26, 2024.

By Decision No. БИ-ІІ-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. БИ-ІІ-4/1.10.2024) and effective from January 1, 2025 (Decision No. ІІ-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 Parent 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 Parent 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“ AD, 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 „Sofiyska Voda“ AD 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 HB-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 HB-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. HB -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 Parent Company to finalize the preparation of the Business Plan 2022-2026, which was approved by EWRC with decision No. БИ-ІІ - 4/1.10.2024.

## 26. Related parties

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

- Revenue and expenses from construction contracts with MoS (disclosed in 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“ AD BGN 1,215 thousand (without VAT) for water that „Sofiyska Voda“ AD 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“ AD 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 consolidated financial statements of „Sofiyska Voda“ AD is Water Industry Support and Education EOOD, where „Sofiyska Voda“ AD owns 100% of the capital (2024: 100%). The subsidiary did not operate during the year.

26. Related parties (continued)

The following transactions took place in 2025:

<i>In thousand BGN</i>	Related party	Relation	Transactions during the year		Transaction as at 31 December 2024	
			Revenue	Expenses	Receivables	Payables
Veolia Voda CBE	Controls 77.1% of the equity	Services provided	-	1,498	-	3,371
		Sequoia shares	-	376	-	-
Veolia Campus	Company under common control	Trainings	-	2	-	-
Veolia Ceska Republika	Company under common control		-		1	-
		Learning software	-	1	-	2
		Trainings	-	46	-	20
		Google workplace	-	154	-	103
		Software for HR	-	38	-	25
		Financial software	-	6	-	-
		Learning software	-	2	-	-
Veolia Environnement SA, France	Company under common control	Bank guarantee	-	-	-	8
		Cars discount	-	-	86	-
		Bank guarantee tax	-	5	-	6
		Software for HR	-	4	-	12
		Software for audit purposes	-	15	-	-
		License	-	12	-	12
		Cloud platform	-	1	-	1
		Artificial intelligence license	-	4	-	4
		Rental costs	-	75	-	8
Vodosnabdyavane i Kanalizatsia EAD	Controls 22.90% of the shares of „Sofiyska Voda“ AD	Sales of materials	130	-	5	-
		Water meter testing cost	-	196	-	39
		Garbage fee	-	1	-	1
		Guarantees under contract	-	-	2	-

	Related party	Relation	Transactions during the year		Transaction as at 31 December 2024	
			Revenue	Expenses	Receivables	Payables
Veolia Service Bulgaria EOOD		Re-invoicing of costs	2	9	3	-
		Trainings	-	15	-	-
		Licenses	-	25	-	12
		Representative costs	-	-	-	1
Veolia Energy Varna EAD	Company under common control	Re-invoicing of costs	-	-	11	-
		Re-invoicing of costs	9	-	-	-
Veolia Energy Solutions Bulgaria EAD	Company under common control	Re-invoicing of costs	93	-	127	-
		Maintenance of air-conditioners	-	18	-	5
		Guarantee under a contract	-	-	-	5
		Installation of air-conditioner	-	-	1	-
		Surveying and design	3	-	-	-
		Construction of a water supply network	99	-	-	-
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 Group's capital of the	Re-invoicing of costs	8	-	11	-
VEOLIA ENERGIA POLSKA S.A. KRUGER S/A		Accommodation costs	-	-	-	1
		Licenses HUBGRADE	-	-	-	133
S.C. APA NOVA BUCURESTI S.A. VEOLIA ENERGY MAGYARORSZAG		Trainings	-	4	-	-
		Trainings	-	5	-	-
		Total:	344	2,512	283	3,769

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	
			Revenue	Expenses	Receivables	Payables
<i>In thousand BGN</i>						
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 software	-	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	-	-	-

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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-conditioners	-	-	-	3
		Maintenance of air-conditioners	-	14	-	-
		SCADA monitoring	-	-	1	-
		Consulting activities	3	-	-	-
		Non-ferrous metals audit	49	-	-	-
		Investment project	25	-	-	-
SAD S.A. - Branch BALGARIA Foreign entity branch DZZ Zona 2015	Company under common control	Re-invoicing of costs	-	-	36	-
		Repair works on the water supply network	-	-	1	-
INSTITUT ENVIR SLUZEB KRUGER S/A VEOLIA CHINA HOLDING LIMITED S.C. APA NOVA BUCURESTI S.A	SAD S.A. - Branch BALGARIA Foreign entity branch owns 50% of the Group's capital of the	Re-invoicing of costs	1	-	-	-
		Accommodation costs	-	8	-	-
		Licenses HUBGRADE	-	56	-	111
		Licenses	-	3	-	6
		Trainings	-	4	-	4
		<b>Total:</b>	<b>174</b>	<b>2,356</b>	<b>89</b>	<b>3,684</b>

Translation from the original Bulgarian version, in case of divergence the Bulgarian original shall prevail.

## 26. Related parties (continued)

*Transactions with directors and officers on key management personnel:*

The Group has also 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:

<i>In thousands of BGN</i>	2025	2024
Short-term employee benefits	937	742
Share-based payments	-	-
	<u>937</u>	<u>742</u>

*In thousands of BGN*

Of which on balance sheet short-term income as at 31 December

	<u>75</u>	<u>45</u>
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In 2025 the Group has incurred expenses amounting to BGN 1,498 thousand for technical services (2024: BGN 1,500 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 Group 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 Group 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 Group 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 Group 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:

<i>In thousands of BGN</i>	Office rent and other	Vehicles	Total
<b>2025</b>			
Balance at 1 January 2025	4,736	237	4,973
Depreciation charge for the year	(1,929)	(103)	(2,032)
Depreciation of disposals with right of use	-	-	-
Additions to right-of-use assets	438	-	438
Disposals of right-of-use assets	-	-	-
<b>Balance at 31 December</b>	<u>3,245</u>	<u>134</u>	<u>3,379</u>

27. Leases (continued)

*In thousands of BGN*

**2024**

	Office rent and other	Vehicles	Total
Balance at 1 January 2024			
Depreciation charge for the year	1,716	340	2,056
Depreciation of disposals with right of use	(1,784)	(103)	(1,887)
Additions to right-of-use assets	4,915	-	4,915
Disposals of right-of-use assets	(111)	-	(111)
<b>Balance at 31 December</b>	<b>4,736</b>	<b>237</b>	<b>4,973</b>

(ii) Lease liabilities

*In thousands of BGN*

**Maturity analysis – contractual undiscounted cash flows**

	2025	2024
Less than one year		
One to five years	1,949	1,941
More than five years	1,494	3,074
<b>Total undiscounted lease liabilities at 31 December</b>	<b>-</b>	<b>-</b>
<b>Lease liabilities included in the statement of financial position at 31 December</b>	<b>3,444</b>	<b>5,015</b>
	<b>3,348</b>	<b>4,821</b>
Current		
Non-current	1,879	1,824
	1,469	2,997

(ii) Amounts recognised in profit or loss

*In thousands of BGN*

	Note	2025	2024
<b>Leases under IFRS 16</b>			
Interest on lease liabilities	10	(121)	(141)
Depreciation of right of use assets		(2,032)	(1,887)
Expenses relating to short-term leases	7	(9)	(13)
		<b>(2,162)</b>	<b>(2,041)</b>

(iv) Amounts recognised in statement of cash flows

*In thousands of BGN*

	2025	2024
Total cash outflow for leases		
	<b>2,034</b>	<b>1,911</b>

(v) Extension options

Some leases contracts contain extension options exercisable by the Group. In such cases, for contracts which expire within one year of the reporting date, the Group has assumed an extension of up to one year. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group 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**

According to the Law on the Introduction of the Euro in the Republic of Bulgaria (LIEURB), as of 1 January 2026 the euro becomes the official currency and legal tender in Bulgaria. The official exchange rate is set at 1.95583 leva for 1 euro.

The introduction of the euro as the official currency of the Republic of Bulgaria represents a change in the Group's functional (reporting) currency, which will be applied prospectively and does not constitute an event after the reporting period that would require an adjustment to the financial statements for the year ending 31 December 2025.

The Group does not expect any material effects from the conversion of opening balances into euro as of 1 January 2026, nor from the process of changing the functional (reporting) currency.

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



Key audit matter	How our audit addressed the key audit matter
<p><b>Unbilled revenue from water supply, sewerage and wastewater treatment services</b></p>	<p><i>In this area, our audit procedures included, among others:</i></p>
<p><b>See Notes 3 (k) and 4 to the consolidated financial statements</b></p>	<ul style="list-style-type: none"> <li>● Inquiries and obtaining of an understanding of the Group's process of unbilled revenue estimation and recognition.</li> </ul>
<p>The Group's main revenue streams are related to the water supply, sewerage and wastewater treatment services. The Group recognized revenue of BGN 237,593 thousand from these services and related finance income in the amount of BGN 4,651 thousand for the year ended December 31, 2025, of which BGN 15,157 thousand representing unbilled revenue.</p>	<ul style="list-style-type: none"> <li>● Assessment of the adequacy and the consistency of application of the revenue recognition policy of the Group 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.</li> </ul>
<p>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.</p>	<ul style="list-style-type: none"> <li>● Review and assessment of the adequacy, and the consistency of application of the methodology used by the Group for measurement of the unbilled revenue.</li> </ul>
<p>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 consolidated financial statements, we have considered this matter as a key audit matter.</p>	<ul style="list-style-type: none"> <li>● Assessment of design and implementation of key controls over the unbilled revenue recognition process of the Group.</li> </ul> <p>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:</p> <ul style="list-style-type: none"> <li>– Analysis and assessment of the adequacy of management assumptions based on: <ul style="list-style-type: none"> <li>○ Building an expectation for unbilled revenues as of December 31, 2025 based on observed subsequent development for the months of January and February and comparison to the reported by the Group;</li> <li>○ Tracing the actual invoiced amounts for January and February 2026 related to accrued unbilled revenues as of December 31, 2025;</li> </ul> </li> <li>– Assessment of the relevance and adequacy of the disclosures in the Group's consolidated financial statements related to revenue, including unbilled revenue and contract assets.</li> </ul>

**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 consolidated financial statements

The Group recognizes trade receivables with a gross carrying amount of BGN 58,264 thousand and contract assets – unbilled receivables with a gross carrying amount of BGN 15,157 thousand as at December 31, 2025 and accumulated loss allowance is at the amount of BGN 25,363 thousand, as disclosed in Note 4.B and Note 15. The Group 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 Group'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 consolidated financial statements of the Group, 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 Group'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 Group'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 Group 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, 2025.
- Assessment of the relevance and adequacy of the disclosures in the Group's consolidated 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**

*In this area, our audit procedures included, among others:*

*See Notes 3 (d), 13 and 25 to the consolidated financial statements*

As disclosed in Note 1 and Note 25, the Parent 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 Parent 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 Parent 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 (89.6%) of the total non-current assets of the Group.

As at December 31, 2025, the Group 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 Group's sole cash generating unit ("CGU"). The determination of the recoverable amount requires making a number of complex assumptions and judgements, in particular

- Inquiries and obtaining an understanding of the Group'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 Group 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 Parent Company's Board of Directors, specifically focused on the investment projects' progress and Parent Company's business plan;
- Inquiries of the Group'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;



## **Information Other than the Consolidated Financial Statements and Auditor's Report Thereon**

The Executive Directors ("Management") are responsible for the other information. The other information comprises the annual consolidated report on the activities, prepared by the management in accordance with Chapter Seven of the Accountancy Act, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 Consolidated Financial Statements and Auditor's Report Thereon*, with respect to the annual consolidated 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, 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 consolidated report on the activities for the financial year for which the consolidated financial statements have been prepared, is consistent with the consolidated financial statements.
- The annual consolidated report on the activities has been prepared in accordance with the requirements of Chapter Seven of the Accountancy 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 consolidated financial statements of the Group for the year ended December 31, 2025 by the General Meeting of Shareholders held on January 26, 2024 for a period of three years.
- The audit of the consolidated financial statements of the Group for the year ended December 31, 2025 represents third total consecutive statutory audit engagement for that group carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report provided to the Parent Company's Audit Committee on March 30, 2026, 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 Group.

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 30, 2026