Eastern European Electric Company B.V.

Annual Consolidated Financial Statements
Annual Consolidated Activity Report
for the year ended 31 December 2024

Amsterdam, the Netherlands

TABLE OF CONTENTS

GENERAL INFORMATION

Management Board:
Milen Christov
Yoan Ivanov

Seat and registered office:
Kerkstraat 134A, 1017 GP
Amsterdam
The Netherlands

Register and registration number:

EASTERN EUROPEAN ELECTRIC COMPANY B.V., established and existing under the laws of Netherlands in the legal Besloten Vennootschap (comparable with Private Limited Liability Company), registered with the Netherlands Chamber of Commerce under CCI number 75462788 and RSIN number 860292034.

Banks:

UniCredit Bulbank
Varengold Bank
TBI Bank

Auditors:
Grant Thornton, The Netherlands

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2024 BGN'000	2023 BGN'000
Revenue from operating activities	5	2 280 991	2 310 687
Expenses of operating activities	6	(1 824 355)	(1 791 493)
Gross operating profit		**456 636**	**519 194**
Other revenue	7	6 627	9 520
Other income, net	8	40 587	13 225
Other operating expenses	9	(241 852)	(245 517)
Expected credit losses and impairment expenses on financial assets	12	(2 625)	(1 459)
EBITDA		**259 373**	**294 963**
Financial expenses	10	(71 937)	(57 190)
Financial income	11	12 415	6 457
EBTDA		**199 851**	**244 230**
Depreciation and amortization	14, 15, 28.1.1	(111 586)	(105 756)
EBT		**88 265**	**138 474**
Income tax expenses	13.1	(20 165)	(18 956)
Net profit for the year		**68 100**	**119 518**
Other comprehensive (loss)/income			
Components of other comprehensive income that will not be reclassified subsequently to profit or loss			
Subsequent remeasurement of retirement benefit obligations	27.1	(778)	602
Components of other comprehensive income that will be reclassified subsequently to profit or loss			
Net loss on cash flow hedges	25	(18 025)	-
Other comprehensive (loss)/ income for the year		**(18 803)**	**602**
Total comprehensive income for the year		**49 297**	**120 120**

Milen Assenov Christov — Digitally signed by Milen Assenov Christov Date: 2025.04.04 19:03:52 +03'00'

Milen Christov
Eastern European Electric Company B.V.
/Member of the Management Board/

Yoan Hristov Ivanov — Digitally signed by Yoan Hristov Ivanov Date: 2025.04.04 19:08:58 +03'00'

Yoan Ivanov
Eastern European Electric Company B.V.
/Member of the Management Board/

PRESLAV VASILEV MANDEV — Digitally signed by PRESLAV VASILEV MANDEV Date: 2025.04.04 18:34:45 +03'00'

Preslav Mandev
Electrohold Bulgaria EOOD
/Preparer/

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31.12.2024 BGN'000	31.12.2023 BGN'000
ASSETS			
Non-current assets			
Property, plant and equipment	14	885 300	840 800
Right-of-use assets	28.1.1	54 033	9 823
Goodwill	16	2 500	2 500
Other intangible assets	15	84 455	90 622
Deferred tax assets	13.2	5 667	8 078
Total non-current assets		**1 031 955**	**951 823**
Current assets			
Inventories	17	36 037	23 790
Trade and other receivables	18.1	369 502	276 448
Contract assets	5.2	81 362	77 188
Financial assets	19	13 532	44 578
Receivables from related parties	20.1	1 118	831
Advances and prepayments	18.2	164 888	104 505
Income tax receivables		86	292
Cash and cash equivalents	21	168 054	203 687
Total current assets		**834 579**	**731 319**
TOTAL ASSETS		**1 866 534**	**1 683 142**

Milen Assenov Christov
Digitally signed by Milen Assenov Christov
Date: 2025.04.04 19:04:45 +03'00'

Milen Christov
Eastern European Electric Company B.V.
/Member of the Management Board/

Yoan Hristov Ivanov
Digitally signed by Yoan Hristov Ivanov
Date: 2025.04.04 19:09:32 +03'00'

Yoan Ivanov
Eastern European Electric Company B.V.
/Member of the Management Board/

PRESLAV VASILEV MANDEV
Digitally signed by PRESLAV VASILEV MANDEV
Date: 2025.04.04 18:35:20 +03'00'

Preslav Mandev
Electrohold Bulgaria EOOD
/Preparer/

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	31.12.2024 BGN'000	31.12.2023 BGN'000
EQUITY AND LIABILITIES			
Equity			
Share capital	22	2	2
Share premium	23	89 460	261 768
Reserve from remeasurement of defined benefit plans	24	(757)	21
Cash flow hedge reserve	25	(18 025)	-
Retained earnings from previous years		298 015	191 278
Current year profit		68 100	119 518
Total equity		**436 795**	**572 587**
Liabilities			
Non-current liabilities			
Long-term portion of bank loans	26	866 167	546 181
Retirement benefit obligations	27.1	22 718	20 802
Lease liabilities	28.1.2	47 343	5 722
Deferred tax liabilities	13.3	16 698	18 081
Contract liabilities	5.2	18 961	19 404
Government grants	30	802	89
Derivative financial instruments	31	18 025	-
		990 714	**610 279**
Current liabilities			
Short-term portion of bank loans	26	72 466	201 168
Trade and other payables	32	304 526	236 526
Payables to related parties	20.2	1 438	1 587
Provisions	33	25 652	41 744
Contract liabilities	5.2	19 293	7 875
Retirement benefit obligations	27.1	2 905	3 379
Lease liabilities	28.1.2	7 701	5 121
Income tax payables		5 044	2 876
		439 025	**500 276**
TOTAL LIABILITIES		**1 429 739**	**1 110 555**
TOTAL EQUITY AND LIABILITIES		**1 866 534**	**1 683 142**

Milen Assenov Christov — Digitally signed by Milen Assenov Christov Date: 2025.04.04 19:05:07 +03'00'

Yoan Hristov Ivanov — Digitally signed by Yoan Hristov Ivanov Date: 2025.04.04 19:09:57 +03'00'

PRESLAV VASILEV MANDEV — Digitally signed by PRESLAV VASILEV MANDEV Date: 2025.04.04 18:35:51 +03'00'

Milen Christov
Eastern European Electric Company B.V.
/Member of the Management Board/

Yoan Ivanov
Eastern European Electric Company B.V.
/Member of the Management Board/

Preslav Mandev
Electrohold Bulgaria EOOD
/Preparer/

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2024 BGN'000	2023 BGN'000
Cash flow from operating activities			
Profit before tax		**88 265**	**138 474**
Adjustment for reconciliation of profit before tax with net cash flows			
Non-cash:			
Depreciation and amortization	14, 15, 28.1.1	111 586	105 756
(Gain)/loss on sale and derecognition of property, plant and equipment	14	(2 522)	34
(Gain)/loss on sale of scrap	8	(1 357)	431
Accrued/(recovered) impairment loss on financial assets, net	12	2 625	1 459
(Reversed)/accrued impairment loss of inventories	17	(1 197)	1 328
Movement in provisions	33	(16 092)	4 505
Movement in retirement benefit obligations	27	(1 252)	2 678
Finance costs	10	71 937	57 190
Finance income	11	(12 415)	(6 457)
Adjustments of working capital:			
(Increase)/decrease in trade and other receivables and receivables from related parties	18, 20.1	(61 935)	145 143
(Increase)/decrease in advances and prepaid expenses	18	(72 064)	(96 525)
(Increase)/decrease in inventories	17	(9 693)	7 238
Increase/(decrease) in trade and other payables, payables to related parties and other adjustments	32, 20.2	67 963	(24 638)
Payments for financial expenses		(940)	(923)
Corporate income tax paid		(16 452)	(20 574)
Change in lease liabilities		241	(1 376)
Other payments		1 925	1 280
Net cash flows from operating activities		**148 623**	**315 023**
Cash flow from investing activities			
Proceeds from sale of property, plant and equipment	14	5 209	186
Purchase of property, plant and equipment	14	(124 673)	(101 937)
Disposal of investments		39 298	-
Purchase of financial assets		-	(26 996)
Trade loans granted		(33 708)	(4 622)
Net cash flows used in investing activities		**(113 874)**	**(133 369)**

Milen Assenov Christov — Digitally signed by Milen Assenov Christov Date: 2025.04.04 19:05:30 +03'00'

Milen Christov
Eastern European Electric Company B.V.
/Member of the Management Board/

Yoan Hristov Ivanov — Digitally signed by Yoan Hristov Ivanov Date: 2025.04.04 19:10:25 +03'00'

Yoan Ivanov
Eastern European Electric Company B.V.
/Member of the Management Board/

PRESLAV VASILEV MANDEV — Digitally signed by PRESLAV VASILEV MANDEV Date: 2025.04.04 18:36:30 +03'00'

Preslav Mandev
Electrohold Bulgaria EOOD
/Preparer/

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Notes	2024 BGN'000	2023 BGN'000
Cash flow from financial activities			
Increase of share premium reserve	23, 35	9 584	-
Decrease of share premium reserve	23, 35	(181 892)	(108 764)
Payment of dividends		(13 300)	-
Lease payments	35	(7 817)	(5 961)
Proceeds from loans	35	215 734	10 620
Repayment of loans (principal)	35	(16 752)	(4 961)
Proceeds from government grants	35	247	154
Payment for government grants	35	-	(340)
Other payments related to bank loans (interests and fees)	35	(77 008)	(43 502)
Acquisition of non-controlling interest	37	(175)	(3 040)
Other receipts/(payments), net		997	(52)
Net cash flow used in financing activities		**(70 382)**	**(155 846)**
Net change in cash and cash equivalents		**(35 633)**	**25 808**
Cash and cash equivalents at 1 January		203 687	177 879
Cash and cash equivalents at 31 December	21	**168 054**	**203 687**

Milen Assenov Christov Digitally signed by Milen Assenov Christov Date: 2025.04.04 19:05:52 +03'00'

Milen Christov
Eastern European Electric Company B.V.
/Member of the Management Board/

Yoan Hristov Ivanov Digitally signed by Yoan Hristov Ivanov Date: 2025.04.04 19:10:52 +03'00'

Yoan Ivanov
Eastern European Electric Company B.V.
/Member of the Management Board/

PRESLAV VASILEV MANDEV Digitally signed by PRESLAV VASILEV MANDEV Date: 2025.04.04 18:36:56 +03'00'

Preslav Mandev
Electrohold Bulgaria EOOD
/Preparer/

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the equity holders of the parent company					
	Issued capital	*Share premium*	*Reserve from remeasurement of defined benefit plans*	*Cash flow hedge reserve*	*Retained earnings*	*Total*
Notes	22	23	24	25		
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
At 1 January 2023	**2**	**370 532**	**(569)**	-	**191 266**	**561 231**
Profit for the year	-	-	-	-	119 518	**119 518**
Other comprehensive loss	-	-	602	-	-	**602**
Total comprehensive income	**-**	**-**	**602**	**-**	**119 518**	**120 120**
Decrease in share premium	-	(108 764)	-	-	-	**(108 764)**
Transactions with owners	-	(108 764)	-	-	-	**(108 764)**
Other changes	-	-	(12)	-	12	**-**
At 31 December 2023	**2**	**261 768**	**21**	-	**310 796**	**572 587**
At 1 January 2024	**2**	**261 768**	**21**	**-**	**310 796**	**572 587**
Profit for the year	-	-	-	-	68 100	**68 100**
Other comprehensive loss	-	-	(778)	(18 025)	-	**(18 803)**
Total comprehensive income	**-**	**-**	**(778)**	**(18 025)**	**68 100**	**49 297**
Increase in share premium	-	9 584	-	-	-	**9 584**
Decrease in share premium	-	(181 892)	-	-	-	**(181 892)**
Dividends paid	-	-	-	-	(13 300)	**(13 300)**
Transactions with owners	-	(172 308)	-	-	(13 300)	**(185 608)**
Other changes	-	-	-		519	**519**
At 31 December 2024	**2**	**89 460**	**(757)**	**(18 025)**	**366 115**	**436 795**

Milen Assenov Christov — Digitally signed by Milen Assenov Christov Date: 2025.04.04 19:06:17 +03'00'

Milen Christov
Eastern European Electric Company B.V.
/Member of the Management Board/

Yoan Hristov Ivanov — Digitally signed by Yoan Hristov Ivanov Date: 2025.04.04 19:11:20 +03'00'

Yoan Ivanov
Eastern European Electric Company B.V. /Member of the Management Board/

PRESLAV VASILEV MANDEV — Digitally signed by PRESLAV VASILEV MANDEV Date: 2025.04.04 18:38:35 +03'00'

Preslav Mandev
Electrohold Bulgaria EOOD
/Preparer/

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

BGN'000	***Notes***	***2024***										
		Consolidated	EDG West	Sales	ICT	Trade	Bulgaria	FEPO	BARA	EPC	EEEC	*Eliminations*
Revenue from operating activities	5	**2 280 991**	486 978	1 123 833	28 147	933 863	45 069	2 747	-	14 444	1 682	(355 772)
Expenses of operating activities	6	**(1 824 355)**	(128 057)	(1 054 881)	(342)	(907 242)	-	(383)	-	-	-	266 550
Gross operating profit		**456 636**	**358 921**	**68 952**	**27 805**	**26 621**	**45 069**	**2 364**	**-**	**14 444**	**1 682**	**(89 222)**
Other revenue	7	**6 627**	8 581	-	-	-	-	-	-	-	-	(1 954)
Other income, net	8	**40 587**	11 959	28 355	7	123	125	91	2	(6)	-	(69)
Other operating expenses	9	**(241 852)**	(207 575)	(34 078)	(19 830)	(11 897)	(39 356)	(617)	(17)	(13 271)	(5 270)	90 059
Expected credit losses and impairment expenses on financial assets	12	**(2 625)**	(457)	(710)	(31)	(1 138)	154	(1)	-	(66)	(57)	(319)
EBITDA		**259 373**	**171 429**	**62 519**	**7 951**	**13 709**	**5 992**	**1 837**	**(15)**	**1 101**	**(3 645)**	**(1 505)**
Financial expenses	10	**(71 937)**	(9 321)	(688)	(39)	(1 084)	(2 601)	(2)	(2)	(499)	(67 528)	9 827
Financial income	11	**12 415**	6 049	6 587	-	2 799	1 648	72	-	-	71 361	(76 101)
EBTDA		**199 851**	**168 157**	**68 418**	**7 912**	**15 424**	**5 039**	**1 907**	**(17)**	**602**	**188**	**(67 779)**
Depreciation and amortization	14, 15, 28.1.1	**(111 586)**	(96 935)	(1 780)	(6 370)	(2 437)	(3 409)	(1 349)	-	(434)	(5)	1 133
EBT		**88 265**	**71 222**	**66 638**	**1 542**	**12 987**	**1 630**	**558**	**(17)**	**168**	**183**	**(66 646)**
Income tax expenses	13.1	**(20 165)**	(9 155)	(8 671)	(248)	(1 747)	(235)	(92)	-	(17)	-	-
Net profit/(loss) for the period		**68 100**	**62 067**	**57 967**	**1 294**	**11 240**	**1 395**	**466**	**(17)**	**151**	**183**	**(66 646)**

Milen Assenov Christov — Digitally signed by Milen Assenov Christov Date: 2025.04.04 19:06:42 +03'00'

Milen Christov
Eastern European Electric Company B.V.
/Member of the Management Board/

Yoan Hristov Ivanov — Digitally signed by Yoan Hristov Ivanov Date: 2025.04.04 19:11:48 +03'00'

Yoan Ivanov
Eastern European Electric Company B.V.
/Member of the Management Board/

PRESLAV VASILEV MANDEV — Digitally signed by PRESLAV VASILEV MANDEV Date: 2025.04.04 18:39:00 +03'00'

Preslav Mandev
Electrohold Bulgaria EOOD
/Preparer/

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

BGN'000	***Notes***	***2023***										
		Consolidated	EDG West	Sales	ICT	Trade	Bulgaria	FEPO	BARA	EPC	EEEC	*Eliminations*
Revenue from operating activities	5	**2 310 687**	572 697	958 834	27 963	934 324	40 984	2 927	-	13 423	1 995	(242 460)
Expenses of operating activities	6	**(1 791 493)**	(157 353)	(902 926)	(1 663)	(887 323)	-	(588)	-	(28)	-	158 388
Gross operating profit		**519 194**	**415 344**	**55 908**	**26 300**	**47 001**	**40 984**	**2 339**	**-**	**13 395**	**1 995**	**(84 072)**
Other revenue	7	**9 520**	11 397	-	-	-	-	-	-	-	-	(1 877)
Other income, net	8	**13 225**	4 213	8 259	312	57	402	1	-	2	-	(21)
Other operating expenses	9	**(245 517)**	(206 705)	(37 200)	(18 222)	(13 766)	(37 079)	(595)	(53)	(12 667)	(4 173)	84 943
Expected credit losses and impairment expenses on financial assets	12	**(1 459)**	(3 532)	2 958	(19)	(328)	(581)	10	2	(13)	(769)	813
EBITDA		**294 963**	**220 717**	**29 925**	**8 371**	**32 964**	**3 726**	**1 755**	**(51)**	**717**	**(2 947)**	**(214)**
Financial expenses	10	**(57 190)**	(9 813)	(2 965)	(129)	(910)	(1 426)	(1)	(2)	(60)	(49 598)	7 714
Financial income	11	**6 457**	450	3 618	4	2 178	1 489	-	-	-	149 409	(150 691)
EBTDA		**244 230**	**211 354**	**30 578**	**8 246**	**34 232**	**3 789**	**1 754**	**(53)**	**657**	**96 864**	**(143 191)**
Depreciation and amortization	14, 15, 28.1.1	**(105 756)**	(91 883)	(1 820)	(6 298)	(2 369)	(2 830)	(1 350)	-	(210)	(4)	1 008
EBT		**138 474**	**119 471**	**28 758**	**1 948**	**31 863**	**959**	**404**	**(53)**	**447**	**96 860**	**(142 183)**
Income tax expenses	13.1	**(18 956)**	(11 884)	(3 499)	(206)	(3 168)	(118)	(41)	-	(40)	-	-
Net profit/(loss) for the period		**119 518**	**107 587**	**25 259**	**1 742**	**28 695**	**841**	**363**	**(53)**	**407**	**96 860**	**(142 183)**

Milen Assenov Christov — Digitally signed by Milen Assenov Christov Date: 2025.04.04 19:07:19 +03'00'

Milen Christov
Eastern European Electric Company B.V.
/Member of the Management Board/

Yoan Hristov Ivanov — Digitally signed by Yoan Hristov Ivanov Date: 2025.04.04 19:12:19 +03'00'

Yoan Ivanov
Eastern European Electric Company B.V.
/Member of the Management Board/

PRESLAV VASILEV MANDEV — Digitally signed by PRESLAV VASILEV MANDEV Date: 2025.04.04 18:39:32 +03'00'

Preslav Mandev
Electrohold Bulgaria EOOD
/Preparer/

1. General information and nature of operations

Organisation

The Group consists of Eastern European Electric Company B.V. ("the Parent Company") and its subsidiaries Electrohold Bulgaria EOOD, Electrohold Sales EAD, Electrodistribution Grid West EAD (EDG West EAD), Electrohold Trade EAD, Electrohold ICT EAD (100% subsidiary of EDG West EAD), Free Energy Project Oreshets EOOD, Electrohold EPC EOOD (100% subsidiary of Electrohold Bulgaria EOOD) and BARA Group EOOD.

Eastern European Electric Company B.V. is part of Eurohold Bulgaria AD, consolidating the energy business of the Group in Bulgaria.

On 15 July 2021, 100% of the Parent Company's shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V. As at 31 December 2024, the sole shareholder of the Parent Company is Eastern European Electric Company III B.V.

The objectives of the Parent Company are to act as a holding and finance company. It has acquired the following subsidiaries through initial acquisition and buy-outs:

- CEZ Razpredelenie Bulgaria AD - currently renamed Electrodistribution Grid West EAD (EDG West EAD) / Electrorazpredelitelni mreji Zapad EAD (ERM Zapad EAD), including its subsidiary CEZ Information and Communication Technologies Bulgaria EAD (currently renamed Electrohold ICT EAD).
- CEZ Electro Bulgaria AD - currently renamed Electrohold Sales EAD.
- CEZ Trade Bulgaria EAD - currently renamed Electrohold Trade EAD.
- CEZ Bulgaria EAD - currently renamed Electrohold Bulgaria EOOD.
- Free Energy Project Oreshets EAD - currently renamed Free Energy Project Oreshets EOOD.
- Bara Group EOOD.

Ownership and management

The Group is a part of the economic group of Eurohold Bulgaria AD (Eurohold), which is a public joint stock company established by virtue of article 122 of the Public Offering of Securities Act and article 261 of the Commerce Act under UIC 175187337.The seat and registered address of Eurohold Bulgaria AD are as follows: city of Sofia, Iskar Region, 43 Christopher Columbus Blvd. Its equity instruments are quoted on Bulgarian Stock Exchange and Warsaw Stock Exchange.

Eurohold Bulgaria AD is controlled by Starcom Holding AD – a joint stock company, established and existing in accordance with the laws of the Republic of Bulgaria, registered in The Commercial Register at the Registry Agency with UIC 121610851 with registered office and management address: Republic of Bulgaria, city of Sofia, Iskar Region, 43 Christopher Columbus Blvd.

Starcom Holding AD owns 52.13% of the share capital of Eurohold Bulgaria AD as at 31.12.2024 and as at the date of this report.

Management Board

As at 31.12.2024, the Management Board of the Company consists of the following members: Milen Christov and Yoan Ivanov.

No changes in the way of representation have been made. The parent company is represented by each of the two members of the Management Board together.

Parent Company
Eastern European Electric Company B.V. ("the Parent Company") is established on 26 July 2019 and existing under the laws of the Netherlands in the legal form Besloten Vennootschap (comparable with Private Limited Liability Company) with registered address Kerkstraat 134 A, 1017 GP, Amsterdam, the Netherlands.

The objectives of the Parent Company are to act as a holding and finance company.

On 15 July 2021, 100% of the Parent Company’s shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V as non-obliged share premium contribution (niet-bedongen agiostorting). As at 31 December 2023 and as at 31 December 2024, the sole shareholder of the Parent Company is Eastern European Electric Company III B.V.

As at 31 December 2024, the share capital of the Parent Company is BGN 2 thousand (EUR 1 thousand), divided into 1 000 ordinary shares of BGN 2 (EUR 1) each, 100% of which are owned by Eastern European Electric Company III B.V.

On 21 July 2021, the Parent Company as a borrower entered into Senior Facilities Agreement with, among others, The Bank of New York Mellon, London Branch as agent, for the purpose of the financing of the acquisition of the shares of above-mentioned subsidiaries. The total amount utilized under the agreement is EUR 360 000 000.

In addition, on 21 July 2021, Eastern European Electric Company II B.V., a sole-owned subsidiary of Eurohold Bulgaria AD and the sole owner of Eastern European Electric Company III B.V. – the parent company of the Parent Company, has entered as borrower into holdco facility agreement with, among others, Metric Capital Partners LLP, as Agent for the purpose of attracting additional the financing for the acquisition of the above listed seven companies. The funds are provided to the EEEC B.V. in the form of equity. The total amount utilized under the agreement is EUR 113 989 637.

On 13 June 2023, the management of the Parent company approved a distribution in cash of BGN 106 593 thousand (EUR 54 500 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a share premium distribution at the charge of the share premium reserves which are maintained by the Parent Company for the benefit of its shareholders (the Distribution). On 14 June 2023 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V., the Distribution was approved by the General Meeting and respectively the payment was made on 15 June 2023.

On 18 September 2023, the management of the Parent company approved a distribution in cash of BGN 1 017 thousand (EUR 520 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a share premium distribution at the charge of the share premium reserves which are maintained by the Parent Company for the benefit of its shareholders (the Distribution). On 19 September 2023 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V., the Distribution was approved by the General Meeting and respectively the payment was made on 20 September 2023.

On 16 November 2023, the management of the Parent company approved a distribution in cash of BGN 1 154 thousand (EUR 590 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a share premium distribution at the charge of the share premium reserves which are maintained by the Parent Company for the benefit of its shareholders (the Distribution). On 16 November 2023 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V. the Distribution was approved by the General Meeting and respectively the payment was made on 20 November 2023.

On 18 March 2024, on the basis of the Share Premium Contribution Agreement, dated 18th March, 2024, the Share premium reserve of Eastern European Electric Company B.V. is increased by BGN 1 173 thousand (EUR 600 000) by means of cash contribution of its sole Shareholder - Eastern European Electric Company III B.V. The amount is duly received on bank account of EEEC B.V. on 18th March, 2024.

On 3 June 2024, the Parent Company as a borrower entered into Senior Facilities Agreement with, among others, The Bank of New York Mellon, London Branch as agent (the “**SFA**”), for the purpose of mainly refinancing the Senior Facilities Agreement dated 21 July 2021 and others listed below. The total amount available for the Parent Company under the SFA is EUR 460 000 thousand, structured in three facilities. Facility B1 Loan for refinancing of the outstanding indebtedness under the Senior Facilities Agreement dated 21 July 2021 amounting to total commitment of EUR 360 000 thousand. Facility B2 Loan for direct or indirect refinancing, in whole or in part, of the Holdco Facility Agreement, dated 21 July 2021 (with borrower Eastern European Electric Company II B.V.) with total commitment of EUR 85 000 thousand, and Facility C Loan for financing of the capital expenditures of EDG West with total commitment of EUR 15 000 thousand. All available commitments amounting to EUR 460 000 thousand under the three facilities B1, B2 and C of the SFA were fully utilised on 10.06.2024.

On 23 May 2024, the management of the Parent Company approved a distribution in cash of BGN 181 892 thousand (EUR 93 000 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a share premium distribution at the charge of the share premium reserves which are maintained by the Parent Company for the benefit of its shareholders (the Distribution). On 23 May 2024 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V., the Distribution was approved by the General Meeting and respectively the payment was made on 10 June 2024.

On 15 November 2024, the management of the Parent company approved a distribution in cash of BGN 13 300 thousand (EUR 6 800 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a dividend at the charge of retained earnings. On 15 November 2024 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V., the Distribution was approved by the General Meeting and respectively the payment was made on 5 December 2024.

On 9 December 2024, on the basis of the Share Premium Contribution Agreement from 15 November, 2024, the Share premium reserve of Eastern European Electric Company B.V. is increased by BGN 8 410 thousand (EUR 4 300 thousand) by means of cash contribution of its sole Shareholder - Eastern European Electric Company III B.V. The amount is duly received on bank account of EEEC B.V. on 9 December, 2024.

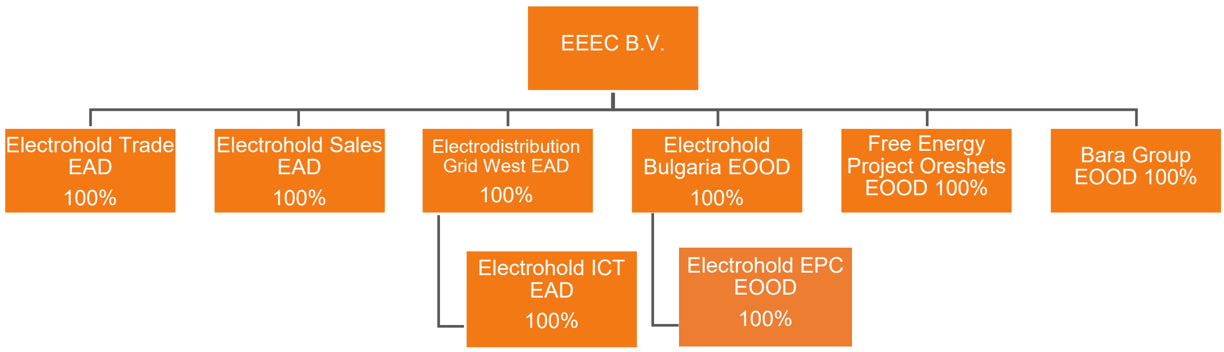
Company`s shares

According to the articles of association, the company has no authorized capital. The issued and paid-up share capital of the Company amounts to EUR 1,000 divided into 1,000 ordinary shares of EUR 1 each.

Each ordinary share holds the following rights:
- Participation in General Meetings of shareholders.
- Preference right for subscription in case of new share issue.
- Voting for distribution of earnings, and a relevant portion of that earnings.
- A liquidation share, proportional to the total nominal value of all shares.

Group structure

As at 31 December 2024, the consolidated financial statement of the Group includes:



Employees

During the period ended 31 December 2024, the average number of employees amounted to 3 289 FTE's (2023: 3 230). The employees could be categorized in three main areas:

By level of employment	2024	2023
Management services	433	436
Business services	748	733
Administrative services and operational staff	2 108	2 061
Total	**3 289**	**3 230**

One of the directors of EEEC B.V. is a Dutch resident, all other employees are non-Dutch residents. The employees of the Holding company travel to the Netherlands on a regular basis.

Future outlook

The Company is continuously monitoring market conditions for potential refinancing of financing opportunities. Apart from financing, there are no plans which would have a significant influence on expectations concerning future activities, investments, staffing and profitability. It is expected that the result will be in line with that of the reporting period.

2. Statement of compliance with IFRS, and going concern assumption

2.1. Statement of compliance with IFRS, as adopted by the EU

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the EU .They comprise the International Accounting Standards (IAS) adopted in accordance with Regulation (EC) 1606/2002 of the European Parliament and of the Council t and in accordance with paragraph 1, subparagraph 8 of the Additional provisions of Bulgarian Accountancy Act.

The parent company also prepares separate financial statements in which the investments in subsidiaries are presented at cost in accordance with IAS 27 "Separate Financial Statements". The separate financial statements of Eastern European Electric Company B.V. were approved for issue on 04.04.2025.

Management is responsible for the preparation and fair presentation of the information in these consolidated financial statements.

2.2. Going concern principle

At the date of preparation of these consolidated financial statements, management has made an assessment of the Group's ability to continue as a going concern based on available information for the foreseeable future. After making enquiries, the management (Board of directors) have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual consolidated financial statements.

3. New or revised standards or interpretations

3.1. New standards, amendments and interpretations to existing standards as at 1 January 2024

The Group has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning 1 January 2024:

- **Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective from 1 January 2024, adopted by the EU**

  The amendments in the classification of liabilities as current or non-current affect only the presentation of liabilities in the consolidated statement of financial position — not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. They.

  - clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
  - clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
  - make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- **Amendments to IAS 1 “Presentation of financial statements: Non-current liabilities with covenants”, effective from 1 January 2024, adopted by the EU**

  IAS 1 is amended as follows:

  - it specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period (the reporting date) for the purposes of classifying a liability as current or non-current; and
  - for non-current liabilities subject to conditions, an entity is required to disclose information about:
    - the conditions (for example, the nature of and date by which the entity must comply with the condition);
    - whether the entity would comply with the conditions based on its circumstances at the reporting date; and
    - whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested.

- **Amendments to IAS 7 “Statement of cash flows” and IFRS 7 “Financial instruments: Disclosures: Supplier Finance Arrangements”, effective from 1 January 2024, adopted by the EU**

  Amendments to IAS 7 and IFRS 7 will add disclosure requirements, and ‘signposts’ within existing disclosure requirements, that ask entities to provide qualitative and quantitative information about supplier finance arrangements. Those amendments add two disclosure objectives which will make the entities to disclose in the notes information that enables users of financial statements to assess how supplier finance arrangements affect an entity’s liabilities and cash flows and to understand the effect of supplier finance arrangements on an entity’s exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

- **Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback effective not earlier than 1 January 2024, adopted by the EU**

  Amendments to IFRS 16 requires a Company seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS 16 do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

3.2. Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early:

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2024 and have not been adopted early by the Group. Information on those expected to be relevant to the Group's consolidated financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement.

- **Amendments to IAS 21 "The effects of changes in foreign exchange rates:** Lack of exchangeability", effective from 1 January 2025, adopted by the EU.
- **Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), effective from 1 January 2026, not yet adopted by the EU.**
- **Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7), effective from 1 January 2026, not yet adopted by the EU**.
- **IFRS 18 Presentation and Disclosure in Financial Statements effective from 1 January 2027, not yet adopted by the EU**.
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective from 1 January 2027, not yet adopted by the EU.**
- **Annual Improvements Volume 11, effective from 1 January 2026, not yet adopted by the EU.**

4. Material accounting policy information

4.1. Overall considerations

The material accounting policy information that have been used in the preparation of these consolidated financial statements are summarized below.

The Group’s consolidated financial statements have been prepared on an accruals basis and under the historical cost convention except for the revaluation of properties in line with IFRS 3 Business combinations, investments and derivatives. The measurement bases are more fully described in the accounting policies below.

The consolidated financial statements are presented in Bulgarian leva (BGN), which is also the functional currency. All amounts are presented in thousand Bulgarian leva (BGN‘000) (including comparative information for 2023), except for earnings per share or unless otherwise stated.

It should be noted that accounting estimates and assumptions are used for the preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2. Presentation of consolidated financial statements

The consolidated financial statements have been presented in accordance with IAS 1 “Presentation of Financial Statements”. The Group has elected to present the consolidated statement of profit or loss and other comprehensive income as a single statement.

4.3. Basis of consolidation

The consolidated financial statements comprise the financial statements of Parent Company and its subsidiaries as at December 31, 2024.

The Group (investor) controls an investee if and only if the investor owns all of the following:

a) power over the investee (i.e., existing rights that give it the ability to direct the relevant activities of the investee);

b) exposure, or rights, to variable returns from its involvement with the investee, as well as

c) the ability to use its power over the investee to affect the amount of the investor's returns.

Usually there is a presumption that a majority of the voting rights results in control over investee. To support this presumption and when the Group has less than a majority of the rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

a) contractual arrangements with the other vote holders;

b) rights arising from other contractual arrangements;

c) Group’s voting rights or potential voting rights.

The consolidation of subsidiaries starts on the date on which the Group obtains control and continues until the date when the control is lost. Assets, liabilities, revenue and expenses of a subsidiary, acquired or disposed during the reporting period are included in the consolidated financial statements on the date on which the Group acquires control till the date on which the Group ceases to control the subsidiary. In the consolidated financial statements, the subsidiaries' consolidated financial statements are consolidated using the "full consolidation" method, in order, by applying an accounting policy that is unified for major items. The Parent Company's investments are eliminated against the equity interest of the subsidiaries at the acquisition date. Intragroup operations and estimates are completely eliminated.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The owned shares by the Parent Company and subsidiaries' main fields of activities are represented as follows:

Name	Principal activities	Country of incorporation	Number of shares	Ownership %
Eastern European Electric Company B.V. (Referred to as EEEC, Parent Company)	**Finance company**	**Netherlands**	**1 000**	
Electrohold Bulgaria EOOD (ELH Bulgaria)	Business services, purchasing and sale of equipment and materials as well as any other activity, not prohibited by law.	Bulgaria	200 000	100%
Electrohold Sales EAD (ELH Sales)	Public Supply of electricity according to the Energy Act (EA) after obtaining and in compliance with the conditions of the obtained license for Public Supply of electricity and every other activity, not prohibited by law.	Bulgaria	5 000	100%
Electrodistribution Grid West EAD (EDG West)	Operation of the electricity distribution grid as an aggregation of Medium Voltage, Low Voltage and High Voltage power lines and facilities, used for transmission and distribution of electricity to the end customers connected to the Company's electricity distribution grids (EDG) within the territory where the Company operates, subject to the presence and maintenance of a valid license for electricity distribution for the respective area.	Bulgaria	1 928 000	100%
Electrohold Trade EAD (ELH Trade)	Trade in electricity, heating power, gas fuels, and all other types of energy sources after obtaining of the relevant license, in case such a license is required; Research, consulting, designing, financing and construction of energy projects, delivery of energy efficient services, delivery of services under contracts with guaranteed results – ESCO contracts, construction and assembly works, repair works, delivery of materials and equipment.	Bulgaria	500 000	100%
Electrohold ICT EAD (ELH ICT)	Trade in integrated systems in the field of information and communication technologies, provision of information, communication and technological services, as well as other technical and consulting services.	Bulgaria	60 000	100%
Free Energy Project Oreshets EOOD (FEPO)	Production, construction and operation of power systems and power plants, related to renewable energy resources; production of and trading with energy from renewable resources; purchase of real estate for the purposes of construction, lease or sale; construction and entrepreneur services; marketing researches, consultancy; import and export; commercial representation and intermediary services of Bulgarian and foreign natural persons and legal entities, as well as any other activity non-prohibited by law.	Bulgaria	1 602	100%
Electrohold EPC EOOD (Referred to as ELH EPC)	Preparation of investment projects, execution of construction and assembly activities, supply, purchase /sale of materials /goods, consultations, and assistance in preparation of tendering procedures documentation, as well as any other activity, not prohibited by law.	Bulgaria	500	100%
BARA Group EOOD (Referred to as BARA)	Construction, maintenance and exploitation of energy sites for production of electric power from renewable energy sources and alternative energy sources (after obtaining of the respective licence and permits); electric power production from renewable energy sources and alternative energy sources (after obtaining of the relevant licenses and permits), internal and external trade, purchase and sale of real estate, construction, commercial representation, intermediation and agency of local and foreign individuals and legal entities; transport and forwarding activities, as well as any other activities not prohibited by law	Bulgaria	500	100%

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit and loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

When the Group ceases to have control of a subsidiary, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs).

The profit or loss on disposal is calculated as the difference between:

i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and

ii) ii) the previous carrying amount of the assets including goodwill and liabilities of the subsidiary and any non-controlling interest.

4.4. Climate-related matters

As of January 1, 2024, Electrohold Group falls within the scope of the new Regulation (EU) 2022/2464 of 14.12.2022 on corporate sustainability reporting, Corporate Sustainability Reporting Directive (CSRD). The legislation was included in the provisions of the Accounting Act in 2024. The implementation of the requirements for preparing a sustainability report was postponed by a horizon of 1 year. The first year for submitting this report is in 2026 for the financial year 2025.

4.5. Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred.

If the Group acquires a controlling interest in a business in which it previously held an equity interest, that equity interest is remeasured to fair value at the acquisition date with any resulting gain or loss recognised in profit or loss or other comprehensive income, as appropriate.

Consideration transferred as part of a business combination does not include amounts related to the settlement of pre-existing relationships. The gain or loss on the settlement of any pre-existing relationship is recognised in profit or loss.

The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. On initial recognition, the assets and liabilities of the acquired subsidiary are included in the consolidated statement of financial position at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree that is present ownership interests and entitles their holders to a proportionate share of the entity’s net assets in the event of liquidation either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognized amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair value of any identifiable net assets exceeds the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognized in profit or loss immediately.

When a business combination is achieved in stages, the Group’s previously held equity interest in the acquire is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have been previously recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if the interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period which cannot exceed one year from the acquisition date or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the acquirer is measured at fair value at the acquisition date and included as part of the consideration transferred in a business combination. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, is recognized in accordance with IFRS 9 “Financial Instruments” either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured until it is finally settled within equity. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill.

4.6. Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. See note 16 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Refer to note 4.18 for a description of impairment testing procedures.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4.7. Transactions with non-controlling interest

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are treated as transactions with equity owners of the Group. The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Parent Company.

4.8. Foreign currency translation

The consolidated financial statements are presented in Bulgarian Leva (BGN), which is the Group’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated on a monthly basis by applying the exchange rate published by the Bulgarian National Bank for the last working day of the respective month. All exchange rate differences are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are valued at historical acquisition cost in a foreign currency are translated to the functional currency at the exchange rate as at the dates of initial transaction (acquisition).

The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into BGN at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences, if any, are charged/credited to other comprehensive income and recognized in the currency translation reserve in equity.

On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to profit or loss and are recognized as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into BGN at the closing rate.

4.9. Revenue

The Group's usual income is for the activities disclosed in Note 5.

Recognition of revenue from contracts with customers

The Group's revenue is recognised when control over the goods and/or services promised in the *contract with the customer* is transferred to the customer. Control is transferred to the customer upon satisfaction of the contractual performance obligations through transfer of the promised goods and/or provision of the promised services.

Measurement of contracts with customers

The Group accounts for a contract with a customer only if upon its enforcement:
a. it has commercial essence and rationale;
b. the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform it;
c. each party's rights can be identified;
d. the payment conditions can be identified; and
e. it is probable that the Group will collect the consideration to which it is entitled upon performing its performance obligations. In evaluating whether collectability of an amount of consideration is probable, the Group considers all relevant facts and circumstances of the transaction, including past experience, customary business practices, published rules and declarations made by the Group, collaterals and possibilities for satisfaction.

A contract for which any of the above criteria has not yet been met is subject to new assessment in each reporting period. The consideration received under such contracts shall be recognised as payable (*contract liability*) in the consolidated statement of financial position, until: a. all criteria for recognizing a contract with a customer are met; b. the Group meets its performance obligations and has received the whole or almost the whole remuneration (which is not recoverable); and/or c. when the contract is terminated, and the remuneration received is not recoverable.

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

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

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

Measurement of revenue under contracts with customers

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

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

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

a) the Group accounts for a contract modification as a separate contract if the scope of the contract increases because of the addition of promised goods or services that are distinct, and the price of the contract increases by an amount of consideration that reflects the entity's stand-alone selling prices of the additional promised goods and/or services;

b) the Group accounts for the contract modification as if it were a termination of the existing contract and the creation of a new contract (future application), if the remaining goods and/or services are distinct from the goods and/or services transferred before the contract modification, but the change in the contract price does not reflect the standalone selling price of the goods and/or services added;

c) the Group accounts for the contract modification as if it were a part of the existing contract (cumulative adjustment) if the remaining goods and/or services are not distinct and, therefore, form part of a single performance obligation that is partially satisfied.

Performance obligations under contracts with customers

The revenue generated by the subsidiaries as follow:

- Revenue from the sale of electricity.
- Revenue from construction services for building energy installations.
- Services for access to and transmission along the electricity distribution grid.
- Services for the connection of new customers to the electricity distribution grid.
- Other services - services for survey, repair and maintenance of the electricity distribution grid and commercial metering devices.
- Information, communication and technological services (ICT services).
- Production of electricity.

The Parent Company and the subsidiaries have concluded that they act as principals in their contracts with customers, unless explicitly stated otherwise, since they usually control the goods and services prior to their control to the customers.

Principal vs. agent, net or gross presentation

Electrodistribution Grid West provides services for access to the high-voltage electricity grid (HV) and transmission along the high-voltage electricity grid (HV), as well as the services for collecting a fee for access to the electricity distribution grid for producers of energy from renewable sources, which is payable by solar and wind energy producers connected to the electricity transmission and electricity distribution grid. With respect to these services, the subsidiary has concluded that it does not control the services before, during and after their provision to the customers and its obligation is rather to collect the amounts due by customers on behalf of a third party (the Electricity System Operator – ESO), which is legislatively regulated. Therefore, the Parent Company has decided to present the revenue and costs from these transactions net in the consolidated statement of comprehensive income.

Electrohold ICT has concluded that it is acting as an agent for the services it is providing under a contract to develop a data model (DLMS/COSEM DATA MODEL) to EDG West EAD's Automatic Meter Reading (AMR) remote metering system. For this service, Electrohold ICT EAD considers that it is acting as an agent as it is more likely to arrange for a third party to carry out the work and provide the service.

Electrohold Sales is obliged to purchase electricity from RES producers with capacity up *to 0.5 MW* since 01.07.2021 based on amendment in the legislation.

For such services, the company has determined that it does not control the goods before they are transferred to NEK and is unable to direct the use of or derive benefit from the goods. Therefore, the company has determined that it acts as an agent for these transactions.
As of 01.07.2021, RES producers with a capacity greater than or equal to 0.5 MW are obliged to sell the electricity produced by them on the Independent Bulgarian Energy Exchange (IBEX). The company has two types of concluded contracts with such RES producers. Usually, it sells on their behalf to IBEX the quantities according to the daily schedule for electricity produced by them. The company buys the same monthly amount of produced electricity, at the reached average selling price on the exchange, from RES producers.

Electrohold Sales receives remuneration as a commission, which is calculated on the basis of the sold quantities of energy for the past period (on a monthly basis) on behalf of the relevant RES producers of IBEX. Also, as of 10.01.2019, the company has another type of concluded contracts with RES

producers, to whom it sells the electricity produced by them to IBEX and buys the energy produced by them at a fixed price. For such deals, the company bears the price risk of the sale of electricity. The remaining obligations and conditions under the second type of contract are identical to the first type of contract.
The company has determined that it normally does not control the goods before they are transferred to IBEX, and is unable to direct the use or benefit of the goods, especially in the first type of contract with RES, because:

- It does not bear primary (first ranking) responsibility for the fulfilment of performance obligations.
- It cannot determine the amount of energy produced.
- It does not have freedom of action when negotiating prices.

Due to the above, the company has determined that, in the performance of these contracts, it acts as an agent. Revenues from sales under these contracts are recognized in the amount of the commission (net remuneration), which Electrohold Sales retains after paying the other party the remuneration received as a result of the sold quantities of energy to IBEX.

According to the Electricity Trading Rules and EWRC's Price Decisions, through electricity sales, the company collects from its customers amounts owed to third parties in relation to:

- Prices for network services determined by EWRC in favor of distribution companies.
- The "Obligation to society" component at a price set by EWRC in favor of the "Energy System Security" Fund (ESSF). According to the effective price decisions of EWRC in 2023, the price of the "Obligation to society" component is zero BGN.
- Charges for disconnection and restoration of power supply to customers under Trade license.

The company does not exercise control, cannot manage and determine the amount of the amounts indicated above, and does not receive remuneration for these sales, as it pays the third parties in full the amounts collected by it from the customers. On this basis, the company has determined that its obligation is rather to collect the sums due from the customers on behalf of the third parties, which obligation is legally regulated.

Therefore, Electrohold Sales has determined to present the income and expenses of these transactions net in the Statement of profit or loss.

Electrohold Trade, according to the Rules on trade with electricity and EWRC's Price Decisions, by selling electricity, collects from its customers amounts due to third parties, in relation to:

- network service fees determined at EWRC prices in favour of the distribution companies – transmission and access fees;
- the "obligation to society" component at a price determined by EWRC in favour of Energy System Security Fund (ESSF). Under the decision of EWRC from 01.07.2022 the price for component "obligation to society" is zero BGN.

The Company does not exercise control and cannot control or determine the amounts described hereinabove, nor does it receive consideration for these sales, since it pays to third parties the full amount of the payment collected from customers. Therefore, the Company has determined that its obligation is rather to collect the amounts due by customers on behalf of third parties, which is a statutory obligation. Therefore, it has elected to present revenue and expenses related to these transactions net in the statement of comprehensive income.

Revenue from construction services for the construction of energy facilities

Under construction service contracts, the company identifies various goods and services that must be provided to complete the project. However, the goods and services are not distinguishable in the context of the contract because the company's promise to transfer individual goods and services is not separately distinguishable from the other promises in the contract. The company provides a significant service of integration of individual goods and services in one object, for the execution of which the contract was concluded. The company reports one performance obligation under each individual contract.

The company is usually entitled to receive payment for work performed to date that will at least compensate it for the costs incurred, plus a reasonable profit in the event that the contract is terminated for reasons other than the company's default (a legally enforceable right to payment). The transfer of control and recognition of revenue from sales of construction services is performed over time by measuring the degree of fulfillment of the company's obligations (stage of completion). To measure progress (stage of completion) the company uses the output method, based on quantifiable calculations/protocols for the performance completed to date and/or completed key stage (the part of the physical performance of the work under the contract). This method was determined to be the most appropriate as the client controls the asset while it is being created/enhanced. The customer controls the work in progress, the completed work remains the property of the customer upon termination of the contract, the customer may change the design specifications during the contract term.

<u>Guarantees</u>

Contracts for construction services include a standard warranty clause that ensures that the construction works meet the agreed specifications and standard quality conditions within the statutory time limits from the date of completion and acceptance of the sites. This warranty is required by law. The management of the company has determined that this guarantee only provides assurance that the services performed correspond to those agreed in terms of scope and quality and therefore does not constitute a separate performance obligation. These guarantees are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Electrohold Bulgaria considers itself:

- to be the principal with regard to the goods sold. Revenue from the sale of goods is recognized at a point in time when the transfer of the control over the goods occurs.
- acts as an agent with regard to some of the services provided, such as some consultancy services, collection fees, outsourced services provided by commercial centres, GPS systems, part of the expenses for publications, advertisements, announcements, fulfilment of orders for purchase of good from and at the expense of the client, etc.

Transaction price and payment terms

Electrodistribution Grid West performs its licensing activity under general and individual administrative acts issued by The Energy and Water Regulatory Commission, which are obligatory for execution, including with respect to price formation. Prices are regulated by the state.

Upon determining the transaction price, the Group also takes into consideration variable consideration and the presence of a significant financing component (*if any*).

Electrohold Sales performs its licensing activity under general and individual administrative acts issued by The Energy and Water Regulatory Commission, which are obligatory for execution, including with respect to price formation.
The prices applicable for sales under the End Supplier and Last Resort Supplier licenses are regulated by the state.

With respect to sales under the Electricity Trade license, the transaction price is usually determined as a fixed (unit) selling price set in a contract, in accordance with a general or customer-specific price list and may include a variable consideration and a significant financing component effect (if any). Sales on the IBEX are carried out at exchange prices valid for the date and time of the transaction.

Electrohold Trade supplies electricity to corporate and business customers and trades on the wholesale market at free prices separately determined for each transaction.

<u>Variable consideration</u>

The variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The forms of variable consideration include contract penalties – *penalties for default of a party's obligation, including for quality performance by the Group companies.*

Variable consideration in the form of penalties are included as a deduction of the transaction price only if payment is very probable. The Group's experience shows that historically, it has observed the requirements of contracts with customers and has not charged penalty payables. The receipt of variable consideration in the form of penalties due by the customer depends on customers' actions.

Therefore, it is only included within the transaction price where the uncertainty of receipt has been resolved. Such is usually interest due for customers' late payment.

Significant financing component

Advance payment

In contracts with customer usually pays in advance. The Group has performed an analysis and has determined that the duration of the period from the customer's payment and the transfer of control over these services is usually less than twelve months, therefore, there is no significant financing component.

When the period exceeds 365 days, the Group has determined that a financing component exists, since the purpose of the advance payment is to ensure the performance of customers' obligations, including upon contract termination due to a reason other than default.

The advance payments received are carried as contract liabilities and are recognised as revenue following the construction of the asset, thereby the connection service is carried out.

Contract costs

The Group states as contract costs the following:

- the additional and directly related expenses it incurs upon concluding a contract with a customer, which it expects to recover over a period longer than twelve months *(**costs to obtain a contract with a customer**)* and
- the expenses it incurs to fulfil a contract with a customer and which are directly related to the specific contract, support the generation of resource to be used in the contract fulfilment and the Group expects to recover them over a period longer than twelve months (*costs to fulfil such contracts)*.

In its usual business activity, the Group does not incur any direct and specific costs to obtain contracts with customers and contracts to fulfil such contracts which would not have occurred if the respective contracts had not been concluded and which are subject to capitalisation.

Contract balances

Trade receivables and contract assets

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

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

The initial measurement, remeasurement and impairment of trade and other receivables and contract assets are disclosed in Notes 5.2 and 18.

Contract liabilities

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

Contract assets and contract liabilities are stated separately from trade receivables and payables in the consolidated statement of financial position. They are included within the group of current assets when their maturity is within 12 months or within the Group's usual operating cycle, and the others are stated as non-current.

Assets and liabilities from a single contract are stated net in the consolidated statement of financial position, even if they result from difference performance obligations in the contract.

Following their initial recognition, trade receivables and contract assets are subject to review for impairment pursuant to the conditions of IFRS 9 *Financial Instruments*.

Impairment losses from contracts with customers are stated separately from other impairment losses.

Amounts charged, applying an approved methodology, for the electricity transmission and access service, which was not actually measured and reported to customers at the end of the reporting period are treated and presented as contract assets. Amounts received from customers for connection services to the electricity distribution network, for which the contracts have not been concluded and the assets are in the process of construction, are treated and presented as liabilities under contracts with customers.

Other revenue from customers

The Group treats as other revenue rental income from the operating lease of property, plant and equipment, and revenue from amounts billed upon established incomplete or inaccurate measurement pursuant to Art. 56(1) of the Electricity Metering Rules in Bulgaria.

The Group usually presents income from expired payables written-off, revenue from default penalties, different from delayed payment penalties under contracts with customers and others. Revenue from delayed payments penalties is recognised as revenue to the amount for which a high probability exists for the Company to obtain economic rewards.

4.10. Finance income and costs

Finance income

Finance income is included in the consolidated statement of comprehensive income (within profit or loss for the year) when earned, and comprises: interest revenue from current accounts and term deposits.

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets, with the exception of financial assets, which are credit-impaired (Stage 3), for which interest income is calculated by applying the effective interest rate on their amortised cost (i.e. the gross carrying amount adjusted for impairment allowance).

Finance costs

Finance costs are included in the consolidated statement of comprehensive income (within profit or loss for the year) when incurred and comprise interest costs on loans obtained, interest costs on leases, and bank charges on loans and guarantees.

4.11. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, it is set up as deferred revenue and released to income in equal amounts over the expected useful life of the related asset. Where the Group receives non-monetary grants, the asset and the grant are recorded at nominal amounts and the income is released to the consolidated statement of comprehensive income over the expected useful life and pattern of consumption of the benefit of the underlying asset by equal annual instalments.

4.12. Technological costs from distribution of electricity

Technological costs occur as a result of the transfer of electricity to end-consumer trough distribution grid. Based on the methodology adopted, the EWRC approves a maximum annual level of technological losses as a percentage and monthly deviations rates. Both, a percentage and monthly deviations rates, are disclosed in Note 6.

4.13. Income Taxes

Current corporate income tax

Current income tax assets and liabilities for the current and prior periods are recognised at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are debited or credited directly in equity (and not in the consolidated statement of comprehensive income) when the tax relates to items recognised directly in the current or prior periods equity.

Deferred income tax

Deferred taxes are recognised using the balance sheet method for all temporary differences of each consolidated entity as at the reporting date arising between the tax bases of assets and liabilities and their carrying amounts, including if any have arisen as a result of consolidation adjustments.

Deferred tax liabilities are recognised for all taxable temporary differences, except to the extent to which the deferred tax liability arises from the initial recognition of an asset or liability from a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

The carrying amount of deferred tax assets is reviewed by the Group entities at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be realised to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be realized to allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in equity in the current or prior periods is debited or credited directly to equity (and not in the consolidated statement of comprehensive income).

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred tax assets and liabilities relate to income tax imposed by one and the same taxation authority for one and the same taxable entity.

For 2024 the nominal tax rate applied is 10%.

4.14. Value added tax (“VAT”)

Revenue, expenses and assets are recognised net of value added tax (VAT) except where:

- VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

4.15. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. Uncertainties related to the made assumptions and estimates could result in factual outcomes that could require material adjustments to the carrying amount of respective assets or liabilities in future reporting periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are described below.

It is the judgement of the Group’s management that there are presently no clear and specific factors that impact the main assumptions related to future and other main sources of uncertainty in the estimates at the reporting risk for which a significant risk exists of adjustments to the carrying amounts of assets and liabilities in the next reporting period.

4.15.1. Revenue from contracts with customers

Upon the recognition of revenue and the preparation of the consolidated financial statements of the Group, the management makes various judgements, estimates and assumptions that impact the revenue, expenses, contract assets and liabilities accounted for and the respective disclosures. As a result of the inherent uncertainty of these assumptions and estimates, significant adjustments may arise to the carrying amount of the respective assets and liabilities in the future, accordingly to the expenses and revenue accounted for.

The key judgements and assumptions that have a significant impact on the amount and period of recognition of revenue from contracts with customers are disclosed in detail in the Accounting Policy, Note 4.9, and are as follows:

- Determining the point in time of satisfying performance obligations for the service of connection to the electricity distribution grid – the Parent Company has performed an analysis and has determined that control is transferred to the customer at a point in time, when the connection assets are constructed and commissioned and the connection service has been rendered;
- Estimate of variable consideration - penalties for default of contractual obligations;
- Judgement on significant financing component – when the period between the customer’s payment for the services promised and the point of transfer of control over these services exceeds 365 days;
- Principal vs. agent considerations;
- Determining the point of satisfaction of performance obligations in the case of electricity sales and contracts for the construction of energy installations.

4.15.2. Calculation of expected credit losses from financial assets measured at amortised cost

The measurement of expected credit losses for financial assets stated at amortised cost (trade and other receivables and contract assets) granted is an area that requires the use of complex models and material assumptions for future economic conditions and the credit behaviour of customers and debtors (for instance, the probability of counterparties not meeting their obligations and the pursuant losses).

In order to apply these requirements, the Group’s management makes a number of material judgements, such as: a) determining criteria to identify and measure significant credit risk increases; b) selection of suitable models and assumptions to measure expected credit losses; c) establishing groups of similar financial assets (portfolios) for the purpose of measuring expected credit losses; d) establishing and assessing the correlation between historical default rates and the behaviour of certain macro indicators to reflect the effects of forecasts for these macro indicators in the calculation of expected credit losses (Notes 18, 19)

Trade and other receivables

The Group uses a provisioning matrix to calculate expected credit losses from trade and other receivables and contract assets. The provision rates are based on days past due for groups from different customer segments (portfolios) sharing similar loss models (type of client by sector).

Each provisioning matrix is initially based on detailed historical observation of default rates in the Group's receivables and the movement of receivables by delay groups. Usually, historical data is used for two years as per the consolidated financial statement's date. Additionally, the Group calibrates the matrix so as to adjust historically ascertained dependence for credit losses with forecast information by also using probability scenarios. For instance, if forecast economic conditions are expected to aggravate or improve in the next year, which might result in proven correlational increase in delays for a certain sector (type of customer), the historic default rates are adjusted. At each reporting date, the observable historical default rates are updated and the effects of changes in the estimates are accounted for.

Regarding trade receivables from related parties and contract assets under contracts with customers – related parties, the Group's management has performed special analyses and has tracked collectability and has determined that they contain a negligible percentage of expected losses due to the established control mechanisms for monitoring and settling intragroup accounts at company level. Therefore, it has applied a "100% percent collection" rating for receivables from other entities within The Group.

The assessment of the relation between observable historical default rates, the forecast economic conditions and expected credit losses is a significant accounting judgement. The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Group's historical credit closes and the forecast economic conditions may deviate from actual collection rates in the future.

The information about expected credit losses from trade and other receivables and contract assets is disclosed in Notes 18, 19.

Cash and cash equivalents

In order to calculate expected credit losses for cash and cash equivalents at banks, the Group applies a „three-stage" impairment model established by IFRS 9. For this purpose it applies a rating model by using the banks' ratings as determined by internationally recognised rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg. Based on this, on the one hand, public data is used for the PD (probability of default) of the respective bank, and on the other hand, based on the change in a bank's rating, the Group determines the presence of increased credit risk. Loss given default is measured based on the formula.

Accrued credit loss for impairment of cash and cash equivalents is presented in Note 21.

4.15.3. Provision for court claims and provision for penalties

The Group is involved in a certain of litigations and proceedings giving rise to provisions and contingent liabilities which are presented in Note 33.

Significant judgement is necessary to be applied by the management, with support from internal legal experts and external lawyers, in the estimation their potential effects (i.e. whether the liability should be recognized, or a contingency should be disclosed and whether the potential outflows can be reliably estimated) due to the inherent uncertainties over the final outcome of these litigations and proceedings and their complexity.

In addition, these provisions originate in relation to current liabilities, object to court disputes with big dynamics and fluctuation in the payment and completion deadline thereof. Therefore, the management has decided to include them fully within current liabilities.

4.15.4. Retirement benefits

The cost of defined benefit pension plans is determined using actuarial valuations and the use of external actuarial experts. The actuarial valuation involves making assumptions about discount rates, future salary increases, staff turnover and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

4.15.5. Useful life of property, plant and equipment, and intangible assets

Financial reporting of property, plant, equipment and intangible assets involves the use of estimates for their expected useful life and remaining values, which are based on judgments from the Group's management.

4.15.6. Lands and buildings without title deeds

A subsidiary (Electrodistribution Grid West EAD) owns land and buildings for which there are no title deeds. These lands and buildings are included in the statement of financial position of the subsidiary based on the judgment of the subsidiary's management and lawyers that it is not likely that these assets will not be owned by the Company due to the fact that they have a specific use and there is no possibility for another company to exercise the same activity such as that of Electrodistribution Grid West EAD on the territory of the country for which the subsidiary has been issued a license, and accordingly to claim ownership of these assets. The fact that the three distribution companies, of which the subsidiary is the legal successor, acquire those assets of its grantor "NEK" EAD, through which the activity of "distribution of electric energy" is carried out, namely the energy facilities/electrical systems and power lines is also important with high, medium and low voltage for the distribution and delivery of electrical energy.

Additional information is provided in Note 14.

4.15.7. Impairment of inventories

At the end of each financial year, the Group reviews the state, useful life and usability of the existing inventories. When the companies identify inventories the assessment of which shows that it is highly probable for them to be not realised at their current carrying amount in the following reporting periods, these inventories are impaired to net realisable value.

4.15.8. Impairment of Property, Plant and Equipment, Intangible Assets and Goodwill

At the end of each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group reviews the recoverable amounts of its property, plant and equipment to determine whether such amounts continue to exceed the assets' carrying values. The assessment of the recoverable amount involves inherent uncertainty in forecasting and discounting future cash flows. The impairment identified is recognised directly in the consolidated statement of comprehensive income as expense for PPE impairment, within profit or loss.

The Group has not incurred an impairment loss on goodwill in 2024.

4.15.9. Business combinations

On initial recognition, the assets and liabilities of the acquired business are included in the consolidated statement of financial position at their fair values. In measuring fair value management uses estimates about future cash flows and discount rates, however, the actual results may vary. Any measurement changes upon initial recognition would affect the measurement of goodwill.

Management uses various valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination. In particular, the fair value of contingent consideration is dependent on the outcome of many variables including the acquirees' future profitability.

4.15.10. Assessment of lease contract components

4.15.10.1. Determining whether a contract contains a lease or lease components and determining the lease term of leases with renewal and termination options – as lessee

Upon identification and classification of a lease or a lease component of a contract, the Group determines whether the contract contains an identifiable asset and whether it transfers the right of control over this asset for the contract term. Contracts for rental of property and equipment contain a lease, since the Group controls the use of assets over the contract term for which it pays a consideration. The assets are identifiable.

The Group determines the lease term as the non-cancellable period of the lease, together with both: a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group's effective leases contain an extension option and a termination option. The Group applies judgement to determine whether it is reasonably certain that it would exercise the extension/termination option, considering all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease (such as costs for negotiation, relocation and identification of another asset, the importance of the underlying asset for the Group's operations, etc.).

After the commencement date, the Group reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within its control and affects whether the Group is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

4.15.10.2. Determining the incremental interest rate of leases in which the Group is a lessee

In the cases when the companies of the Group is a lessee and cannot readily determine the interest rate to discount lease liabilities, it uses the incremental borrowing rate it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of- use asset in a similar economic environment. In case of leases where no similar borrowing exists, the Group companies seek observable data such as market levels of loans and publicly available bank statistics, and performs specific calculations and adjustments to reflect their own credit rating.

4.15.10.3. Review of indicators for impairment of right-of-use assets

As at the date of the financial statements, the Group's management performs an impairment review of right-of-use assets. If indicators exist that the approximate recoverable amount is lower than their carrying amount, the latter is impaired to the recoverable amount of assets. The group companies have reviewed and concluded there are no indicators for impairment as at 31.12.2024.

4.15.10.4. Interpretation of the scope and content of a penalty when determining lease terms

The Group accounts for several leases (cancellable) which do not have a specific lease term, and the term continues until any of the parties – lessee or lessor, terminates them. Some of the leases contain a termination notice period – for instance, not more than 6 months; respectively, the contract may not require any of the parties to pay amounts upon termination, as well as contracts with an option for multiple re-negotiation – which include an initial period and an unlimited number of re-negotiations after the initial period, unless terminated by either of the parties. With respect to these two types of contracts, the Group applies a wider interpretation of "penalty" according to IFRS 16, outside the scope of the ones described in the lease, based on reasonably substantiated economic incentive or factors of deterring nature or acting as a sanction (for instance: significant costs to find an alternative underlying asset, significant relocation costs, significance of the underlying asset for the Group's operation, etc.). For these two types of contracts, the Group's aim is that the lease term corresponds to its realistic judgement on the period of use of the underlying asset.
The terms of these leases are as follows:

- Real estate – 6 - 9 years
- Energy facilities – 5 years
-

4.15.10.5. Fair value measurement

Management uses techniques to estimate the fair value of financial instruments (in the absence of quoted prices in an active market). In applying valuation techniques, management uses to the maximum extent market data and assumptions that market participants would adopt in valuing an instrument. When there is no applicable market data, management uses its best estimate of assumptions that market participants would make. These estimates may differ from the actual prices that would have been determined in a fair market transaction between informed and willing parties at the end of the reporting period (see note 38).

4.16. Property, plant and equipment

Property, plant and equipment are initially stated at cost less the accumulated depreciation and accumulated impairment losses, if any. All costs also include the cost of replacing parts of the property, plant and equipment when these costs are incurred and provided that they meet the criteria for recognition of a non-current tangible asset. All costs also include borrowing costs for long-term construction projects if the recognition criteria are met.

In the case of expenses for fundamental examination and repair/enhancement of plant and/or equipment, they are included in the carrying amount of the asset as replacement costs provided that they meet the criteria for recognition of a non-current tangible asset and in as far as their result in replacement of an essential part of the existing asset or in its improvement, thereby increasing its functionalities and/or production capacity. All other repairs and maintenance costs are recognized in profit or loss in the period in which they are incurred.

Construction in progress is measured at cost. Once an asset is placed in service, all costs associated with it that are stored in the construction work in progress account are shifted into whichever fixed asset account is most appropriate for the asset and depreciation starts.

Depreciation is calculated on the straight-line method over the useful life of assets.

For 2024 and 2023 the useful lives of the Group's property, plant and equipment are estimated as follows:

	Years
Buildings	25 - 50
Computer systems	2 - 5
Measuring equipment and tools	2 - 8
Industrial machines and equipment	2-25
Equipment in transformer units and sub-stations	2 - 20
Power distribution lines and cables -medium and low voltage	20 - 25
Equipment, installations, sewerage, roads, fences	5 -25
Fixture and fittings	2 -8
Vehicles, motor and electric trucks	2 -7

Depreciation expense on property, plant and equipment is recognized in the line "Depreciation and amortisation" in the Statement of Profit or Loss and Other Comprehensive Income. Tangible fixed assets are derecognised from the consolidated statement of financial position when they are permanently disposed of, and no future economic benefits are expected therefrom or on sale.

The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration the Group expects to be entitled to (sales revenue) and the carrying amount of the asset at the date when the customer obtains control thereon.

The gains or losses arising from the sale of an item of 'property, plant and equipment' group are determined as the difference between the consideration the Company expects to be entitled to (sales revenue) and the carrying amount of the asset at the date when control is transferred. They are stated on a net basis within 'Other income/(expenses), net' line of the Consolidated Statement of Profit or Loss and Other Comprehensive income (Note 8).

At the end of each financial year, a review is performed of the residual amounts, useful life and the methods applied for asset depreciation, and if expectations differ from prior estimates, the latter are prospectively adjusted.

4.17. Intangible assets

Intangible assets are initially stated at cost less the accumulated amortization and accumulated impairment losses, if any.

The Group has no intangible assets with indefinite useful life.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

For 2024 and 2023 the useful lives of the intangible assets are estimated as follows:

	Years
Rights of use	10 - 20
Software	3 - 12
Others	18 - 25

Intangible assets are derecognised from the statement of financial position when they are permanently disposed of and no future economic benefits are expected therefrom or on sale, at the date of transfer of control to the asset recipient.

The gains or losses arising from the sale of an item of intangible assets are determined as the difference the consideration the Group expects to be entitled to (sales revenue) and the carrying amount of the asset at the date when the customer obtains control thereon. They are stated net within 'Other operating income/(losses)' on the face of the statement of comprehensive income (within profit or loss for the year).

At the end of each reporting year, a review is performed of the useful life and amortisation methods applied with respect to intangible assets with finite lives. The changes in the expected useful life or in the model of consumption of future economic rewards from the intangible asset are accounted for by means of change in the amortisation term or are treated as changes to the accounting estimates.

4.18. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The asset's recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or available sources of information about the fair of an assets or cash-generating unit.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised within 'Other expenses' in the consolidated statement of comprehensive income (within profit or loss for the year).

The Group makes an assessment at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of comprehensive income, within the same item in which the impairment itself has been recognized.

Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually.

The test is performed in line with the valuation of the subsidiary to which the goodwill has been assigned at acquisition (ELH Trade EAD). The valuation is based on discounted cash flow model which incorporates key parameters for five projected years as:

- Quantity of traded electricity – based on historical data for the past 3 years and management guidance.
- Gross margin of sales – based on historical data for the past 3 years and management guidance.
- Inflated operating expenses for the projected period.
- Discount rate calculated under capital asset pricing model (CAPM) – inputs used from data Aswath Damodaran.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

4.19. Financial instruments

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

4.19.1. Financial assets

Initial recognition, classification and measurement

Upon initial recognition, financial assets are classified in three groups, based on their subsequent measurement: at amortised cost; at fair value through other comprehensive income, and at fair value through profit or loss.

The Group initially measures financial assets at fair value, and in the case of financial assets which are not stated at fair value through profit and loss, the direct transaction costs are added. An exception to this rule is trade receivables that do not contain a significant financing component – they are measured based on the transaction price determined under IFRS 15 Revenue from Contracts with Customers (Note 5;18).

The purchases and sales of financial assets whose conditions require asset delivery within a certain period, usually pursuant to legislation or the effective practice of the respective market (regular way purchases), are recognised using trade date accounting, i.e. on the date when the Group committed to purchase or sell the asset.

The classification of financial assets upon their initial recognition depends on the characteristics of the contractual cash flows of the respective financial asset and on the Group's business model for management thereof. In order for a financial asset to be classified and measured at amortised value or at fair value through other comprehensive income, its conditions should give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. For this purpose, analysis is performed by means of SPPI test at instrument level.

The Group's business model for the management of financial assets reflects the way the Group manages its financial assets to generate cash flows. The business model determines if cash flows are generated only by the collection of contractual cash flows, the sale of financial assets, or both.

Subsequent measurement

For the purpose of subsequent measurement, the Group's financial assets are classified as financial assets at amortised cost (debt instruments).

Financial assets at amortised cost (debt instruments)

The Group measures a financial asset at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method. They are subject to impairment. Gains and losses are recognised in the consolidated statement of comprehensive income (within profit or loss for the year) upon asset disposal, modification or impairment.

The Group's financial assets at amortised cost include: cash and cash equivalents at banks, trade and other receivables, and contract assets (Note 18, 21 and 5.2).

Financial assets at fair value through profit or loss (debt instruments)

Financial assets for which a "held to collect contractual cash flows" business model or a "held to collect and sell" business model do not apply, as well as financial assets whose contractual cash flows are not solely payments of principal and interest shall be reported at fair value through profit or loss.

Changes in the fair value of assets in this category are reflected in profit and loss. The fair value of financial assets in this category is determined by quoted prices in an active market or by using valuation techniques in the absence of an active market.

Derecognition

A financial asset (or, when applicable, a portion of a financial asset or a group of similar financial assets) is derecognised from the Group's consolidated statement of financial position, when:

- the rights to cash flows from the asset have expired, or
- the rights to cash flows from the asset have been transferred or the Group has assumed an obligation to pay in full the cash flows received, without undue delay, to a third party under a transfer agreement, in which: a) the Group has transferred substantially all risks and rewards from ownership of the asset; or b) the Group has neither transferred nor retained substantially all risks and rewards from ownership of the asset, but has transferred control thereon.

When the Group has transferred its right to obtain cash flows from the asset or has concluded a transfer agreement, it assesses the extent to which it has retained the risks and rewards of ownership. When the Group has neither transferred, not retained substantially all risks and rewards from ownership of the financial assets, it continues to recognise the asset transferred to the extent of its continuing interest therein. In this case, the Group also recognises the respective liability. The transferred asset and the related liability are measured on a basis reflecting the rights and obligations that the Group has retained.

Continuing involvement in the form of a guarantee on the transferred asset is measured at the lower of the two values: the initial carrying amount of the asset and the maximum amount of consideration that the Group may be required to pay.

Impairment of financial assets

The Group recognises an allowance (impairment provision) for expected credit losses for all debt instruments which are not carried at fair value through profit or loss. Expected credit losses are calculated as the difference between the contractual cash flows due under the contractual conditions, and all cash flows the Group expects to receive, discounted at the initial effective interest rate. Expected cash flows also include cash flows from the sale of collateral held or other credit enhancements that constitute an integral part of the contractual conditions.

Trade and other receivables and contract assets

In order to calculate expected credit losses for trade and other receivables and contract assets, the Group has elected and applies a simplified approach based on an expected credit losses calculation matrix(es) and does not monitor subsequent changes in their credit risk. In this approach, it recognises an allowance (impairment provision) based on lifetime expected credit losses at each reporting date. The Group has developed and applies a provisioning matrix/es (Note 18). The information about the Group's expected credit losses from trade and other receivables and contract assets is disclosed in Note 12 and 18.

Default

An event of default is considered to have occurred when a client has not fulfilled its cash flow obligations on a given financial asset within the agreed term.

Cash

In order to calculate expected credit losses for cash and cash equivalents in banks, the Group applies the general impairment approach under IFRS 9. According to this approach, the Group applies a "three-stage" impairment model based on changes compared to the initial recognition of the credit quality of the financial instrument (asset).

The Group adjusts expected credit losses determined based on historical data with forecast macroeconomic indicators for which it has been established that a correlation exists and which may impact the future amount of expected credit losses (Note 4.15 and Note 18).

4.19.2. Financial liabilities

Initial recognition, classification and measurement

The Group's financial liabilities include trade and other payables, loans and borrowings.

All financial liabilities are initially recognised at fair value, and in the case of loans and borrowings and trade and other payables, net of direct transaction costs.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification.

Classification groups

Loans and borrowing

Following their initial recognition, the Group measures interest-bearing loans and borrowings at amortised cost, applying the effective interest method. Gains and losses are recognised in the consolidated statement of comprehensive income (within profit or loss for the year) when the respective financial liability is derecognised, as well as through amortisation based on the effective interest rate.

The amortised cost is calculated by taking into consideration any discounts or premiums at acquisition, as well as fees or costs that constitute an integral part of the effective interest rate. Amortisation is stated as a "finance cost" in the consolidated statement of comprehensive income (within profit or loss for the year).

Derecognitions

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognised in the statement of comprehensive income (within profit or loss for the year).

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position, if a legally enforceable right exists to offset the recognised amounts and if there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

This requirement results from the concept of the actual economic nature of the Group's relations with a given counterpart stating that in the simultaneous presence of these two requirements the expected actual future cash flow and rewards for the Group is the net flow, i.e. the net amount reflects the Group's actual right and obligation resulting from these financial instruments – in all cases to only receive or pay the net amount. If the two conditions are not simultaneously met, it is assumed that the Group's rights and obligations with respect to these offsetting financial instruments are not exhausted in all situations by only the payment or receipt of the net amount.

The offsetting policy is also related to the measurement, presentation and management of actual credit risk and the liquidity risk pursuant from these offsetting instruments.

The criteria applied to establish the "current and legally enforceable entitlement to offsetting" are:

- lack of dependence on a future event, i.e. it should not only be applicable upon the occurrence of a future event;
- the offsetting should be enforceable and legally defendable during (cumulatively):
    - the Group's usual business operations;
    - in case of default/delay, and
    - in case of insolvency.

The applicability of criteria is measured against the requirements of the Bulgarian legislation and the contractual relations between the parties. The condition of "presence of current and legally enforceable right to offsetting" is always and mandatorily assessed together with the second condition – for "mandatory settling of these instruments on a net basis".

4.20. Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments – interest swaps, to hedge risks related to change in interest rates. These derivative financial instruments are initially recognised at fair value on the date of concluding the derivative contract. Following their initial recognition, derivatives continue to be measured at fair value. They are carried as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

The fair value is determined based on observable market data (Level 2) for the respective type of trade derivative instruments – the source of information is the counterparty bank that uses its own information sources for market price levels and appropriate valuation methods and techniques to determine and offer to the Group reasonable amounts of fair value.

The Group has decided to recognize the contracts for derivative financial instruments (swaps) as an "economic hedge".

Derivative instruments are classified and presented according to their residual maturity (up to / over 12 months) within current or non-current financial assets and liabilities.
Gains or losses from revaluation of derivatives (non-classified for reporting by the special procedure of IFRS 9 for (cash flow) hedge accounting) is currently recognised in the consolidated statement of comprehensive income (within profit or loss for the year) as "finance income", respectively "finance costs".

4.21. Fair value measurement

Some of the Group's assets and liabilities are measured and presented and/or only disclosed at fair value for the purpose of financial reporting. Such are: <u>on recurrent (annual) basis</u> – *financial assets at fair value through profit or loss (derivatives), loans granted and received to/from third parties and loans received, certain trade and other receivables and payables, finance lease receivables and payables, etc.*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between independent market participants at the measurement date. Fair value is an exit price and is based on the assumption that the sale transaction will take place either in the principal market for this asset or liability or in the absence of a principal market – in the most advantageous market for the asset or liability. Both the designated as a principal market and the most advantageous market are markets to which the Group must have an access.

Fair value is measured from the perspective of using the assumptions and judgments that potential market participants would use when pricing the respective asset or liability assuming that market participants act in their economic best interest.

In measuring the fair value of non-financial assets, the starting point is always the assumption what would be the highest and best use of the particular asset for the market participants.

The Group applies various valuation techniques that would be relevant to the specific features of the respective conditions and for which it has sufficient available inputs while trying to use at a maximum the publicly observable information, and respectively, to minimize the use of unobservable information. It uses the three acceptable approaches – the market approach, the income approach and the cost approach – whereas the most frequently applied valuation techniques include directly quoted and/or adjusted quoted market prices, market comparable (analogues) and discounted cash flows, including based on capitalised rental income.

All assets and liabilities that are measured and/or disclosed in the consolidated financial statements at fair value are categorised within the following fair value hierarchy, namely:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques that use inputs other than directly quoted prices but are observable, either directly or indirectly, including where the quoted prices are subject to significant adjustments; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are measured at fair value in the consolidated financial statements on a recurring basis, the Group determines at the end of each reporting period whether transfers between levels in the fair value hierarchy are deemed to be made for a particular asset or liability depending on the inputs available and used at that date.

The Group has developed internal rules and procedures for measuring the fair value of various types of assets and liabilities.

4.22. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, in BGN and foreign currency respectively as well as short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Cash and cash equivalents are subsequently measured at amortised cost, less the impairment accrued for expected credit losses.

4.23. Inventories

Inventories are valued at the lower of cost and net realisable value.

The purchase costs of inventories comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of spare parts. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

The costs incurred in using inventories are measured as follows:

Spare parts	–	purchase cost on a weighted average basis;
Materials	–	purchase cost on a weighted average basis.

The net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

The policy for presentation and accounting for inventory stocks intended for the construction of non-current assets reflects the specific nature of activity – namely, simultaneous and active construction of specialized assets, energy facilities and equipment, as well as ongoing maintenance of the electricity distribution grid in constant operability. Therefore, the Group has decided to present all inventory stocks as current assets within "inventories", since at the stage of supply and storage thereof they could be equally used for both repair activities to support grid operability and quick reaction in any situations, and for capital works and asset construction; respectively, this portion of materials is capitalized within specific equipment and facilities. Therefore, the Group has determined the point of transfer of materials to non-current assets within property, plant and equipment to be the point in time when the need of consumption thereof is identified for the purpose of implementing the subsidiaries' investment programme, i.e. the point of identification of the specific investment project in which the asset will be utilized.

4.24. Trade receivables

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

Initial measurement

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

Subsequent measurement

The Group holds trade receivables only for the purpose of collecting contractual cash flows and subsequently measures them at amortised cost less the amount of impairment accumulated for expected credit losses (Note 18).

Impairment

The Group applies the expected credit losses model for the entire term of all trade receivables, using the simplified approach under IFRS 9, and based on the matrix model for loss percentage (Note 4.15).

The impairment of receivables is accrued through the respective corresponding allowance account for each type of receivables within "Expected credit loss and impairment expenses on financial assets" in the consolidated statement of comprehensive income (within profit or loss for the year).

4.25. Trade and other payables

Trade and other current payables in the consolidated statement of financial position are presented at the original invoiced amount (acquisition cost), which is designated as the transaction's fair value and will be paid in the future in return for the goods and services obtained.

In case of deferred payment exceeding the usual credit period, for which no additional interest payment is envisaged, or the interest substantially deviates from the usual market interest rate, payables are initially measured at their fair value based on their present value at a discount rate applicable for the Group, and subsequently – at amortised cost (Note 32).

4.26. Interest-bearing loans and other borrowings

In the Consolidated Statement of Financial Position, all loans and other borrowings are initially presented at acquisition cost (nominal amount) which is designated as the fair value of the transaction's deliverable, net of the direct costs related to these loans and borrowings. Following their initial recognition, interest-bearing loans and other borrowings are subsequently measured and presented in the Consolidated Statement of Financial Position at amortised cost, determined by means of the effective interest method. The amortised cost is calculated by considering all charges, commissions and other costs, including discounts and premiums associated with these loans. Gains and losses are recognised in the Consolidated Statement of Comprehensive Income (within profit or loss for the year) as finance income or expenses (interest) over the amortisation period or when the payables are written-off or reduced (Notes 10, 11, 26, 28.1.2).

Interest costs are recognised for the term of the financial instrument based on the effective interest method.

Interest-bearing loans and other borrowings are classified as current, except for the portion thereof for which the Group has an unconditional right to settle its obligation within over 12 months from the end of the reporting period.

4.27. Equity, share premium, retained earnings and dividend

Share capital is presented at the nominal value of shares issued and paid.

Share premium includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

Reserves include actuarial reserves which are the present value from the acquisition date as of 31.12.2024 of the future liabilities to the personnel for benefits in case of termination of employment due to illness or after acquiring the right to a pension for length of service and age, according to IAS 19 which requires recognition of a liability when an employee has worked (provided services) in exchange for income that is payable in the future.
The present value of the payment obligations represents the present value of the expected future payments required to settle the obligation arising from the employees' seniority /work experience/ in the current and prior periods.

Retained earnings/Accumulated losses include all retained profits and uncovered losses for the holding period of subsidiaries and all current and prior period retained profits and uncovered losses of the Parent Company.

Dividend payables to shareholders/owners, if any, are included in “Related parties payables” by approval at the general meeting of shareholders/owners prior to the reporting date.

All transactions, if any, with owners of the parent are recorded separately within equity.

4.28. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, there is a probability that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects that some or all provision settlement costs will be recovered, for example under an insurance agreement, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured based on the approximate best assessment of the total amount of costs to be incurred by the Group to settle the liability. If the effect of the time value of money is material, provisions are discounted using a current pretax rate that reflects the risks specific to the liability. Provision expenses are presented in the Consolidated Statement of Comprehensive Income, net of the amount of expenses recovered. Where discounting is used, the increase in the provision due to the passage of time is recognised as a financial cost (Note 33).

4.29. Retirement benefits

Short-term benefits

Short-term employee benefits in the form of remuneration, bonuses and social payments and benefits (payable within 12 months after the end of the period when the employees have rendered the service or have met the required terms and requirements) are recognised as an expense in the consolidated statement of comprehensive income (within profit or loss for the year), unless a specific IFRS requires this amount to be capitalised within an asset’s cost, in the period when the service thereon has been rendered or the requirements for their receipt have been met and as a current liability (less any amounts already paid and deductions due) at their undiscounted amount.

At the date of the consolidated financial statements, the Group measures the estimated costs on the accumulating compensated absences, which amount is expected to be paid as a result of the unused entitlement. The measurement includes the estimated expenses on the employee's remuneration and the statutory social security and health insurance contributions due by the employer thereon.

Long-term retirement benefits

Defined contributions plans

The major duty of the Group in its capacity as an employer is to make the mandatory social security contributions for the hired employees to the Pensions Fund, the Supplementary Mandatory Pension Security (SMPS) Fund, to the General Diseases and Maternity (GDM) Fund, the Unemployment Fund, the Labour Accident and Professional Diseases (LAPD) Fund and for health insurance. The rates of social security and health insurance contributions are defined under the Law on the Budget of State Social Security and the Law on the Budget of National Health Insurance Fund for the respective year. The contributions are split between the employer and employee in line with rules of the Social Security Code (SSC). These social security and pension plans, applied by the Group in its capacity of an employer are defined contributions plans. Under these plans, the employer pays defined monthly contributions to the government funds as follows: Pensions Fund, GDM Fund, Unemployment Fund, LAPD Fund as well as to universal and professional pension funds – on the basis of rates fixed by law, and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient means to pay the respective individuals the benefits they have worked-out over the period of their service. The obligations referring to health insurance are analogous.

There is no established and functioning private voluntary social security fund at the Group.

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

Defined benefits plan

In accordance with the Labour Code, the Group in its capacity as an employer in Bulgaria is obliged to pay an indemnity to its personnel when coming of age for retirement, at an amount which, depending on the length of service with the entity, varies between two and six gross monthly salaries at the employment termination date. In their nature these are unfunded defined benefit schemes.

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

At the end of each reporting period, the Group companies assigns certified actuaries who provide their report with calculations regarding the long-term retirement benefit obligations. For this purpose, they apply the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows, which are expected to be paid within the maturity of this obligation and using the interest rates of long-term government bonds of similar term, quoted in Bulgaria where the Group itself operates.

Termination benefits

Under the local provisions of the employment and social security legislation in Bulgaria, the Group as employer is obliged to pay upon termination of the employment contract before retirement certain types of benefits.

The Group recognises employee benefit obligations on employment termination before the normal retirement date when it is demonstrably committed, based on announced plan, to terminating the employment contract with the respective individuals without possibility of withdrawal or in case of formal issuance of documents for voluntary redundancy. Termination benefits due more than 12 months are discounted and presented in the consolidated statement of financial position at their present value.

4.30. Cash dividend and non-cash distribution to equity holders

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised (i.e. approved by the shareholders) and the distribution is no longer at the discretion of the Group. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised within profit or loss for the year.

4.31. Leases

4.31.1. Lessee

Assessment of lease recognition

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

The Group applies a uniform model for recognition and measurement of all leases, except for short-term leases (leases with a lease term of 12 months or less and which do not contain a purchase option) and leases of low value assets (such as tablets, personal computers, telephones, office equipment, etc.).

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

a) right-of-use assets

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

Right-of-use assets are presented in the statement of financial position at acquisition cost, less the accumulated depreciation, impairment losses and adjustments resulting from remeasurement and adjustments to the lease liability. The acquisition cost includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group in its capacity as lessee;
- costs for dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease;

The Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If ownership of the asset is transferred under the lease by the end of the lease term, the Group shall depreciate it to the end of the useful life. Depreciation shall be charged from the commencement date.

The depreciation terms by types of underlying assets are as follows:

- offices and parking places for administrative needs – 5-6 years;
- real estate – municipal land – 9 years;
- energy sites and facilities – 5 years.

The Group has elected to apply the acquisition cost model for all of its right-of-use assets.

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

Right-of-use assets are presented on a separate line in the consolidated statement of financial position, and depreciation thereof – within 'depreciation and amortization expenses' in the consolidated statement of comprehensive income.

b) lease liabilities

The Group recognises lease liabilities at the commencement date, measured at the present value of the lease payments that are not paid at this date. They include:

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

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

Lease payments are discounted using the interest rate implicit in the lease, of that rate can be readily determined, or the Group's incremental borrowing rate, which it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

The Group subsequently measures the lease liability by:

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

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

- the lease term has changes or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a residual value guarantee, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged (original) discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used);

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

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

The Group has elected the exemption from recognition of right-of-use assets and lease liabilities under IFRS 16 for low-value leases of parking places, rental of multi-filtration water dispensers, which the Group considers to be at a low value when new and are independently used at the Group without dependence or close relation to other assets, and rental of pool car vehicles, which the Group states as short-term leases.

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

4.31.2. Lessor

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

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Operating lease

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. They are stated within 'Other revenue' line of the Statement of Profit or Loss and Other Comprehensive income. (Note 7)

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

5. Revenue from operating activities

5.1. Information by types of revenue

The Group's revenue from contracts with customers by customer types is as follows:

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Revenue from customers on open market	1 133 178	1 240 880
Household customers	933 996	841 909
Corporate customers	126 433	163 334
Revenue from access fees for connection of customers	28 902	26 962
Revenue from services for survey, repair and maintenance of the electricity distribution grid and commercial metering devices	6 281	8 602
Revenue from information, communication and technological (ICT) services	2 874	1 641
Revenue from Electricity System Security Fund	1 668	824
Other revenue	47 659	26 535
	2 280 991	**2 310 687**

The Group's revenue from contracts with customers by subsidiaries is presented below:

Electrodistribution Grid West EAD

For the reporting periods 2024 and 2023, the subsidiary's revenue from distribution of electricity (transmission and access fees) is generated from customers located in Bulgaria.

The Group's revenues from contracts with customers generated from the subsidiary's activities for the reporting period are as follows:

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Revenue from customers on open market	173 594	181 927
Household customers	249 356	316 780
Corporate customers	28 548	38 260
Revenue from access fees for connection of customers	28 902	26 962
Revenue from services for survey, repair and maintenance of the electricity distribution grid and commercial metering devices	6 281	8 602
Other revenue	297	166
	486 978	**572 697**

The decrease in total revenues is mainly due to lower tariffs effective in the second half of 2024.

Other revenue

The subsidiary reports revenue from producers of renewable energy, representing access fees to the grid at the amount of BGN 297 thousand (2023: BGN 166 thousand) for the reporting period.

Electrohold ICT EAD

For the reporting periods 2024 and 2023 the subsidiary's revenues from contracts with customers are from information, communication and technological services, ICT project and goods.

The subsidiary recognises revenues from sales of IT services or IT projects over time, and the performance of the contracts is measured by assessing the stages reached, resources invested - working hours, costs, time, etc., as well as other appropriate measurement methods. For ICT services, the remuneration is determined on the basis of fixed unit prices for the individual types of activities and volume of work performed.

Revenue from the sale of goods is recognized upon the transfer of control over them at a certain point in time.

Revenue from information, communication and technological (ICT) services

For the reporting period the subsidiary's revenues from ICT services to external parties amount to BGN 78 thousand (2023: BGN 402 thousand).

Other revenues

Under other revenues the subsidiary has reported sale of goods at the amount of BGN 0 thousand (2023: BGN 24 thousand).

Electrohold Sales EAD

For the reporting periods 2024 and 2023 the subsidiary's revenue from sales of electricity is generated mainly from external customers – non-related parties on the territory of the Republic of Bulgaria.

The subsidiary's revenue from Public Supply (End Supplier) of electricity is generated from customers (corporate and residential) on the territory of the Republic of Bulgaria. According to IFRS 8 *Operating Segments*, the Company designates a customer as a major customer if it generates 10% or more of its revenue. For the reporting periods 2024 and 2023, the subsidiary had no big customers. All customers of the subsidiary are based on the territory of the country.

In 2013, the subsidiary was granted a license for a Last Resort Supplier. Under this license, the subsidiary will supply electricity to customers who have not selected another supplier, or the selected supplier does not supply for reasons beyond the customer. The subsidiary has also a license for trade with electricity. The management of the Group monitors the operating results of the individual business units (licenses) in order to make decisions for allocation of resources and management of its activities.

The Group's revenues from contracts with customers generated from the subsidiary's activities for the reporting period are as follows:

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Revenue from customers on open market	134 752	130 908
Household customers	684 640	525 129
Corporate customers	97 885	125 074
Other revenue	47 362	25 769
	964 639	**806 880**

The revenue growth from household customers is mainly due to a higher volume of electricity sales, as well as an increase in prices during the reporting period (approved by Decision of EWRC in the second half of 2024) compared to 2023.

Other revenue

For the reporting period the subsidiary reports revenues from the balancing of electricity at the total amount of BGN 47 238 thousand (2023: BGN 25 685 thousand). The remaining revenues are from construction of rooftop photovoltaic installations, the recognised amount is BGN 124 thousand (2023: BGN 84 thousand).

Electrohold Trade EAD

Revenue from customers in an open market

For the reporting periods 2024 and 2023 the revenues of the subsidiary are from two main directions – electricity trading and from the performance of services under contracts for construction of energy facilities – ESCO contracts.

The subsidiary sells electricity according to the trader's license issued by the EWRC. Revenues from the sale of electricity are from industrial and business customers on the free market and sales of electricity on the wholesale market at the total amount of BGN 824 832 thousand (2023: BGN 928 045 thousand).

The subsidiary sells energy to the Electricity System Operator EAD (ESO EAD) when balancing from surplus.

On 01.07.2022, the Company concluded a contract with Electrohold Sales EAD for electricity trade services. The services provided in 2024 are amounting to BGN 1 989 thousand (2023: BGN 1 515 thousand).

<u>Other revenue</u>

The subsidiary reports revenue from construction services granted for building of energy installations at the amount of BGN 0 thousand (2023: BGN 509 thousand) for the reporting period.

<u>FEPO EOOD</u>

<u>Revenue from Electricity System Security Fund</u>
For the reporting period the subsidiary has generated revenue from Electricity System Security Fund amounting to BGN 1 668 thousand (2023: BGN 824 thousand).

As a result of the legislative change as of July 01, 2018 and a contract concluded with the ESSF, the difference between the preferential price and the market price determined by EWRC decisions is paid to the company by the ESSF.

In 2018 as a producer under Energy Sector Act, the subsidiary has concluded contract with ESSF for compensation with premiums by paying a premium for the amount of electricity produced and registered with the Guarantee of Origin.

On a monthly basis, the subsidiary submits to the ESSF an application for compensation with a premium.

<u>Electrohold Bulgaria EOOD</u>

<u>Revenue from SLA services</u>
For the reporting period the subsidiary's revenues are realised from shared services that it provides to client companies: Electrodistribution Grid West EAD, Electrohold ICT EAD, Electrohold Sales EAD, Electrohold Trade EAD, Electrohold EPC EOOD, Free Energy Project Oreshets EOOD, Bara Group EOOD, ESCO Bulgaria EOOD and others. The types of services provided are as follows:

- Financial and accounting services
- Customer Service
- Human resource management
- Management and business consulting
- Legal services
- Other services

The total revenue, generated from these activities outside the Group's companies for the reporting period is at the amount of BGN 1 043 thousand (2023: BGN 1 239 thousand).

<u>Electrohold EPC EOOD</u>

The subsidiary provides the following services inside Electrohold group:
- Logistics
- Procurement
- Construction services

The total revenue, generated from these activities outside the Group's companies for the reporting period is at the amount of BGN 1 583 thousand (2023: BGN 0 thousand).

Apart from these the subsidiary provides project services to third parties which amount to BGN 151 thousand in 2024 (2023: 67 thousand).
During 2024, the company had started to provide services related to charging stations of electrical vehicles. The total amount of provided services for 2024 is BGN 19 thousand (2023: 0 thousand).

5.2. Balances from contracts with customers

Contract assets

	31.12.2024	*31.12.2023*
	BGN'000	*BGN'000*
Contracts assets, gross	81 662	77 836
Impairment of contract assets	*(300)*	*(648)*
	81 362	**77 188**

Contract assets, gross includes the amount of accrued as at the end of the year non-invoiced electricity for business customers, amounting to BGN 9 156 thousand, which is subject to Compensation from Energy System Security Fund (ESSF). In January 2025, this amount was claimed for compensation from ESSF by Electrohold Sales and the same was paid to the entity as of the date of preparation of these financial statements.

Contract liabilities

	31.12.2024	*31.12.2023*
	BGN'000	*BGN'000*
Long-term contract liabilities	18 961	19 404
Short-term contract liabilities	19 293	7 875
	38 254	**27 279**

The remaining performance obligations, which are expected to be recognized after more than one year, are related to the implementation of the services for connection of customers to the electricity distribution network (EDG West).

Liabilities under contracts with customers as of 31.12.2024 include advance paid fees for connection to the electricity distribution network (EDG West) and advances for electricity supply (Trade).

6. Expenses of operating activities

	31.12.2024	*31.12.2023*
	BGN'000	*BGN'000*
Expenses on electricity purchased	(1 663 726)	(1 604 644)
Technological costs from distribution of electricity	(120 645)	(151 851)
Balancing electricity	(34 415)	(32 215)
Transmission and access fees	(5 358)	(2 310)
Other expenses	(211)	(473)
	(1 824 355)	**(1 791 493)**

Detailed description of the Group's expenses for operating activities by subsidiaries is presented below:

Electrodistribution Grid West EAD

Technological costs from distribution of electricity

During the reporting period, the subsidiary reported technological costs for electricity transmission in the amount of BGN 120 645 thousand (2023: BGN 151 851 thousand).

Technological costs in distribution grid are electricity costs which are related to the technological process of electricity distribution and transformation. In accordance with article 21 of the Energy Act, the Energy and Water Regulatory Commission (EWRC) approves a maximum annual level of technological costs for the relevant regulatory period, by means of adopted methodology for determination of electricity costs. The marginal technological costs are determined in accordance with the parameters of the distribution grid, volume and structure of sales by customer categories, level of voltage, precision of metering devices and other factors.
Based on the methodology adopted, the EWRC has approved a maximum annual level of technological

costs as a percentage of electricity distributed through the grid. Since July 1, 2021 with Decision C-27/01.07.2021, the EWRC reduced the recognized amount for technological costs to 7.5%. With decision C-17/30.06.2024, the EWRC reduces the technological cost level to 7%.
The monthly levels of deviations applicable to the annual coefficient of technological costs, which are approved by the EWRC, are as follows:

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Noe	Dec
Coefficient	1.38	1.31	1.31	1.1	1	1	1	1	1	1.1	1.25	1.25

In the first quarter of 2024, the Management Board of EDG West EAD adopted Standard for maximum levels of technological costs for electricity transmission for year 2024. The Standard is based on an independent analysis of the technological costs arising from electricity transmission through the distribution grid. Its objective is the effective management of technological costs for electricity distribution for the subsidiary.
Its goal is effective management of technological costs for electricity distribution for EDG West. For 2024, the marginal value of annual technological costs is set at 6.05% (2023: 6.49%). After applying the monthly deviation levels approved by the EWRC, the technological costs of the subsidiary for the period from January to December are within the maximum allowable levels.

During the period, the subsidiary has recognized a reduction in technological expenses from approved government compensations (fundings) at the amount of BGN 23 301 thousand because the reported purchase price is higher than the forecasted market price approved by the EWRC.

Compensations

In 2024, the company entered into agreements with the FSES for the payment of compensations based on Article 36 b, para 1, p. 4. and para 3 of the Energy Act and in compliance with the program for compensating the expenses of operators of the electricity transmission and distribution grid for the purchase of electrical energy required for technological expenses, approved by Decision No. 546 of the Council of Ministers dated 31.07.2024, amended by Decision No. 654 of the Council of Ministers dated 18.09.2024;

- Programme for the compensation of non-household final customers for electricity and of the operators of the electricity transmission and distribution networks for the purchase of the quantities of electricity consumed for technological costs for the period from 01.07.2024 to 31.12.2024;

<u>Transmission and access fees</u>
Transmission and access fees expenses stated from the subsidiary for the reporting period are at the amount of BGN 5 324 thousand (2023: BGN 2 282 thousand).

<u>Electrohold ICT EAD</u>

<u>Other expenses</u>
For the reporting period the other expenses amount to BGN 0 thousand (2023: BGN 319 thousand) are representing the subsidiary’s cost of ICT projects and goods sold.

<u>Electrohold Sales EAD</u>

<u>Expenses on electricity purchased</u>

For the reporting period the subsidiary has purchased from NEC EAD electricity for sale to customers under the license End Supplier.

For the reporting period the subsidiary reported total costs for purchases of electricity in the amount of BGN 916 767 thousand (2023: BGN 870 711 thousand).
<u>Balancing electricity</u>
As of June 01, 2014, Electrohold Sales EAD submits daily schedules to the Electricity System Operator EAD for estimated quantities of electricity for sale to end customers and daily schedules to NEK EAD for estimated quantities for purchase of electricity from producers. In accordance with the Electricity Trading Rules from June 2014, the subsidiary has balancing costs for producers, in the capacity as their

coordinator, which is paid to NEC EAD. For the end customers under the license Last Resort Supplier, Electrohold Sales EAD is financially responsible for balancing them before ESO EAD.

For the reporting period balancing costs of the subsidiary are reported at the amount of BGN 34 415 thousand (2023: BGN 32 215 thousand).

Electrohold Trade EAD

Expenses on electricity purchased

The subsidiary purchases electricity from producers, traders and from ESO.

The subsidiary pays to the Electricity System Security Fund the "Liabilities to Society" component for the sold energy to end customers on the free market at a price determined by a decision of the EWRC.

For the reporting period the subsidiary reported total costs for purchases of electricity in the amount of BGN 746 959 thousand (2023: BGN 733 933 thousand).

FEPO EOOD

Transmission and access fees
Transmission and access fees expenses stated from the subsidiary for the reporting period are at the amount of BGN 34 thousand (2023: BGN 28 thousand).

Other expenses
For the reporting period the other expenses for the amount of BGN 211 thousand (2023: BGN 126 thousand) are representing the subsidiary's regulated instalment in Electricity System Security Fund.

Electrohold EPC EOOD

Other expenses
For the reporting period the other expenses for the amount of BGN 0 thousand (2023: BGN 28 thousand) are representing the subsidiary's cost of goods sold in connection to the provided project services.

7. Other revenue

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Rentals	3 337	3 608
Revenue from unmetered electricity detected (under Art. 56 of Electricity Metering Rules)	3 290	5 912
	6 627	**9 520**

For the reporting period the Group's other revenues are generated from the activities of Electrodistribution Grid West EAD.

The Group treats as other revenue rental income from the operating lease of property, plant and equipment, and revenue from amounts billed upon established incomplete or inaccurate measurement pursuant to Art. 56 (1) of the Electricity Metering Rules.

8. Other income

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Payables written-off	77	43
Excess of fixed assets and materials, net gains from sale, scrap	4 313	1 545
Government grants	200	128
Revenues from the sale of goods	-	39
Penalty fees from clients and vendors	10 091	9 203
Other operating income, net	25 906	2 267
	40 587	**13 225**

In 2024 **Other operating income, net** contains BGN 17 052 thousand written off provisions for court cases awarded in favour of the Group and recovered provision for energy efficiency. In addition, there is recovered VAT on non-collectable receivables in Electrohold Sales EAD amounting to BGN 4 976 thousand.

9. Other operating expenses

	31.12.2024	31.12.2023
	BGN'000	BGN'000
Expenses on materials and consumables	(15 281)	(15 932)
Hired services expenses	(65 498)	(60 686)
Employee benefit expenses	(150 895)	(155 856)
Other operating expenses	(10 178)	(13 043)
	(241 852)	**(245 517)**

For the reporting period the Group's audit fees in the financial statements are as follows:

	Grant Thornton Netherlands In BGN	Grant Thornton network In BGN	Total In BGN
Audit of financial statements	133 485	459 000	592 485
Other audit services	-	167 000	167 000
Total	**133 485**	**626 000**	**759 485**

10. Finance expenses

	31.12.2024	31.12.2023
	BGN'000	BGN'000
Interest expenses on bank loans, using effective interest method, incl.:	(68 099)	(51 499)
Interest expenses on bank loans	*(58 086)*	*(46 351)*
Amortized costs under the SFA dated 03.06.2024	*(1 476)*	*-*
*Amortized costs under the SFA dated 21.07.2021**	*(10 005)*	*(5 148)*
*Interest income from cash flow hedges ***	*1 468*	*-*
Interest expenses on lease liabilities	(724)	(479)
Other finance costs	(3 114)	(5 212)
	(71 937)	**(57 190)**

*In compliance with IFRS 9 Financial instruments the Group reports its bank loans at amortised costs net of directly attributable transaction costs. As at the date of full prepayment of Senior Facilities Agreement dated 21.07.2021, the Group has unwound in full the deferred costs which have not been amortized as at the date of prepayment.

**In relation to the Senior Facilities Agreement dated 03.06.2024, the Parent Company entered into Hedge agreements to mitigate the risk of EURIBOR rise, hedging partially the principal value via interest rate swap. The interest expense for the period has been effectively decreased (See Note 31 Derivative financial instruments).

For the reporting period the Group's other financial costs are from foreign exchange differences, bank fees and charges for bank guarantees and revaluation of financial instruments, as follows:

	31.12.2024	31.12.2023
	BGN'000	BGN'000
FX differences	(47)	(36)
Bank fees and charges for bank guarantees	(2 463)	(1 188)
Remeasurement of financial instruments	(604)	(3 988)
	(3 114)	**(5 212)**

11. Finance income

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Interest income	3 702	3 084
Other finance income	8 713	3 373
	12 415	**6 457**

For the reporting period the Group's other financial income is as follows:

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Gain from sale of financial instruments at fair value through profit or loss	2 123	-
Revaluation of financial instruments	6 590	3 373
	8 713	**3 373**

12. Expected credit losses and impairment expenses on financial assets

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Recovered impairment of receivables	163	2 719
Accrued impairment of receivables	(2 317)	(4 230)
(Accrued)/recovered impairment of cash in bank accounts	(471)	52
	(2 625)	**(1 459)**

The Group uses a provision matrices for calculation of expected credit loss on Trade and Other receivables, including from Related parties and Contract Assets.

Provision percentages are based on data for delayed payments for groups of different customer segments, which have similar loss models.

Initially provision matrices are based on detailed historical observations on percentages of non collectability of Trade receivables and the movement of those receivables through different overdue groups. Usually data for the prior 3 years as of the date of the Financial statements are used, except for the matrix used for impairment on Court receivables, for which a 7 years historical data range is used. The Group calibrate the matrices to adjust the historical relationships of credit losses to certain macros with the forecast information, applying probability-weighted scenarios (if necessary and practically applicable). For example, if certain forecast economic conditions are expected to deteriorate or improve in the coming year, which may lead to a proven correlation increase in delinquencies in the given sector (customer type), the historical default rates are adjusted. At each reporting date, the observed historical default rates are updated and the effects of changes in the forecast estimates are taken into account.

Management has made a special analysis and assessment of the impact of sanctions and restrictions on the collectability of its trade receivables and has assessed that there is no material impact. Therefore, it has not made adjustments to the matrices or scenario data in determining the expected credit losses.

The assessment of the relationship between observed historical default rates, forecast economic conditions and expected credit losses is a significant accounting estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast conditions. The Group historical credit losses and forecast economic conditions may deviate from actual uncollectibility in the future.

A specific impairment for expected credit losses is calculated for customers with the following status:

• For receivables from customers in bankruptcy and liquidation – Group assessed and historically has proven that there is usually no reliable guarantee for the collection of such receivables and recognizes 100% impairment;

• For court and awarded claims on receivables up to 3 years, impairment is calculated according to the historical % of collection of these receivables (in proven circumstances, adjusted and with a correlation factor for the future). For court and awarded claims on receivables over 3 years, 100% impairment is recognized;

• For court receivables terminated on the basis of Art. 433 of the Civil Procedure Code, 100% impairment is applied;.

• For individual problem receivables under special conditions and/or above a certain value, impairment from credit losses is determined by developing different scenarios of collectable future cash flows, which scenarios are weighted in the overall result based on management's assessment of their probability of occurrence.

13. Income tax

13.1. Income tax expenses

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Corporate income tax expenses	(14 271)	(21 925)
Global income tax expenses	(4 866)	-
Deferred tax (expenses)/income	(1 028)	2 969
	(20 165)	**(18 956)**

The main components of tax expenses are as follows:

	2024	**2023**
	BGN'000	*BGN'000*
Accounting profit for the year	162 253	191 615
Income tax expense – 10%**	*(16 226)*	*(19 162)*
Current income tax		
Amounts related to decrease of the accounting financial result for tax purposes	18 937	14 080
Amounts related to increase of the accounting financial result for tax purposes	(16 982)	(16 843)
Amounts related to global tax obligations	(4 866)	-
Current income tax	**(19 137)**	**(21 925)**
Origination and reversal of temporary tax differences	(1 028)	2 969
Income tax expense stated in the statement of profit or loss and other comprehensive income	**(20 165)**	**(18 956)**
Effective tax rate	12%	10%

**The applicable income tax rate in subsidiaries' country of operation – Republic of Bulgaria, for 2023 and 2024 is 10%. For the purposes of income taxation in Bulgaria entities are taxed on individual basis.

The requirements of the Second Pillar of taxation have been transposed into Bulgarian legislation and entered into force on 1 January 2024. During the period, the Starcom Holding AD group, to which the component entities of the EEEC group belongs, has made an estimate of the applicable tax legislation in order to determine the potential exposure to tax liabilities under the Second Pillar.

The entities are subject to Additional National Tax in accordance with Art. 260я of the Corporate Income Tax Act. The additional tax relates to the Group's operations in Bulgaria, where the statutory corporate tax rate is 10%. During the period, the EEEC group entities has recognised a current tax expense of BGN 4 866 thousand relating to the additional tax (2023: 0).

The Group has made this assessment based on the current available information regarding the activities of the companies of the Starcom Holding AD Group, as well as the applicable effective tax rates of the Group. The effective tax rate of the Group is below 15%, as a result of which the Companies of the Group have accrued additional tax under the Second Pillar.

13.2. Deferred tax assets

	31.12.2024	*31.12.2023*
	BGN'000	*BGN'000*
Deferred tax assets	5 667	8 078
	5 667	**8 078**

Please refer to table presenting deferred tax assets by type:

	Deferred tax assets	
Description of items	***2024***	***2023***
	BGN'000	*BGN'000*
Accelerated amortization for accounting purposes	259	261
Right of use assets	610	567
Accrual for unused paid leave	185	171
Accrual for staff bonuses	969	1 285
Impairment of receivables and cash in bank accounts	2 167	2 279
Retirement benefit obligations	699	629
Accrual for lease liability	(635)	(585)
Provisions	1 413	3 471
	5 667	**8 078**

The movement in deferred tax assets is presented below:

	2024	**2023**
	BGN'000	BGN'000
Deferred tax assets as at the beginning of the year	**8 078**	**7 584**
Movement of deferred tax assets	*(2 411)*	*494*
Total deferred tax assets as at the end of the year	**5 667**	**8 078**

13.3. Deferred tax liabilities

	31.12.2024	*31.12.2023*
	BGN'000	*BGN'000*
Deferred tax liabilities	16 698	18 081
	16 698	**18 081**

	Deferred tax liabilities	
Description of items	***2024***	***2023***
	BGN'000	*BGN'000*
Long-term tangible assets	18 471	18 523
Provisions for court claims and sanctions	(465)	(617)
Impairment of receivables	(1 454)	(1 422)
Impairment of inventories	(194)	(314)
Impairment of financial assets	-	(125)
Employee income liabilities	(1 880)	(1 943)
Accrual for staff bonuses	(818)	(906)
Accrual for unused paid leave	(746)	(666)
Expired liabilities to suppliers	(425)	(346)
Liabilities under contracts with customers	(3 405)	(2 475)
Accrual for lease liabilities	(24)	(17)
IFRS 3 adjustments:		
Long-term tangible assets	656	683
Long-term intangible assets	7 097	7 795
Inventories	(10)	(9)
Government grants	(105)	(80)
Total:	**16 698**	**18 081**

The movement in deferred tax liabilities for the year is presented below:

	2024	**2023**
	BGN'000	*BGN'000*
Deferred tax liabilities		
Deferred tax liabilities at the beginning of the year	18 081	20 558
Total deferred tax liabilities at the beginning of the year	**18 081**	**20 558**
Movement of deferred tax liabilities	*(632)*	*(1 700)*
IFRS 3 adjustments movement	*(751)*	*(777)*
Total deferred tax liabilities as at 31 December	**16 698**	**18 081**

Due to the size of the business of the Starcom Holding AD group, to which the component entities of the EEEC group belongs, they are subject to additional national (Bulgarian) corporate income tax in accordance with Corporate Income Tax Act, effective from 1st of January 2024. EEEC group has applied an exception for the recognition of deferred tax assets and liabilities related to income taxes from Second pillar (paragraph 4A of IAS 12), and for the disclosure of information about them in the annual financial statements.

14. Property, plant and equipment

Non-current tangible assets, acquired upon subsidiaries purchase:

	Land and Buildings	*Machinery, Technical equipment and Vehicles*	*Construction in progress*	***Total***
	BGN'000	*BGN'000*	*BGN'000*	***BGN'000***
Fair value:				
At 1 January 2023	**113 683**	**799 255**	**35 829**	**948 767**
Additions	958	98 684	98 543	198 185
Disposals	(275)	(3 725)	(100 941)	(104 941)
At 31 December 2023	**114 366**	**894 214**	**33 431**	**1 042 011**
Additions	3 532	117 409	159 046	279 987
Disposals	(2 956)	(5 681)	(138 398)	(147 035)
At 31 December 2024	**114 942**	**1 005 942**	**54 079**	**1 174 963**
Depreciation:				
At 1 January 2023	**6 201**	**108 820**	**-**	**115 021**
Depreciation for the period	4 215	85 370	-	89 585
Depreciation written off	(130)	(3 265)	-	(3 395)
At 31 December 2023	**10 286**	**190 925**	**-**	**201 211**
Depreciation for the period	3 999	90 146	-	94 145
Depreciation written off	(1 041)	(4 652)	-	(5 693)
At 31 December 2024	**13 244**	**276 419**	**-**	**289 663**
Carrying amount:				
At 31 December 2023	**104 080**	**703 289**	**33 431**	**840 800**
At 31 December 2024	**101 698**	**729 523**	**54 079**	**885 300**

The Group has not pledged property, machinery, equipment as collateral for its obligations.

As at 31 December 2024, the statement of financial position includes land and buildings with a carrying amount of BGN 14 644 thousand (31 December 2023: BGN 14 769 thousand) for which there are no title deeds. EDG West is in the process of obtaining title deeds for the aforementioned land and buildings. No provision has been recognised for potential liabilities relating to these circumstances.
More information is presented in Note 4.15.6.

15. Other intangible assets

Non-current intangible assets, acquired upon subsidiaries purchase:

	Computer software BGN'000	*Rights, licenses and other BGN'000*	*Client relationships BGN'000*	***Total BGN'000***
Fair value:				
At 1 January 2023	**11 256**	**67 149**	**32 300**	**110 705**
Additions	2 099	2 881	-	4 980
Disposals	-	(2 438)	-	(2 438)
At 31 December 2023	**13 355**	**67 592**	**32 300**	**113 247**
Additions	4 920	6 089	-	11 009
Disposals	-	(6 581)	-	(6 581)
At 31 December 2024	**18 275**	**67 100**	**32 300**	**117 675**
Amortization:				
At 1 January 2023	**2 624**	**6 580**	**3 317**	**12 521**
Amortization for the period	2 283	5 480	2 341	10 104
Amortizations written off	-	-	-	-
At 31 December 2023	**4 907**	**12 060**	**5 658**	**22 625**
Amortization for the period	2 915	5 343	2 340	10 598
Amortizations written off	-	(3)	-	(3)
At 31 December 2024	**7 822**	**17 400**	**7 998**	**33 220**
Carrying amount:				
At 31 December 2023	**8 448**	**55 532**	**26 642**	**90 622**
At 31 December 2024	**10 453**	**49 700**	**24 302**	**84 455**

The Group has not pledged intangible assets as collateral for its liabilities.

16. Goodwill

The movements in the net carrying amount of goodwill are as follows:

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Balance at 1 January	2 500	2 500
Balance at 31 December	**2 500**	**2 500**

For the purpose of annual impairment testing goodwill is allocated to the following cash-generating units, which are the units expected to benefit from the synergies of the business combinations in which the goodwill arises, as follows:

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Electrohold Trade EAD	2 500	2 500
Goodwill allocation at 31 December	**2 500**	**2 500**

No impairment losses have been recognised during period.

The recoverable value of the Goodwill is equal to its net carrying amount.

17. Inventories

	31.12.2024	*31.12.2023*
	BGN'000	*BGN'000*
Inventories	36 037	23 790
	36 037	**23 790**

For 2024 impairment reversal on inventories have been accrued at the amount of BGN 1 197 thousand (2023: impairment accrued of BGN 1 328 thousand).

The amount of expenses on materials and consumables recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income stated in the “Other operating expenses” line item is BGN 15 281 thousand (Note 9).

Inventories as of 31 December 2024 are not provided as collateral for liabilities.

18. Trade and other receivables and advances and prepayments

18.1. Trade and other receivables

	31.12.2024	*31.12.2023*
	BGN'000	*BGN'000*
Trade receivables, gross	263 061	254 094
Impairment of trade receivables	*(69 956)*	*(68 646)*
Court receivables, gross	42 007	41 932
Impairment of court receivables	*(39 267)*	*(38 156)*
Compensations	36 123	-
VAT receivables	-	7 568
Other taxes	79	-
Other receivables, gross	149 449	91 834
Impairment of other receivables	*(11 994)*	*(12 178)*
	369 502	**276 448**

Trade receivables paid within the due date are non-interest bearing and interest is due after the expiry of their term. Trade receivables from customers are denominated in BGN and are incurred in connection with the sale of electricity, distribution of electricity, services provided and other within the scope of supply of the Group. The Group has determined a usual credit period of up to 30 days in which it does not charge interest to customers, except in the cases of signing deferred payment agreements, pursuant to which a longer repayment plan and interest payments are determined.

The net carrying value of trade receivables is considered a reasonable approximation of fair value.

Compensations
In 2024 based on Decision 546 dated 31.07.2024, the Government of the Republic of Bulgaria approved a Programme for the compensation of non-household end customers of electricity and of the operators of the electricity transmission and distribution networks for the purchase of the quantities of electricity consumed for technological costs for the period from 01.07.2024 to 31.12.2024. The programme was amended by Decision 654 dated 18.09.2024.

The aim is to compensate the Operators and Commercial end customers (through traders) for the difference between the purchase price and set limit price.

For EDG West (grid operator) the maximum amount of compensation for each individual month is determined based on the quantities of electricity for technological costs for the respective month, confirmed by the FSES by comparing it with the quantities of active electricity, according to the information available in the fund and the value for each MWh, calculated as the difference between the average monthly price of electricity for base load on the "Day Ahead" market, according to data provided by IBEX and the estimated market price determined by EWRC, respectively for the electricity transmission network operator and for the electricity distribution network operators in Decision No. Ц-17 of 30.06.2024 for the period 01.07.2024 - 31.12.2024. As at 31.12.2024 compensations of BGN 7 638 thousand were due to be received. Compensations were duly received in January, 2025.

For commercial end customers, the end price is equal to the price at which they purchase the energy from Trader. The limit price is set by the Government decisions. Based on this program, Traders include Compensations (effectively decreasing the amounts due) in invoices to customers. Subsequently, traders claim compensation from ESSF. As at 31.12.2024 compensations of BGN 28 485 thousand were due to be received by Electrohold Trade and Electrohold Sales. Compensations were duly received in January, 2025.

The following table represents movements within balances of accrued impairment losses of Trade and other receivables:

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Beginning of the period	*118 980*	*117 733*
Accrued impairment loss	3 610	4 444
Recovered impairment loss	(1 078)	(2 945)
Impairment written-off	(295)	(252)
As at 31 December	*121 217*	*118 980*

The loss allowance for trade and other receivables as at 31 December 2024 includes the following:

31.12.2024	Not due	0 – 30 days	30 – 90 days	91-180 days	181-360 days	>360 days	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	***BGN '000***
Receivables from clients (gross carrying amount)	160 526	25 838	2 952	3 207	5 294	65 244	**263 061**
Expected credit loss (Impairment allowance)	(349)	(468)	(420)	(918)	(1 570)	(63 980)	**(67 705)**
Expected credit loss (Impairment allowance) for individually impaired receivables	-	(61)	(34)	(57)	(126)	(48)	**(326)**
Additional credit loss for clients in liquidation and insolvency	(13)	(123)	(35)	(42)	(60)	(257)	**(530)**
Additional credit loss on revenues under Art. 56 of RMEV*	-	(467)	(109)	(90)	(743)	14	**(1 395)**
Receivables from clients, net	**160 164**	**24 719**	**2 354**	**2 100**	**2 795**	**973**	**193 105**

31.12.2023	Not due	0 – 30 days	30 – 90 days	91-180 days	181-360 days	>360 days	**Total**
	BGN '000	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	*BGN '000*	***BGN '000***
Receivables from clients (gross carrying amount)	151 951	23 990	5 131	3 733	9 255	60 034	**254 094**
Expected credit loss (Impairment allowance)	(284)	(378)	(671)	(1 124)	(3 231)	(57 068)	**(62 756)**
Expected credit loss (Impairment allowance) for individually impaired receivables	(162)	(1 032)	(414)	(107)	(259)	(29)	**(2 003)**
Additional credit loss for clients in liquidation and insolvency	(90)	(57)	(40)	(37)	(60)	(265)	**(549)**
Additional credit loss on revenues under Art. 56 of RMEV*	(389)	(470)	(585)	(340)	(1 064)	(490)	**(3 338)**
Receivables from clients, net	**151 026**	**22 053**	**3 421**	**2 125**	**4 641**	**2 182**	**185 448**

**Electricity Metering Rules (Rules on metering electricity volume)*

Trade receivables pledged as collateral to third parties:

Electrohold Sales EAD

Collaterals established in favors of UniCredit Bulbank AD upon contract for undertaking credit commitments under an overdraft loan № 00052/730/29.07.2024 are:

- First special pledge on a set of current and future receivables of Electrohold Sales EAD under concluded contracts with specified counterparties with minimum amount at each single period of BGN 43 459 thousand.
- Financial security in the form of a pledge on all current and future receivables of the Borrower on all accounts in national and foreign currency, of which they are holders with the Bank .

Electrohold Trade EAD

Collaterals established in favors of UniCredit Bulbank AD upon contract for undertaking credit commitments under an overdraft loan № 00055/730/09.09.2024 are:

- First special pledge on a set of current and future receivables of Electrohold Trade EAD under concluded contracts with specified counterparties with minimum amount at each single period of BGN 62 240 thousand.
- Financial security in the form of a pledge on all current and future receivables of the Borrower on all accounts in national and foreign currency, of which they are holders with the Bank.

18.2. Advances and prepayments

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Advances paid	158 781	98 804
Prepaid expenses	6 107	5 701
	164 888	**104 505**

19. Financial assets

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Corporate bonds at FVPL	-	36 464
Open-end investment funds at FVPL	13 532	8 114
	13 532	**44 578**

Short-term financial assets are valued at fair value, determined on the basis of stock market quotations at the date of the financial statement, or by models developed by the Group.
Gains and losses are recognized in the statement of profit or loss and other comprehensive income in the line "Financial expenses" and the line "Financial income". Information on methods for determining fair value is presented in Note 38.

None of the Groups financial assets are pledged as collateral to third parties.

20. Related party transactions

Parent Company:

The Group is a subsidiary of Eastern European Electric Company III B.V. which owns 100% of Eastern European Electric Company B.V.’s shares, respectively a 100% of the shares of all its sole owned subsidiaries: Electrodistribution Grid West EAD, Electrohold Sales EAD, Electrohold Trade EAD, Electrohold Bulgaria EOOD, Free Energy Project Oreshets EOOD, Bara Group EOOD.

On July 15, 2021, 100% of Eastern European Electric Company B.V.’s shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V.

As of 31 December 2024, the sole shareholder of the Company is Eastern European Electric Company III B.V.

Economic group:

The Group is a part of the economic group of Eurohold Bulgaria and in this sense related parties are the following companies:

Insurance Sector
Company
Euroins Insurance Group AD (EIG AD)*
Indirect participation through EIG AD:
Insurance Company Euroins AD, Bulgaria
Euroins Romania Asigurare-Reasigurare S.A., Romania - loss of control
Euroins Insurance AD, North Macedonia
Insurance Company Euroins Life EAD, Bulgaria
IC Phoenix Re AD, Bulgaria (previous name IC EIG Re AD, Bulgaria) - associated participation of EIG AD
Euroins Ukraine PrAT, Ukraine
ECLAIM Settlement Services Single Member P.C., Greece (pr. Euroins Claims M.I.K.E.) – until 12.09.2024
Insurance Company Euroins Georgia JCS, Georgia
European Travel Insurance PrAT, Ukraine
Phoenix MGA Services S.R.L., Romania – since 12.06.2023
Shardeni 2017 Ltd., Georgia - since 29.02.2023

**Eurohold's direct participation*

Finance Sector
EuroFinance AD, Bulgaria*

**Eurohold's direct participation*

Energy sector
Company
Eastern European Electric Company II B.V., Netherlands*
Eastern European Electric Company III B.V., Netherlands), through Eastern European Electric Company II B.V., Netherlands
Eastern European Electric Company B.V., Netherlands through Eastern European Electric Company III B.V.
Indirect participation through Eastern European Electric Company B.V.:
Electrodistribution Grid West EAD and/or Electrorazpredelitelni mreji Zapad EAD, Bulgaria, owned by EEEC B.V., the Netherlands
Electrohold ICT EAD, Bulgaria through Electrodistribution Grid West EAD
Electrohold Sales EAD, Bulgaria owned by EEEC B.V., the Netherlands
Electrohold Trade EAD, Bulgaria owned by EEEC B.V., the Netherlands
Free Energy Project Oreshets EOOD, Bulgaria, owned by EEEC B.V., the Netherlands
Bara Group EOOD, Bulgaria, owned by EEEC B.V., the Netherlands
Electrohold Bulgaria EOOD, Bulgaria owned by EEEC B.V., the Netherlands
Electrohold EPC EOOD, Bulgaria through Electrohold Bulgaria EOOD, registered at 03.10.2022
Electrohold Green EOOD, Bulgaria* - subsidiary of Eurohold Bulgaria AD – established in 2022.

**Eurohold's direct participation*

Ultimate owner:

Eurohold Bulgaria AD is controlled by Starcom Holding AD – a joint stock company, established and existing in accordance with the laws of the Republic of Bulgaria, registered in The Commercial Register at the Registry Agency with UIC 121610851 with registered office and management address: Republic of Bulgaria, city of Sofia, Iskar Region, 43 Christopher Columbus Blvd.

Starcom Holding AD owns 52.13% of the capital of Eurohold Bulgaria AD as at the end of 2024 and as at the date of this financial report (2023: 50.08%).

The following tables provide the total amount of transactions for the relevant period by companies:

		Sales to related parties	*Purchases from related parties*	*Receivables from related parties*	*Payables to related parties*
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
		31 December	*31 December*	*31 December*	*31 December*
Eastern European Electric Company II B.V.	2024	-	-	357	-
	2023	-	-	178	-
Eastern European Electric Company III B.V.	2024	-	-	81	-
	2023	-	-	-	-
Eurohold Bulgaria AD	2024	-	15	15	17
	2023	-	2	1	1 178
Euroins Bulgaria AD	2024	120	7 446	663	1 417
	2023	63	6 297	648	403
Euroins Life EAD	2024	-	44	2	4
	2023	-	33	4	6
Euro Finance AD	2024	-	140	-	-
	2023	-	106	-	-
Vedernik EAD-related party until 09.2024	2024	19	-	-	-
	2023	-	-	-	-
Total	**2024**	**139**	**7 645**	**1 118**	**1 438**
	2023	**63**	**6 438**	**831**	**1 587**

20.1. Receivables from related parties

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Sales receivables	7	7
Prepaid expenses	673	646
Other	438	178
	1 118	**831**

20.2. Payables to related parties

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Sales	1 436	414
Other payables to related parties - short term	2	1 173
	1 438	**1 587**

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash, via bank transfers.

20.3. Key management personnel

The total accrued remuneration of Parent and subsidiaries' key management personnel during 2024 is BGN 5 803 thousand (2023: BGN 690 thousand) short-term employee benefits, those amounts have been paid periodically and are distributed as follows:

- For the parent Entity: BGN 111 thousand
- For the subsidiaries: BGN 5 692 thousand

21. Cash and cash equivalents

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Cash in bank accounts and cash equivalents	168 785	203 947
Impairment of cash in bank accounts	*(731)*	*(260)*
	168 054	**203 687**

The Group's available cash in current bank accounts is in highly rated banks. The amount of restricted cash and cash equivalents of the Group as of December 31, 2024, is BGN 74 thousand.

The Group carries as cash in transit the amounts of receivables from customers collected at 31

December from intermediary partners, which have not yet been received at the Group's current accounts. As at 31 December 2024, the amount of cash in transit is BGN 50 027 thousand. The period agreed with intermediaries, within which they should transfer the amounts collected to the Group, is from 3 to 6 days, depending on the area where the customers and intermediaries' offices are located. The usual period in which the Group performs full collection of the amounts due for a given period by intermediaries is up to 60 days.

Cash equivalents of the Group represent deposits at banks which include term deposits in BGN at the amount of BGN 627 thousand with maturity from one to six months.

22. Share capital

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Share capital	2	2
	2	**2**

The issued and paid-up share capital of the Parent Company amounts to BGN 2 thousand (EUR 1 thousand) divided into 1 000 ordinary shares of BGN 2 (EUR 1) each. On 15 July 2021 a 100% of the Parent Company's shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V. as non-obliged share premium contribution *(niet-bedongen agiostorting).* As at 31 December 2024, the sole shareholder of the Parent Company is Eastern European Electric Company III B.V.

23. Share premium

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Premium reserves upon issue of equity	89 460	261 768
	89 460	**261 768**

Proceeds received in addition to the nominal value of the shares issued during the year have been included in share premium, less registration and other regulatory fees and net of related tax benefits.

On 22 July 2021, Eastern European Electric Company III B.V. made a contribution into the Parent Company's share premium reserve in the amount of BGN 314 106 thousand.

On 16 November 2021, Eastern European Electric Company III B.V. made an additional contribution into the Parent Company's share premium reserve in the amount of BGN 29 177 thousand.

During 2022, Eastern European Electric Company III B.V. made an additional contributions into the Parent Company's share premium reserve in total amount of BGN 27 249 thousand.

On 13 June 2023, the management of the Parent company approved a distribution in cash of BGN 106 593 thousand (EUR 54 500 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a share premium distribution at the charge of the share premium reserves which are maintained by the Parent Company for the benefit of its shareholders (the Distribution). On 14 June 2023 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V., the Distribution was approved by the General Meeting and respectively the payment was made on 15 June 2023.

On 18 September 2023, the management of the Parent company approved a distribution in cash of BGN 1 017 thousand (EUR 520 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a share premium distribution at the charge of the share premium reserves which are maintained by the Parent Company for the benefit of its shareholders (the Distribution). On 19 September 2023 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V., the Distribution was approved by the General Meeting and respectively the payment was made on 20 September 2023.

On 16 November 2023, the management of the Parent company approved a distribution in cash of BGN 1 154 thousand (EUR 590 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a share premium distribution at the charge of the share premium reserves which are maintained by the Parent Company for the benefit of its shareholders (the Distribution). On 16 November 2023 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V., the Distribution was approved by the General Meeting and respectively the payment was made on 20 November 2023.

On 18 March 2024, on the basis of the Share Premium Contribution Agreement from 18th March, 2024, the Share premium reserve of Eastern European Electric Company B.V. is increased by 600 thousand EUR by means of cash contribution of its sole Shareholder - Eastern European Electric Company III B.V. The amount is duly received on bank account of EEEC B.V. on 18th March, 2024.

On 23 May 2024, the management of the Parent Company approved a distribution in cash of BGN 181 892 thousand (EUR 93 000 thousand) to the sole shareholder Eastern European Electric Company III B.V. by way of a share premium distribution at the charge of the share premium reserves which are maintained by the Parent Company for the benefit of its shareholders (the Distribution). On 23 May 2024 at an extraordinary general meeting of the Parent Company Eastern European Electric Company B.V., the Distribution was approved by the General Meeting and respectively the payment was made on 10 June 2024.

On 9 December 2024, on the basis of the Share Premium Contribution Agreement from 15 November, 2024, the Share premium reserve of Eastern European Electric Company B.V. is increased by 4 300 thousand EUR by means of cash contribution of its sole Shareholder - Eastern European Electric Company III B.V. The amount is duly received on bank account of EEEC B.V. on 9 December, 2024.
Movements in Share premium reserve are reconciled in note 35.

24. Reserve from remeasurement of defined benefit plans

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Actuarial reserve	(757)	21
	(757)	**21**

The actuarial reserve is an accumulated result of remeasurements of the net defined benefit liability (actuarial gains and losses) that is recognised in other comprehensive income.

Actuarial gains and losses result from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments, including the change in discount rates.

25. Cash flow hedge reserve

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Reserve from cash flow hedge	(18 025)	-
	(18 025)	**-**

For more information regarding hedge please see Note 31

26. Bank loans

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Long-term portion of bank loans	866 167	546 181
Short-term portion of bank loans	72 466	201 168
	938 633	**747 349**

Electrodistribution Grid West

On 2 November 2016, Electrodistribution Grid West and the European Bank for Reconstruction and Development concluded a loan agreement amounting to EUR 116 000 thousand of which EUR 98 000 thousand are for investment purposes and EUR 18 000 thousand for working capital with a BGN equivalent of BGN 226 876 thousand.

The maturity date of the loan is 31 October 2023. Drawdown of the loan takes place in parts, and in 2016 the first advance of 15 000 thousand euro was received with a BGN equivalence of BGN 29 337 thousand.

In May 2017, the Company received a new advance of EUR 50 000 thousand with which the loan liability as at 31.12.2017 amounted to EUR 65 000 thousand with a BGN equivalent of BGN 127 129 thousand. In 2017, there was no loan repayment.

The Company's loan agreement with the EBRD was supplemented and amended on 22 July 2021. The amendment confirms the remaining principal amount of EUR 24,109 thousand, after early repayment of the revolving part "B" of the loan, the interest rate is set as 6M EURIBOR with a premium of 1.80% and the repayment period until 30.04.2027. The supplemented and amended loan agreement dated 22.07.2021 was effective on 30.11.2021.

As of 31 December 2024, the balance of the loan amounts to EUR 14 487 thousand with BGN equivalent of BGN 28 334 thousand (31 December 2023: EUR 17 078 thousand with BGN equivalent of BGN 33 403 thousand).

EBRD loam	Effective interest rate	Maturity	*2024*	*2023*
			BGN'000	*BGN'000*
Short-term portion	6M EURIBOR+	30 April	5 184	5 292
Long-term portion	1. 80%	2027	23 150	28 111
			28 334	**33 403**

Electrohold Sales

For financing the activity under the "Trader" license on 29 July 2024 the subsidiary has concluded a loan agreement № 52/730/29.07.2024 with UniCredit Bulbank AD. The interest rate under the agreement is determined as a variable interest index + a margin of 2.20%. The total limit under the loan agreement is BGN 56 230 113 and is divided as follows:

- Overdraft – BGN 43 028 260. Maturity of the limit – 31.05.2027.

- Conditional bank loan (issuance of bank guarantees) – BGN 13 201 852. Maturity of the limit – 15.06.2029.

The loan is guaranteed by Eurohold Bulgaria AD according to a guarantee agreement dated 29.07.2024 between UniCredit Bulbank AD and Eurohold Bulgaria AD.

The previous loan agreement (overdraft) № 124//25.10.2017 with UniCredit Bulbank was terminated on 07.08.2024.

As of 31 December 2024, the Subsidiary has utilized the amount of BGN 0 thousand on the bank overdraft (2023: 10 620 BGN thousand).

Collaterals established in favors of UniCredit Bulbank AD upon contract for undertaking credit commitments under an overdraft loan № 00052/730/29.07.2024 are:

- First special pledge on a set of current and future receivables of Electrohold Sales EAD under concluded contracts with specified counterparties with minimum amount at each single period of BGN 43 459 thousand.
- Financial security in the form of a pledge on all current and future receivables of the Borrower on all accounts in national and foreign currency, of which they are holders with the Bank.

<u>Electrohold Trade</u>

The subsidiary has concluded a loan agreement № 55/730/09.09.2024 with UniCredit Bulbank. The interest rate under the loan agreement is determined as a variable interest index + a margin of 2.20%. The total limit under the loan agreement is BGN 99 258 373 and is divided as follows:

- Overdraft – BGN 54 763 240. Maturity of the limit – 31.07.2025.

- Conditional bank loan (issuance of bank guarantees) – BGN 44 495 132. Maturity of the limit – 15.06.2029.

The loan is guaranteed by Eurohold Bulgaria AD according to a guarantee agreement dated 09.09.2024 between UniCredit Bulbank AD and Eurohold Bulgaria AD.

Collaterals established in favors of UniCredit Bulbank AD upon contract for undertaking credit commitments under an overdraft loan № 00055/730/09.09.2024 are:

- First special pledge on a set of current and future receivables of Electrohold Trade EAD under concluded contracts with specified counterparties with minimum amount at each single period of BGN 62 240 thousand.
- Financial security in the form of a pledge on all current and future receivables of the Borrower on all accounts in national and foreign currency, of which they are holders with the Bank.

The previous loan agreement (overdraft) № 22/714/15.07.2021 with UniCredit Bulbank was terminated on 12.09.2024.

Due amount as of 31.12.2024 is BGN 19 190 thousand (2023: 0 BGN thousand).

<u>EEEC B.V.</u>

On 21 July 2021, the parent company as borrower entered into senior facilities agreement with, among others, The Bank of New York Mellon, London Branch as agent, for the purpose of the financing of the acquisition of the shares in Electrodistribution Grid West EAD (EDG West EAD), (CEZ Razpredelenie Bulgaria AD), Electrohold Sales EAD (CEZ Electro Bulgaria AD), Electrohold Trade EAD (CEZ Trade Bulgaria EAD), Electrohold Bulgaria EOOD (CEZ Bulgaria EAD) from CEZ A.S., Free Energy Project Oreshets EAD and Bara Group EOOD. The total amount available for the parent company under the senior facilities agreement is EUR 360 000 thousand.

The interest rate on the loan bared interest expense of 6M EURIBOR + Margin.“Margin” means: (a) unless and until the first date on which the Company legally and beneficially owns 100% of the issued share capital in each of CEZ Razpredelenie and CEZ Electro (the“100% Date”), 3.50 per cent. per annum; and (b) on and from the 100% Date, 3.00 per cent. per annum.

On 10.06.2024, the outstanding amount was fully repaid by the Parent Company.

	Total facility commitment	Drawdowns during 2021	Available per 31 Dec 2021	Unpaid interest 31 Dec 2021	Drawdowns during 2022	Available per 31 Dec 2023	Unpaid interest 31 Dec 2023
	EUR*'000*	EUR*'000*	EUR*'000*	EUR*'000*	EUR*'000*	EUR*'000*	EUR*'000*
Facility A	256 000	256 000	-	1 643	-	-	3 384
Facility B1	72 000	46 234	25 766	193	25 766	-	902
Facility B2	18 000	1 276	16 724	5	16 724	-	349
Facility C	14 000	14 000	-	41	-	-	85
Total:	**360 000**	**317 510**	**42 490**	**1 882**	**42 490**	**-**	**4 720**

	31 December 2024	31 December 2024	31 December 2023	31 December 2023
	EUR*'000*	BGN*'000*	EUR*'000*	BGN*'000*
Senior Facilities Agreement	-	-	360 000	704 099
Interest – Senior Facility Agreement	-	-	4 720	9 232
Deferred expenses	-	-	(5 115)	(10 005)
	-	**-**	**359 605**	**703 326**

On 3 June 2024, the Parent Company as a borrower entered into Senior Facilities Agreement with, among others, The Bank of New York Mellon, London Branch as agent (the "**SFA**"), for the purpose of mainly refinancing the Senior Facilities Agreement dated 21 July 2021, direct or indirect refinancing, in whole or in part, of the Holdco Facility Agreement, dated 21 July 2021 (with borrower Eastern European Electric Company II B.V.) and capital expenditure of Subsidiary EDG West. The loan is structured in three facilities (Facility B1 Loan, Facility B2 Loan and Facility C Loan) with total available commitments amounting to EUR 460 000 thousand, all three fully utilised on 10.06.2024.

The interest rate under the loan is 6m EURIBOR + margin of 3% / minimum 3%

	31 December 2024	31 December 2024	31 December 2023	31 December 2023
	EUR*'000*	BGN*'000*	EUR*'000*	BGN*'000*
Senior Facilities Agreement 03.06.2024	460 000	899 682	-	-
Interest – Senior Facility Agreement	1 589	3 109	-	-
Deferred expenses	(5 973)	(11 682)	-	-
	455 616	**891 109**	**-**	**-**

The deferred expenses relate to the upfront fees and advisory fees which will be written-off over the loan duration.

As security for its due fulfilment of its obligations under and in connection with the Senior Facilities Agreement (SFA) entered into on 3 June 2024 which is due on 11 June 2029 the Company has established the following pledges in favour of BNY Mellon Corporate Trustee Services Limited (as Agent under the SFA holding the security interest for the benefit of the Senior Creditors) and in favour of DSK Bank AD (as Bulgarian Security Agent under the SFA holding the security interest for the benefit of the Senior Creditors), enforceable in the Event of Default:

- Commercial Pledge on Electrohold Bulgaria Shares, Electrohold Trade Shares, Free Energy Project Oreshetz (FEPO) Shares, Bara Shares and Electrohold EPC shares over any present and future shares of those subsidiaries and any and all present or future cash receivables of the Company against those subsidiaries in relation to the shares of those subsidiaries (present and future), including without limitation in respect of distribution of profits (i.e. dividends), liquidation quotas, proceeds from repurchase/redemption of shares, capital decrease or any other cash proceeds distributed by those subsidiaries on account of the shares of those subsidiaries – pledgee DSK Bank AD as Bulgarian Security Agent.

- Special Pledge and Financial Collateral Pledge on Electrohold Sales Shares over any present and future shares of Electrohold Sales and any and all present or future cash receivables of the Company against Electrohold Sales in relation to the shares of Electrohold Sales (present and future), including without limitation in respect of distribution of profits (i.e. dividends), liquidation quotas, proceeds from repurchase/redemption of shares, capital decrease or any other cash proceeds distributed Electrohold Sales on account of the shares of Electrohold Sales – pledgee DSK Bank AD as Bulgarian Security Agent.

- Special Pledge on receivables in respect of Electrodistribution Grid West Shares over any and all present or future cash receivables of the Company against Electrodistribution Grid West in relation to the shares of Electrodistribution Grid West (present and future), including without limitation in respect of distribution of profits (i.e. dividends), liquidation quotas, proceeds from repurchase/redemption of shares, capital decrease or any other cash proceeds distributed Electrodistribution Grid West on account of the shares of Electrodistribution Grid West – pledgee DSK Bank AD as Bulgarian Security Agent.

- Special Pledge on receivables in respect any and future bank accounts of the Company and any receivable of the Company from third parties, established under Bulgarian, German and Dutch law– pledgees DSK Bank AD as Bulgarian Security Agent and BNY Mellon Corporate Trustee Services Limited as Agent. The Company is entitled to freely operate with its existing and future bank account without any restrictions until the occurrence of an enforcement event.

- In respect of the Company, the sole owner of the share capital Eastern European Electric Company III B.V. has established a Dutch pledge over any present and future shares of the Company and any and all present or future distributions of EEEC III against the Company in relation to the shares of the Company (present and future) - pledgee BNY Mellon Corporate Trustee Services Limited as Agent.

- Special Pledge on receivables of Free Energy Project Oreshetz in respect to Contract of electricity sales CT007736/03.10.2019 concluded between Electrohold Trade and Free Energy Project Oreshetz.

27. Pension post-employment benefits obligations

27.1. Employee benefit liabilities

As of 31 December 2024, the total number of employees in the Group is 3 256.

According to the Bulgarian labour legislation and the subsidiaries’ Collective Labour Agreement, the Group as an employer is obliged to pay two or six gross monthly salaries to its employees upon retirement, depending on the length of their service, as follows:

Length of service	*Retirement benefit in gross monthly salaries*
Up to 10 years	2
Last 10 years in the energy industry	4
10 years during the last 20 in the Company or in the Group	6
In the Company or in the Group in the last 30 years	9

The Group does not maintain specific assets in connection with retirement benefit plans and defined benefit liabilities will be repaid from the Group’s operations.

The table below summarizes the components of the net employee benefit expense recognized in the income statement and other comprehensive income and the amounts recognized in the statement of financial position for the retirement benefit plan:

Components of net benefit expenses

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Retirement benefit obligation at the beginning of the period	**24 181**	**22 093**
Interest expenses	864	778
Current service cost	902	2 985
Transferred obligations	(2)	(214)
Total recognized in profit or loss	**1 764**	**3 549**
Actuarial gain/(losses) on the obligation	778	(602)
Total recognized in the other comprehensive income	**778**	**(602)**
Paid retirement benefits	(1 100)	(1 073)
Transferred obligations	-	214
Retirement benefit obligation at the end of the period	**25 623**	**24 181**

Retirement benefit obligation recognised in the statement of financial position	***31.12.2024***	***31.12.2023***
	BGN'000	*BGN'000*
Long-term retirement benefit obligations	22 718	20 802
Short-term retirement benefit obligations	2 905	3 379
	25 623	**24 181**

The principal assumptions used in determining retirement benefit obligation to the subsidiary with largest number of employees in the Group are presented below:

	2024	***2023***
Discount rate	2.91%	3.01%
Future benefit increase	3.95%	3.41%
Staff turnover	Until 30 years.:13% From 31-40 years:8% From 41-50 years: 6% Above 50 years: 4%	Until 30 years.:17% From 31-40 years:11% From 41-50 years: 6% Above 50 years: 2%

A point change in the percentage of future increase of remunerations would have the following effect:

	Increase	*Decrease*
	BGN'000	*BGN'000*
2024		
Effect on service cost	4	(4)
Effect on interest expense	4	(4)
Effect on retirement benefit obligations	129	(128)
2023		
Effect on the expenses on current service and interest	481	(381)
Effect on the retirement benefits obligation	3 028	(2 384)

A 1% change in the discount rate would result in the following effect:

	Increase	*Decrease*
	BGN'000	*BGN'000*
2024		
Effect on service cost	(1)	1
Effect on interest expense	-	-
Effect on retirement benefit obligations	(57)	57
2023		
Effect on the expenses on current service and interest	(679)	797
Effect on the retirement benefits obligation	(1 871)	2 219

There is no tax effect related to subsequent remeasurement of retirement benefit plans in OCI.

The table below presents the maturity structure of the employee benefit obligation on retirement on the basis of expected payments:

	2024	*2023*
	BGN’000	*BGN’000*
Up to 1 year	*2 905*	*3 379*
From 2 to 5 years	*2 939*	*3 829*
From 6 to 10 years	*5 824*	*5 647*
Over 10 years	*13 955*	*11 326*
Total expected payments	**25 623**	**24 181**

The key management personnel of the Parent Company is not included within the defined benefit plan. The amount of BGN nil. have been allocated in favour of the Key management personnel.

28. Lease

28.1. The Group as a lessee

Assets and liabilities recognised in the statement of financial position, acquired upon subsidiaries purchase

The statement of financial position contains the following items and amounts related to leases:

28.1.1. Right of use assets

	Land and Buildings BGN'000	*Machinery, Technical equipment and Vehicles BGN'000*	***Total BGN'000***
Fair value:			
At 31 December 2022	**14 737**	**2 810**	**17 547**
Additions	1 667	3 074	4 741
Disposals	(1 313)	(665)	(1 978)
At 31 December 2023	**15 091**	**5 219**	**20 310**
Additions	46 081	7 421	53 502
Disposals	(8 430)	(1 376)	(9 806)
At 31 December 2024	**52 742**	**11 264**	**64 006**
Depreciation:			
At 31 December 2022	**4 264**	**1 707**	**5 971**
Depreciation for the period	4 289	1 768	6 057
Depreciation written off	(1 139)	(402)	(1 541)
At 31 December 2023	**7 414**	**3 073**	**10 487**
Depreciation for the period	4 849	1 994	6 843
Depreciation written off	(6 029)	(1 328)	(7 357)
At 31 December 2024	**6 234**	**3 739**	**9 973**
Carrying amount:			
At 31 December 2023	**7 677**	**2 146**	**9 823**
At 31 December 2024	**46 508**	**7 525**	**54 033**

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Buildings - right of use	46 508	7 677
Machinery - right of use	13	15
Technical equipment - right of use	5 157	11
Vehicles - right of use	2 355	2 120
	54 033	**9 823**

28.1.2. Lease liabilities

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Lease liabilities – long - term	47 343	5 722
Lease liabilities – short - term	7 701	5 121
	55 044	**10 843**

Movements in lease liabilities as at 31 December 2024 are as follows:

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Beginning of the period	**10 843**	**12 465**
Increases	52 596	3 862
Decreases	-	-
Reclassified to trade liabilities	(365)	(2)
Interest accrued	724	479
Written-off	(936)	-
Payments	(7 817)	(5 961)
Adjustment due to change in interest rate	(1)	-
As at 31 December	**55 044**	**10 843**
Incl. current portion	*7 701*	*5 121*
non-current portion	*47 343*	*5 722*

The maturity analysis of future discounted cash payments under leases by years is as follows:

	2024	**2023**
	BGN’000	*BGN’000*
Year 1	7 464	5 121
Year 2	8 712	2 819
Year 3	8 231	926
Year 4	8 143	654
Year 5	6 576	385
Over 5 years	15 918	938
Total	**55 044**	**10 843**

Revenues and expenses under leasing contracts recognised in profit or loss for the reporting period are presented below:

	Note	**31.12.2024**	**31.12.2023**
		BGN‘000	*BGN‘000*
Depreciation expense on right-of-use assets (under IFRS 16)	28.1.1	6 843	6 067
Interest expense on lease liabilities (reported under IFRS 16)	28.1.2	724	479
Expenses related to short-term leases (reported under IFRS 16)		27	19
Expenses related to leasing contracts for low-value assets (reported under IFRS 16) (incl. in Hired services expenses)		1 260	446
Total amount recognised in profit or loss		**8 854**	**7 011**

The total cash outflow for leases in 2024 amounts to BGN (7 817) thousand. In 2024, there is effect of a non-monetary increase in the assets with the right of use and the lease liability at the amount of BGN (7 464) thousand.

Group's leases and reporting thereof
The Group leases property, energy facilities and vehicles. The energy facilities are owned by third parties and the Group needs to obtain access thereto to provide possibility for electricity transmission and distribution to other customers' sites.

Leases are usually agreed for fixed periods but may contain extension options. They are usually signed with the following terms, divided based on the class of underlying assets, as follows:

- Properties – from 2 – 10 years;
- Facilities – 5 years. The leases of electricity facilities forming part of the electricity distribution grid are treated in accordance with IFRS 16 as right-of-use assets with a 5-year use period, irrespective of the lease term;
- Vehicles – from 2 – 10 years.

The average term of the Group's leases is 6 years.

Leases are negotiated on an individual basis and contain a significant number of conditions and clauses. Leases do not contain mandatory indicators and leases. Underlying right-of-use assets may not be used as collateral under other contracts.

Variable lease payments
The Group has no leases containing variable payment clauses that would result in uncertainty in the measurement of lease payments.

Extension and termination options
The Group accounts for many leases of property and energy sites and facilities containing extension and termination options. These options have been negotiated by the management for the purpose of greater flexibility in managing the right-of-use assets and the Group's economic needs. The Group's management applies significant judgement to determine whether it is reasonably certain to exercise these options. Lease of energy sites and facilities are agreed for a one-month period, but use thereof is long-term, since the Group, in its capacity as operator of the electricity distribution grid and licensee for the electricity distribution activity uses the electricity distribution facilities to other clients/users different from the owners of those energy sites.

Regarding the contract for use of the leased areas and parking places for the Group's administrative needs, there is certainty about long-term use resting on the Group's right to obtain and gain all economic rewards for the entire period of use, manifest in performing management, control and administration of all processes and activities related to its object of activity. These assumptions are reviewed if a significant event or circumstances arise that impact assumptions and if this event is within the Group's control.

Potential outgoing undiscounted future cash flows for 2024 amount to BGN 0 thousand, which is not included in the lease liabilities, due to Group's management judgment that there is no substantial certainty that the lease agreements will be extended (or will not be terminated). In 2023, these amount to BGN 0 thousand. These assumptions are reviewed if a substantial event or substantial circumstance arise, that impact assumptions and if this event is within the Group's control.

Short-term leases and leases of low-value assets

The Group has elected the exemption from recognition of right-of-use assets and lease liabilities under the standard for low-value leases, which include multi-filtration water dispensers and parking places.
The costs of short-term leases and low-value leases are disclosed in "Other operating expenses" (Note 9) and amount to BGN 1 260 thousand (2023: BGN 858 thousand).

28.2. The Group as a lessor

Operating leases
The operating leases of property and energy facilities owned by the Group in its capacity as lessor have a term between 1 and 10 years. All operating leases contain conditions for review of clauses if the lessee exercises its extension options. The lessee has no option to purchase the property after the lease term expires.

Unguaranteed residual values do not pose a significant risk for the Group, since there are no indications that the value of assets would decrease more than would be expected as a result of time or normal wear and tear. The Group has no indications that this situation would change.

The maturity analysis of future undiscounted proceeds from operating leases is as follows:

	2024	2023
	BGN'000	*BGN'000*
Year 1	3 337	3 608
Year 2	3 337	3 608
Year 3	3 337	3 608
Year 4	3 337	3 608
Year 5	3 337	3 608
Over 5 years	3 337	3 608
Total	**20 022**	**21 648**

Operating lease amounts included in the statement of Profit or Loss and Comprehensive income, as follows:

		31.12.2024	***31.12.2023***
	Note	*BGN'000*	*BGN'000*
Revenues from fixed lease payments	7	3 337	3 608
Total		**3 337**	**3 608**

29. Commitments and contingent liabilities

29.1. Capital commitments

The Group has no capital commitments as at 31 December 2024.

29.2. Guarantees

<u>Electrodistribution Grid West EAD</u>

- Suppliers of the subsidiary have established bank deposit collateral in its favour for the performance of contracts concluded therewith for the delivery of materials and services. The amount of securities valid as at 31 December 2024 is BGN 13 879 thousand (2023: BGN 14 822 thousand);

- According to the Rules on the conditions and procedure for granting access to the electricity transmission and distribution grids, where it is stated that a guaranteed collateral of customers eligible for transactions at freely negotiated prices is to be provided in favour of the subsidiary's incorporated bank guarantees amounting at BGN 3 165 thousand as at 31 December 2024(2023: BGN 3 323 thousand).

- According to the amendments in 2023 to the Renewable Energy Sources Act, producers from renewable energy sources are required to provide a guarantee during the connection procedure. The amount of valid guarantees established as of 31.12.2024, is BGN 2 867 thousand (2023: BGN 375 thousand).

- The subsidiary has established a bank guarantee in favour of Sofia Municipality in the amount of BGN 121 thousand for the restoration of pavements during investment activities.

Electrohold ICT EAD

As of 31 December 2024, there are no established guarantees in favour of the subsidiary for the implementation of concluded contracts (2023: BGN 929 thousand).

Electrohold Trade EAD

- Clients of the subsidiary have established in his favour in 2024 bank guarantees in the amount of BGN 767 thousand, thus the amount of valid bank guarantees as of 31.12.2024 issued in favour of the subsidiary is BGN 1 304 thousand (2023: BGN 1 305 thousand).
  The issued bank guarantees secure the payments under contracts for sale of electricity and balancing.
- The subsidiary has a sub-limit under a bank loan under subject No 00055/730/09.09.2024 for issuance of bank guarantees, amounting to BGN 44 495 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB. The commission for issuance of bank guarantee is 0.25% on quarterly basis or part thereof, charged on the amount of guarantee. Utilized amount as of 31.12.2024 under the conditional bank loan is BGN 29 807 or their equivalent in EUR, calculated at the applicable rate of BNB.

Electrohold Sales EAD

- The subsidiary has a sub-limit under a bank loan under subject No 00052/730/29.07.2024 for issuance of bank guarantees, amounting to BGN 13 202 thousand or their equivalent in EUR, calculated at the applicable exchange rate of the BNB. The commission for issuance of bank guarantee is 0.25% on quarterly basis or part thereof, charged on the amount of guarantee. Utilized amount as of 31.12.2024 under the conditional bank loan is BGN 6 600 or their equivalent in EUR, calculated at the applicable rate of BNB.

Electrohold Bulgaria EOOD

As of December 31, 2024, by order of Electrohold Bulgaria EOOD, two bank guarantees have been issued with a total amount of BGN 92 thousand.

Electrohold EPC EOOD

As of December 31, 2024 guarantees for the performance of concluded contracts has been established in favour of the subsidiary amounting to BGN 1 952 thousand (2023: BGN 2 320 thousand).

29.3. Legal claims

Electrohold Sales EAD

- Claim filed by Pirin BMK EOOD

On 26.06.2019, a claim was filed by "Pirin BMK" EOOD - the concessionaire of the Oranovo Mine, claiming an amount of BGN 100 thousand. The claim was filed as a partial claim for damages for the period from 21.03.2018 to 23.11.2018, consisting of unrealized coal mining, which was not carried out due to the lack of an electricity contract between "Pirin BMK" EOOD and Electrohold Sales. The full amount of the claim (damages) is not specified. A civil case No. 6882/2019 has been filed under the inventory of the Sofia City Court ("SCC"), Civil Department, 1-13 panel. A response to the claim was filed in July 2019, with a counterclaim in the amount of BGN 236 thousand representing the value of the consumed electricity and network services, together with the legal interest on the principal, which until the filing of the claim was in the amount of BGN 8 thousand.

In July 2020, "Pirin BMK" EOOD for the first time, following instructions from the court, indicated the full amount of the claim for damages, setting it at BGN 2 670 thousand, excluding VAT. If the court accepts the partial claim, the establishment of the factual relationship will be binding for the full amount of the claim. Given the high amount of the claim and the numerous necessary evidentiary actions, a contract was concluded with Attorney Company Zahariev and Metodiev, together with an employee with a legal education from the Company, to perform the procedural representation in the case for the protection of the legal rights and interests of the Company. A decision of the SCC was issued in the case, with which the claims of "Pirin BMK" EOOD were completely rejected.

The counterclaims of Electrohold Sales for BGN 236 thousand principal and BGN 5 thousand moratorium interest, as well as for incurred court costs, were respected. The decision was appealed, by the other party, by court case No. 663/2022 of the Appellate Court - Sofia ("ACS"). With decision dated 29.12.2022 of the ACS, the decision of the SCC was fully confirmed. A cassation appeal was received and a response was filed within the deadline. According to the cassation appeal, a commercial case was established. No. 675/2023, as a closed hearing on admission to cassation is scheduled for 14.02.2024. By Resolution dated 23.07.2024 Supreme Cassation Court does not allow case No 675/2023 to be appealed at cassation level, thus the claim of "Pirin BMK" EOOD were rejected in full.

There are no other significant legal claims filed against the Company, except those indicated in the financial statement as of 31.12.2024.

Electrohold Bulgaria EOOD

As of 31.12.2024, the subsidiary is defendant on four legal cases with a total amount of claims BGN 265 thousand. The lawyers' expectations for the outcome of the cases are that the claims will be rejected in full, due to unfounded and illegal claims. The Company does not expect cash outflows from the outcome of the cases.

29.4. Undrawn loan facilities

Electrohold Sales EAD

Bank loan for working capital

As of 31.12.2024, the undrawn amount of the overdraft loan № 52/730/29.07.2024 is BGN 43 028 thousand.

Electrohold Trade EAD

Bank loan for working capital

As of 31.12.2024, the undrawn amount of the overdraft loan № 00055/730/09.09.2024 is BGN 35 573 thousand.

As of 31.12.2023, the undrawn amount of the overdraft loan № 00022/714/15.07.2021 is BGN 43 031 thousand.

29.5. Other

EEEC B.V.

Commitments related to Senior Facility Agreement dated 3 June 2024.

- Commercial Pledge on Electrohold Bulgaria Shares, Electrohold Trade Shares, Free Energy Project Oreshetz (FEPO) Shares, Bara Shares and Electrohold EPC shares over any present and future shares of those subsidiaries and any and all present or future cash receivables of the Company against those subsidiaries in relation to the shares of those subsidiaries (present and future), including without limitation in respect of distribution of profits (i.e. dividends), liquidation quotas, proceeds from repurchase/redemption of shares, capital decrease or any other cash proceeds distributed by those subsidiaries on account of the shares of those subsidiaries – pledgee DSK Bank AD as Bulgarian Security Agent.

- Special Pledge and Financial Collateral Pledge on Electrohold Sales Shares over any present and future shares of Electrohold Sales and any and all present or future cash receivables of the Company against Electrohold Sales in relation to the shares of Electrohold Sales (present and future), including without limitation in respect of distribution of profits (i.e. dividends), liquidation quotas, proceeds from repurchase/redemption of shares, capital decrease or any other cash proceeds distributed Electrohold Sales on account of the shares of Electrohold Sales – pledgee DSK Bank AD as Bulgarian Security Agent.

- Special Pledge on receivables in respect of Electrodistribution Grid West Shares over any and all present or future cash receivables of the Company against Electrodistribution Grid West in relation to the shares of Electrodistribution Grid West (present and future), including without limitation in respect of distribution of profits (i.e. dividends), liquidation quotas, proceeds from repurchase/redemption of shares, capital decrease or any other cash proceeds distributed Electrodistribution Grid West on account of the shares of Electrodistribution Grid West – pledgee DSK Bank AD as Bulgarian Security Agent.

- Special Pledge on receivables in respect any and future bank accounts of the Company and any receivable of the Company from third parties, established under Bulgarian, German and Dutch law– pledgees DSK Bank AD as Bulgarian Security Agent and BNY Mellon Corporate Trustee Services Limited as Agent. The Company is entitled to freely operate with its existing and future bank account without any restrictions until the occurrence of an enforcement event.

- In respect of the Company, the sole owner of the share capital Eastern European Electric Company III B.V. has established a Dutch pledge over any present and future shares of the Company and any and all present or future distributions of EEEC III against the Company in relation to the shares of the Company (present and future) - pledgee BNY Mellon Corporate Trustee Services Limited as Agent.

- Special Pledge on receivables of Free Energy Project Oreshetz in respect to Contract of electricity sales CT007736/03.10.2019 concluded between Electrohold Trade and Free Energy Project Oreshetz.

<u>**Electrodistribution Grid West EAD**</u>

A Commitments pursuant from the Energy Act (§4, Para 1 of the Final and Transitional Provisions) **on the obligations for purchase of energy installations representing an element of the distribution grid and owned by third parties**

In accordance with the license for electricity distribution and §3 and §4 of the Final and Transitional Provisions of the Energy Act (former § 67 of the Act on Energy and Energy Efficiency) the Company is obliged to purchase and replace the commercial metering equipment as well as the energy installations and facilities representing the distribution grid owned by third parties. The conclusion of contracts for the acquisition of energy facilities on the initiative of the Company is obstructed by a number of objective obstacles - lack of data in the Property Registry, unclear property rights, property and other burdens of many facilities, their technical condition. It should also be noted that the provision of § 4, Para. 5 of TFP of the Energy Act stipulates that electricity distribution company is not required to buy energy facilities in the event that their own facilities to replace existing in the statutory deadline. Notwithstanding the expiry of the period and at the moment, given the unclear ownership of many facilities and/or their not good condition, the Company invested in the construction of new facilities, consistent with current plans for regulation of settlements and the modern technical standards. To replace the commercial metering devices, a significant factor is the need for unhindered access to the properties of customers and accommodate the commercial metering devices. The cost of replacing the commercial metering devises will be capitalised in property, plant and equipment. The approximate cost of these replacement investments over a one-year period is BGN 34 591 thousand (2023: BGN 28 000 thousand).

The recent tax audits of the Company comprise the following periods and tax laws:

Type of taxes	
Taxes under CITA	Until 31.12.2012
Tax on social expenses under CITA paid in kind	Until 31.12.2015
Personal income tax	Until 31.12.2007
VAT	Until 31.12.2012
Social security	Until 30.09.2008

<u>**Electrohold Bulgaria EOOD**</u>

There were no tax audits or reviews of the Company in 2024.

The Company's management does not believe there are any material risks as a result of the dynamic fiscal and regulatory environment in Bulgaria that would require adjustments to the financial statements for the year ending December 31, 2024.

Electrohold ICT EAD

No tax revisions have been conducted at the Company till 31.12.2024.
The Company's management does not consider there are significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria which would require adjustments to the financial statements for the year ending 31 December 2024.

Electrohold EPC EOOD

The Company's management does not consider that there are any significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria that would require adjustments to the financial statements for the year ending December 31, 2024.

FEPO EOOD

In 2024, no tax audits were carried out for the Company.

The Company's management does not consider that there are any significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria that would require adjustments to the financial statements for the year ending December 31, 2024.

30. Government grants – long term

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Government grants – long term	802	89
	802	**89**

Government grants are related to the financing of non-current tangible assets and current operations with regard to the following EDG's projects:

- "Replacement of obsolete transformers and reducing the supply losses of Electrodistribution Grid West EAD"
- Programme related to Directive 2003/87/EC and National Investment Plan of Bulgaria 2013-2020
- LIFE programme
- Project „LIFE DANUBE FREE SKY" LIFE19 NAT/SK/001023
- DATA CELLAR programme
- ENFLATE programme
- Demand Response programme - Residential Innovation for a Sustainable Energy system (DR-RISE)
- Digital Twin for Europe programme
- ECLIPSE

There are no unfulfilled conditions and other contingencies attaching to the remaining liabilities under government grants. All outstanding amounts are related to projects that are still in progress and has not been finished.

31. Derivative financial instruments

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Interest rate swap	18 025	-
	18 025	**-**

Eastern European Electric Company B.V. has entered into hedging agreements to mitigate the risk of EURIBOR rise which could lead to increase in interest expenses under the Senior Facilities Agreement dated 03.06.2024. Sixty percent of the principal value under the loan is hedged. The Parent Company has negotiated to pay a fixed rate and receive a variable interest rate for partial value of the syndicated loan.

When all parameters match, the floating rate obtained from the derivatives effectively compensate for the variable part of the interest payment on the loans, and the Company effectively will achieve a fixed interest expense derived from the fixed rate of the derivatives and a fixed margin on the loans. Fixing the interest rate will enhance the predictability of Interest cover covenant, which is a crucial condition for compliance with the provisions of SFA dated 3th June 2024.

The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. The hedged amount – 60% – implies that 60% of the interest expenses under the SFA dated 3th June 2024 will move exactly in the opposite direction with the interest receivables/payables under the interest rate swaps (i.e increase in the interest expenses will lead to receivables under the swap). The hedging term is matched with the term of the SFA loan agreement.

The Company has set the hedge ratio as 1:1.

The interest rate swap is designated as a cash flow hedge, meeting the eligibility criteria under IFRS 9 Financial instruments. Its value in the Statement of financial position represents the fair value of the hedge.

Based on the nature of hedging relationship no ineffectiveness will occur.

32. Trade and other payables

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Trade liabilities	224 520	160 792
Advance payments received	4 804	6 167
Personnel payables	33 391	36 277
Social security payables	5 665	6 270
VAT payables	2 034	1 346
Other tax payables	1 028	1 067
Liabilities for guarantees	28 858	21 914*
Other current liabilities	4 226	2 693
	304 526	**236 526**

* In the consolidated financial statements as at 31.12.2023 liabilities for guarantees of ELH Trade were presented in line **Trade liabilities**. In the current financial statements, the amount is reclassified in line **Liabilities for guarantees**.

The net carrying value of trade and other payables is considered a reasonable approximation of fair value.

33. Provisions

	Notes	***31.12.2024***	***31.12.2023***
		BGN'000	*BGN'000*
Provisions for court claims and for imposed penalties	33.1	5 330	13 396
Provisions for imposed penalties	33.2	709	1 859
Energy efficiency provision	33.3	19 613	26 489
		25 652	**41 744**

As of 31 December 2024	*Provisions for court claims*	*Provisions for imposed penalties*	*Energy efficiency provision*	*Total*
Notes	*33.1*	*33.2*	*33.3*	
	BGN'000	BGN'000	BGN'000	BGN'000
At 1 January 2023	**14 348**	**1 726**	**21 165**	**37 239**
Occurred during the period	2 430	293	5 361	8 084
Utilized	(3 382)	(160)	(37)	(3 579)
At 31 December 2023	**13 396**	**1 859**	**26 489**	**41 744**
Occurred during the period	1 541	350	69	1 960
Utilized	(483)	(419)	-	(902)
Reversed	(9 124)	(1 081)	(6 945)	(17 150)
At 31 December 2024	**5 330**	**709**	**19 613**	**25 652**

33.1. Court provisions

Various companies and natural persons have initiated court litigation against the Group in relation to employment, property disputes and other claims resultant from the subsidiaries' business operations, the significant ones being as follows:

Electrodistribution Grid West

In 2012, multiple court proceedings were initiated based on requests by producers of electricity from renewable energy sources, pleading with the court to repeal Decision C-33/14.09.2012 of the Energy and Water Regulatory Commission as unlawful. The Company was advised by its consultants that there is a probability of negative income of these litigations. In June 2013, SAC issued several final-instance rulings, thereby repealing the temporary prices for access to the electricity distribution grid in several groups for solar and wind renewable sourced. On 13 March 2014 EWRC issued Decision C-6/13.03.2014 on determining permanent access tariff for producers of electricity from renewable energy sources using preferential prices, and Decision KM-1/13.03.2014 on the previous period. The compensatory mechanism envisaged in Decision No KM-1/13.03.2014 applies for RES producers which did not appeal against the Decision on determining temporary prices C-33/14.09.2012 and those for which it was not enforced, even though they appealed.

In 2020, the claims of renewable energy producers against EGD West EAD, amounting to BGN 2 106 thousand, based on the court's annulment of any point of Decision C-33, were written off after the expiry of the five-year limitation period. In 2023, a provision of BGN 3 thousand has been paid for court fees. In financial statements as of 31.12.2024 this provision amounts to BGN 115 thousand (2023: BGN 115 thousand)

The remainder of the provisions recognised in respect of legal actions and proceedings includes various cases in which the Company is a plaintiff or defendant, totalling BGN 4 540 thousand (2023: BGN 5 860 thousand), each of which is immaterial individually. The Company does not disclose additional information on the basis of paragraph 92 of IAS 37.

Electrohold Sales

In 2024, Electrohold Sales has a provision for litigation amounting to BGN 675 thousand (2023: BGN 7 421 thousand) on the basis of the probable outcome of several litigations, which are at a different stage but are pending at the present moment.

A claim filed by Receiver CHB EOOD

Based on Court Decision No 50126/08.05.2024 during 2024 the provision amounting to BGN 6 724 thousand has been written off related to court case for appeal against set-off by "Receiver CHB" EOOD, which declared invalid the repayment by set-off of its monetary obligation for a penalty from a framework agreement of 12.06.2017 in the amount of BGN 3 350 thousand. The decision is final. On 29.05.2024 a request was submitted to Supreme Cassation Court for the release of the deposited guarantee in the amount of BGN 3 850 thousand. The guarantee amount was refunded to the Company on 28.05.2024.

<u>Other legal claims</u>

In 2024, a provision of BGN 675 thousand was accrued for 53 legal claims, according to a legal forecast for the likely outcome of the cases (for 2023: BGN 698 thousand).

33.2. Provisions for sanctions

<u>Electrodistribution Grid West</u>

- ***Provision in relation to penal administrative decisions of the regulatory body (EWRC)***

  \- By means of Order No 3-E-1129/11.08.2022 of the Chairman of the Commission for Energy and Water Regulation, an inspection of "Electrodistribution Grid West" EAD was assigned for the fulfilment of the requirements of the license regarding the provision of electric energy with indicators corresponding to the requirements of the standard. During the inspection, devices were installed to measure the quality of the supplied electrical energy for a period of seven days in 30 connection points located in different areas of the license territory.

According to served Protocol No. E-8 dated 06.12.2022, in 10 connection points, the supply voltage do not meet the applicable standard. Based on the above, the Company levied a penalty amounting to 600 thousand BGN, which was confirmed by issuing 10 penalty orders in April 2023, each of them amounting to 60 thousand BGN, which is the minimum prescribed for this type of violation committed repeatedly. Of these during 2024, 8 penalty decrees has come into force and has been paid, while the remaining 2 orders are being appealed.

The total amount of provisions for pecuniary sanctions imposed by the EWRC as of 31.12.2024 is at the amount of BGN 450 thousand. The specified amount has been charged and is in the process of appeal.

- ***Provision for tax payables related to NRA inspection***

In December 2019, an audit covering the periods 2014 and 2015 was commissioned, which ended with the issuance of a revision act, in which based on established court decisions and penalty decrees, unpaid insurance and tax on social expenses under CITA for all months of the two years in which there are accrued social costs for which reliefs and discounts were used under CITA are determined. The amount of the revision act has been paid in full. The revision act was appealed before the Administrative Court of Sofia-city and case No. 5874/2021 was formed, on which technical expertise was assigned. In 2024 with Decision No 9540/21.06.2024 the court has annulled the revision act and the amounts paid on the basis of it were refunded along with the interest charges. Provision has been written off during the period.

<u>Electrohold Trade</u>

In 2021, proceedings were initiated by EWRC to establish a violation, and the Company claims that no such violation was committed. In November 2023, a report was received from EWRC, according to which, in December 2023, an opinion with additional evidentiary materials and documents was provided within the stipulated time. As of the date of approval of the annual financial statements, there is no additional information on the proceedings initiated by EWRC, and in view of the risks and uncertainties related to this, the Company has charged a provision in the amount of BGN 259 thousand.

33.3. Energy efficiency provision

<u>Electrohold Sales</u>

Electrohold Sales EAD is an obligated person within the meaning of Art. 14, para. 4, item 1 and art. 14a, para. 4, item 1 of the Energy Efficiency Act (EEA. Given this, the company is set individual nominal targets for realizing energy savings in final energy consumption for the periods 2017-2020 and 2021-2030, respectively. An exhaustive list of individual nominal targets is presented in item 3.22.5. Provision for energy efficiency of this report.

Individual targets of Electrohold Sales EAD with reflected implementation as of 31.12.2024

	Requirement for measure validity in:			
Annual target/GWh (registered fulfilment is deducted)	2017	2018	2019	2020
2017	51.885	51.885	51.885	51.885
2018	-	76.960	76.960	76.960
2019	-	-	52.425	52.425
2020	-	-	-	73.859
	51.885	128.845	181.270	255.129
Cumulative target for 2017-2020				617.129

Requirement for measure validity										
Annual target/GWh (registered fulfilment is deducted)	2021	2022.	2023	2024	2025	2026	2027	2028	2029	2030
2021	9.450	9.450	9.450	9.450	9.450	9.450	9.450	9.450	9.450	9.450
2022		7.612	7.612	7.612	7.612	7.612	7.612	7.612	7.612	7.612
2023			10.653	10.653	10.653	10.653	10.653	10.653	10.653	10.653
2024				10.070	10.070	10.070	10.070	10.070	10.070	10.070
2025					0.000	0.000	0.000	0.000	0.000	0.000
2026						0.000	0.000	0.000	0.000	0.000
2027							0.000	0.000	0.000	0.000
2028								0.000	0.000	0.000
2029									0.000	0.000
2030										0.000
	9.450	17.062	27.715	37.785	37.785	37.785	37.785	37.785	37.785	37.785
Cumulative savings for the period 2021-2030, GWh										248.235

In 2024, the Company continued to consistently apply the approach in determining the amount of the energy efficiency provision. For this purpose, the price levels obtained on the basis of offers from independent third parties for the price of certificates for 1 MWh were again used. energy savings, due to the fact that it could not establish reliable sources of public information on the prices of the certificates.

In 2024, the reported provision for the implementation of the energy savings targets under EEA for 2017, 2018, 2019 and 2020 with a period of validity until the end of the reporting program period 2017-2020 and the reported provision for the new program period 2021-2030 is in the total amount of 19 544 thousand BGN (31.12.2023: 26 478 thousand BGN).

Electrohold Trade

Electrohold Trade EAD is an obliged entity within the meaning of Art. 14, para. 4, item 1 and art. 14a, para. 4, item 1 of the Energy Efficiency Act ("EEE"). Annually, the Company sets individual nominal targets for the realization of energy savings in the final consumption of energy. Energy savings targets have been set by a decision of the Council of Ministers ("Council of Ministers") for the period 2017 - 2020 and by an Order of the Minister of Energy for the period 2021 - 2030.

Targets for the period 2021 – 2030 are set for each calendar year, and the period of validity of the achieved savings at least until 31.12.2030. The obligation scheme is cumulative in nature. Targets approval is done by Order of the Minister of Energy. Annual allocation of national targets for energy efficiency is set out in the Integrated Energy and Climate Plan of the Republic of Bulgaria 2021-2030 adopted with Decision under Protocol No 8 of Council of Ministers dated 27.02.2020.
The fulfilment of these national targets should be done through a combination of alternative measures

and the Energy Savings Obligation Scheme. According to the Integrated Energy and Climate Plan of the Republic of Bulgaria 2021-2030, the expected new annual energy savings in end customer energy consumption achieved through the Energy Savings Obligation Scheme, distributed by year, are:

- 11.07 ktoe/year for yeas 2021-2022 or 128.7441 GWh/year.
- 11.85 ktoe/year for yeas 2023-2024 or 137.8155 GWh/year.
- 14.72 ktoe/year for yeas 2025-2030 or 171.1936 GWh/year.

The Plan is updated once on 3 years period and those indicative targets are subject to change in accordance with the expected changes in EU regulations and the increased ambitions to achieve climate neutrality by 2050.

In accordance with the requirements of Regulation (EU) 2018/1999 and the current national legislation, Bulgaria has prepared a draft of an updated Integrated Energy and Climate Plan of the Republic of Bulgaria 2021 - 2030. This version of the INPEC is in the process of conducting an environmental assessment, after its successful completion it will be submitted for approval by the Council of Ministers. The annual energy savings in final energy consumption set out in the updated plan through the Obligation Scheme, distributed by years, are:

- 11.85 ktoe/year for the period 2023-2024;
- 20.43 ktoe/year for 2025;
- 23.57 ktoe/year for the period 2026-2027;
- 29.86 ktoe/year for the period 2028-2030.

The approved goals of Electrohold Trade EAD for the period 2021 - 2030 are as follows:

- For 2021: 3.229 GWh by Order of the Minister of Energy No. E-RD-16-216/07.04.2021;
- For 2022: 2.6500 GWh by Order of the Minister of Energy No. E-RD-16-195/29.03.2022;
- For 2023: 2.3140 GWh by Order of the Minister of Energy No. E-RD-16-183/31.03.2023;
- For 2024: 2.9460 GWh by Order of the Minister of Energy No. E-RD-16-171/25.03.2024

As of 31.12.2024, AUER has reported complete fulfilment of the company's annual goals, as follows (https://portal.seea.government.bg/bg/Obliged/Obliged):

- For 2021: 3.2290 GWh (100.00% implementation);
- For 2022: 5.9100 GWh (223.02% implementation);
- For 2023: 2.3140 GWh (100.00% implementation);
- For 2024: 2.9460 GWh (101.83% implementation).

The reporting of the targets is carried out ex officio by the AUER, through the Energy Savings Certificates issued by the agency to the respective obligated person.

The value of the accrued provision for energy efficiency as of 31.12.2024 is BGN 69 thousand (2023: BGN 11 thousand), and during the year the company wrote off a provision of BGN 11 thousand.

34. Non-cash transactions

During the presented reporting period, the Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

- The Group has acquired BGN 52 596 thousand of non-current assets under lease agreement.
- The Parent company has repaid EUR 360 000 thousand under the Senior Facilities Agreement dated 21 July 2021 and utilized the same amount under the Senior Facilities Agreement dated 3 June 2024.

35. Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Bank loans BGN'000	Issue of equity BGN'000	Lease liabilities BGN'000	Government grants BGN'000	Total BGN'000
01 January 2023	**733 752**	**370 534**	**12 465**	**89**	**1 116 840**
Cash flows:					
Proceeds	10 620	-	-	154	**10 774**
Repayment	(48 436)	(108 764)	(5 961)	(340)	**(163 501)**
Non-cash:					
Accrued effective interest	51 413	-	479	-	**51 892**
Increase	-	-	3 862	-	**3 862**
Other changes	-	(2)	(2)	186	**182**
31 December 2023	**747 349**	**261 768**	**10 843**	**89**	**1 020 049**
Cash flows:					
Proceeds	215 734	9 584	-	247	**225 565**
Repayment	(93 760)	(181 892)	(7 817)	-	**(283 469)**
Non-cash:					
Accrued effective interest	69 310	-	724	-	**70 034**
Utilization of loan	704 099	-	52 596	-	**756 695**
Write-off	-	-	(936)	-	**(936)**
Refinancing of loan	(704 099)	-	-	-	**(704 099)**
Other changes	-	-	(366)	466	**100**
31 December 2024	**938 633**	**89 460**	**55 044**	**802**	**1 083 939**

36. Financial Risk Management

Factors that determine the financial risk

In carrying out their activities, the companies of the Group are exposed to various financial risks:

- market risk, including currency risk, interest rate risk and price risk.
- credit risk;
- liquidity risk;
- operational risk;
- capital risk;

The overall risk management program focuses on the unpredictability of the financial markets and aims to reduce any adverse effects on the Group's financial performance.

36.1. Currency risk

The Group is exposed to currency risk through payments in foreign currency and through its assets and liabilities denominated in foreign currency. Foreign currency exposures result in gains or losses that are recognized in the consolidated statement of profit or loss and other comprehensive income. These exposures comprise the Group's monetary assets that are not denominated in the currency used in the financial statements of local companies.

The Group operates mainly in Bulgarian levs and in euro. Management believes that with the Bulgarian Currency Board operating in Bulgaria and the fixed exchange rate of the Bulgarian lev to the euro, the Group is not exposed to significant adverse effects of changes in the exchange rate.

.

The Group has no significant investments in countries other than the country in which it operates – Republic of Bulgaria In cases, if any, where the local currency is exposed to significant currency risk, its management is achieved by investing in assets denominated in Euro.
January 1, 2026, is announced to be Bulgaria's target date for entry into the Eurozone, which means

that that will probably be the date for adopting the euro as an official currency in Bulgaria.

The new Law on the Bulgarian National Bank is published in the State Gazette (Darjaven Vestnik) № 13 from 13.02.2024, effective from the date indicated in the Decision of the Council of the European Union on the adoption of the euro by the Republic of Bulgaria[1].

The Bulgarian parliament has formally asked the European Commission and European Central Bank (ECB) to assess the country's readiness to join the euro area on 25 February 2025.Following the release of convergence reports, a series of approvals would be required – from members of the euro area, the ECOFIN council of EU's finance ministers, European Parliament and the European Council. After entering in force, the official currency in Bulgaria will be euro. No shocks are expected on the money market in the country due to the fixed rate at which the currencies would be translated.

The distribution of significant financial assets and liabilities exposed to currency risk by currencies as of December 31, 2024 is as follows:

As of 31 December 2024 *BGN'000*	**Bulgarian leva**	**Euro**	**Romanian lei**	**Total**
Cash and cash equivalents	146 232	21 818	4	**168 054**
Receivables from related parties	680	438	-	**1 118**
Trade receivables	369 502	-	-	**369 502**
Contract assets	81 362	-	-	**81 362**
Financial assets	13 532	-	-	**13 532**
Total assets	611 308	22 256	4	**633 568**
Loans from banks and non-bank financial institutions	47 524	891 109	-	**938 633**
Lease liabilities	55 044	-	-	**55 044**
Total liabilities	**102 568**	**891 109**	**-**	**993 677**

The distribution of significant financial assets and liabilities exposed to currency risk by currencies as of December 31, 2023 was as follows:

As of 31 December 2023 *BGN'000*	**Bulgarian leva**	**Euro**	**Romanian lei**	**Total**
Cash and cash equivalents	200 709	2 975	3	**203 687**
Receivables from related parties	489	342	-	**831**
Trade receivables	276 434	14	-	**276 448**
Contract assets	77 188	-	-	**77 188**
Financial assets	44 578	-	-	**44 578**
Total assets	**599 398**	**3 331**	**3**	**602 732**
Loans from banks and non-bank financial institutions	10 620	736 729		**747 349**
Lease liabilities	10 843	-	-	**10 843**
Total liabilities	**21 463**	**736 729**	**-**	**758 192**

36.2. Interest rate risk

The Group is exposed to the risk of changes in market interest rates, mainly with respect to its short-term and long-term financial liabilities with variable (floating) interest rates. The Group's policy is to manage interest expenses by using financial instruments with both fixed and floating interest rates. The interest rates on the majority of the Group's loans to banking institutions are based on one-month and / or quarterly and / or six-month EURIBOR.

The following table presents a sensitivity analysis to possible changes in interest rates, with their effect on the Group's profit before tax (through the effect on floating interest rate loans and borrowings), all other variables held constant. There is no impact on the other components of Group's equity.

	Increase / Decrease	Effect of the profit

[1] Source: https://www.bnb.bg/bnbweb/groups/public/documents/bnb_law/laws_bnb_new_bg.pdf. Note: only a Bulgarian version of the act is available as of now.

	in interest rates	before taxes
2024	%	*BGN'000*
For interest-bearing loans and borrowings	+1%	(9 458)
For interest-bearing loans and borrowings	-0.5%	4 729
2023		
For interest-bearing loans and borrowings	+1%	(6 827)
For interest-bearing loans and borrowings	-0.5%	3 414

The Group controls this exposure through periodic review of its active positions. Cash flow assumptions as well as the impact of interest rate fluctuations on the investment portfolio are reviewed every six months.
The purpose of these strategies is to limit large changes in assets related to changes in interest rates. The Group is also exposed to the risk of changes in future cash flows from fixed income securities resulting from changes in market interest rates.

36.3. Price and Regulatory risk

The Group's exposure to price risk is related to financial assets at fair value.

Under these instruments, there is a risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those related to interest rate and currency risk), regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.

Price risk is managed by analysing the companies in which investments are made on the basis of their operating activities which are regulated.

The regulatory risk is related to the impact of the existing regulatory framework or its change on the subsidiaries' activities, as well as to potential fines and sanctions due to violations of this framework.

The energy business is a highly regulated economic sector, as the financial results of the companies operating in the field of energy are directly dependent on a number of normative acts and decisions of the state regulatory body (EWRC). Companies are at risk of not taking into account all the costs associated with their normal activities when setting electricity prices by the regulator.

Electrodistribution Grid West performs its licensing activity under general and individual administrative acts issued by The Energy and Water Regulatory Commission, which are obligatory for execution, including with respect to price formation. Prices are regulated by the state.

Upon determining the transaction price, the Group also takes into consideration variable consideration and the presence of a significant financing component (*if any*).

Electrohold Trade supplies electricity to corporate and business customers and trades on the wholesale market at free prices separately determined for each transaction.

Electrohold Sales performs its licensing activity under general and individual administrative acts issued by The Energy and Water Regulatory Commission, which are obligatory for execution, including with respect to price formation.
The prices applicable for sales under the End Supplier and Last Resort Supplier licenses are regulated by the state.
With respect to sales under the Electricity Trade license, the transaction price is usually determined as a fixed (unit) selling price set in a contract, in accordance with a general or customer-specific price list and may include a variable consideration and a significant financing component effect (if any). Sales on the IBEX are carried out at exchange prices valid for the date and time of the transaction.

36.4. Credit risk

The Group's credit risk is mainly related to trade and financial receivables (including cash at bank).

The amounts presented in the consolidated statement of financial position are on a net basis, excluding provisions for uncollectible receivables, assessed as such by management, based on previous experience and current economic conditions.

The Group holds assets in a trading portfolio in order to manage credit risk. Credit risk is the risk that one party to a financial instrument will incur a financial loss for the other party to it by failing to meet an obligation. The Group has implemented policies and procedures to mitigate the exposure of the credit risk group.

The Group's investment policy requires strict application of the diversification rules on exposure limits for each type of instrument and for an individual counterparty.

Group’s cash and payment operations are mainly concentrated in different first-class banks. In order to calculate expected credit losses for cash and cash equivalents, the Group applies a rating model by using the banks’ ratings as determined by internationally recognized rating firms such as Moody’s, Fitch, S&P, BCRA and Bloomberg and the reference public data about the PD (probability of default) of the respective bank.

The management currently monitors changes in the respective bank’s rating in order to assess the presence of increased credit risk and for the purpose of ongoing management of incoming and outgoing cash flows and the allocation of cash in bank accounts and banks.

The Group’s majority cash and cash equivalents available at 31 December 2024 are in bank accounts with ratings A- to B according to Fitch/ BCRA.

The management of the Group has performed a test for impairment of the expected credit losses on cash and has recognized in the financial statements as of 31.12.2024 impairment in the amount of BGN 731 thousand (2023: BGN 260 thousand) (Note 21).

The Group conducts derivative transactions through Electrohold Trade EAD.
The Group invests its own funds mainly in bank deposits, securities issued by Member States of the European Union, bonds issued by financial institutions or other companies. In order to implement its investment policy, the Group uses professional services of investment intermediaries that have received permission to conduct transactions in the country and abroad.

The structure of trade receivables as at 31 December 2024 and 31 December 2023 based on residual term is presented below:

31.12.2024	Not due	0 – 30 days	30 – 90 days	91-180 days	181-360 days	>360 days	Total
	BGN ‘000	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*
Receivables from clients (gross carrying amount)	160 526	25 838	2 952	3 207	5 294	65 244	**263 061**
Expected credit loss (Impairment allowance)	(349)	(468)	(420)	(918)	(1 570)	(63 980)	**(67 705)**
Expected credit loss (Impairment allowance) for individually impaired receivables	-	(61)	(34)	(57)	(126)	(48)	**(326)**
Additional credit loss for clients in liquidation and insolvency	(13)	(123)	(35)	(42)	(60)	(257)	**(530)**
Additional credit loss on revenues under Art. 56 of RMEV	-	(467)	(109)	(90)	(743)	14	**(1 395)**
Receivables from clients, net	**160 164**	**24 719**	**2 354**	**2 100**	**2 795**	**973**	**193 105**

31.12.2023	Not due	0 – 30 days	30 – 90 days	91-180 days	181-360 days	>360 days	Total
	BGN ‘000	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*	*BGN ‘000*
Receivables from clients (gross carrying amount)	151 951	23 990	5 131	3 733	9 255	60 034	**254 094**
Expected credit loss (Impairment allowance)	(284)	(378)	(671)	(1 124)	(3 231)	(57 068)	**(62 756)**
Expected credit loss (Impairment allowance) for individually impaired receivables	(162)	(1 032)	(414)	(107)	(259)	(29)	**(2 003)**
Additional credit loss for clients in liquidation and insolvency	(90)	(57)	(40)	(37)	(60)	(265)	**(549)**
Additional credit loss on revenues under Art. 56 of RMEV	(389)	(470)	(585)	(340)	(1 064)	(490)	**(3 338)**
Receivables from clients, net	**151 026**	**22 053**	**3 421**	**2 125**	**4 641**	**2 182**	**185 448**

**Electricity Metering Rules (Rules on metering electricity volume)*

Contract assets	***31.12.2024***	***31.12.2023***
	BGN ‘000	*BGN ‘000*
Contract assets, gross	81 662	77 836
Expected credit loss (impairment of contract assets)	(300)	(648)
Contract assets, net	**81 362**	**77 188**

Court receivables	***31.12.2024***	***31.12.2023***
	BGN ‘000	*BGN ‘000*
Court receivables, gross up to 3 years	10 049	5 593
Expected credit loss (impairment of court receivables)	(7 534)	(1 968)
Court receivables, gross above 3 years	27 638	3 673
Expected credit loss (impairment of court receivables)	(27 638)	(3 673)
Court fees	4 320	4 034
Expected credit losses	(4 095)	(3 883)
Court receivables, net	**2 740**	**3 776**

As at December 31, 2024, the Group is not exposed to substantial credit risk.

36.5. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The policy in this area is aimed at ensuring that sufficient liquidity is available to service the obligations when they become due, including in extraordinary and unforeseen situations. The objective of the management is to maintain a constant balance between the continuity and flexibility of financial resources through the use of adequate forms of funding. Liquidity risk management is the responsibility of the Group's management and includes maintaining sufficient cash, negotiating adequate credit lines, preparing analysis and updating cash flow projections.

The table below presents an analysis of the consolidated liabilities of the Group by maturity periods, based on the residual period from the date of the consolidated statement of financial position to the date of realization of the liabilities based on the agreed undiscounted payments:

31.12.2024	Not due	< 3 months	3-12 months	1-5 years	> 5 years	Total
	BGN’000	*BGN’000*	*BGN’000*	*BGN’000*	*BGN’000*	*BGN’000*
Trade liabilities	52 742	167 987	3 791	-	-	224 520
Lease liabilities	622	1 244	5 598	31 662	15 918	55 044
Liabilities for guarantees	11 403	2 891	13 037	1 527	-	28 858
Total:	**64 767**	**172 122**	**22 426**	**33 189**	**15 918**	**308 422**

Consolidated liabilities by residual term

31.12.2023	Not due	< 3 months	3-12 months	1-5 years	> 5 years	Total
	BGN'000	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*	*BGN'000*
Trade liabilities	40 463	115 985	4 344	-	-	160 792
Lease liabilities	427	854	3 840	4 784	938	10 843
Liabilities for guarantees	5 206	244	14 917*	1 547	-	21 914
Total:	**46 096**	**117 083**	**23 101**	**6 331**	**938**	**193 549**

* - in 2023 liabilities for guarantees of ELH Trade were presented as Trade liabilities in accordance with standalone IFRS. In 2024 were reclassify to Liabilities for guarantees in order to reflect the group presentation.

Detailed information about Group's bank loans by entities is presented below:

	Effective interest rate	**Maturity**	***2024***		***2023***	
			Short-term portion	Long-term portion	Short-term portion	Long-term portion
			BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
EDG West	6M EURIBOR+ 1.80%	30 April 2027	5 184	23 150	5 292	28 111
Electrohold Trade	Average Deposit Index + 2.2%	31 May 2027	19 190	-	-	-
Electrohold Sales	Average Deposit Index + 2.2%	31 May 2027	-	-	10 620	-
Eastern European Electric B.V.	6M EURIBOR + 3.00%/min. 3%	11 June 2029	48 092	843 017	185 256	518 070
			72 466	**866 167**	**201 168**	**546 181**

36.6. Operational risk

Operational risk is the risk of direct and indirect losses for the Group, caused by various internal factors related to the Group's operations, personnel, technology and infrastructure, as well as external factors other than credit, market and liquidity risk and arising from legal requirements and generally accepted rules for corporate ethics.

The Group defines the operational risk as: the risk of loss or non-realization of profits, which is caused by non-functioning or not implemented internal control systems or by factors external to the Group, such as economic condition, changes in the insurance environment, technical progress and others. Legal risk is part of operational risk and arises as a result of non-compliance or misapplication of legal and contractual commitments that would have an adverse effect on operations. The definition does not include strategic risk and reputational risk.

The Group's goal is to manage operational risk in such a way as to prevent financial losses in the most effective way, while maintaining its good reputation and at the same time not hindering initiative and creativity in its actions.

36.7. Capital risk management

With capital management, the Group aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return on investment of shareholders and economic benefits of other stakeholders and participants in its business, as well as to maintain optimal capital structure.

The Group currently monitors the security and capital structure based on the debt ratio, namely the net debt capital to the total amount of capital.

Net debt includes all liabilities, loans, debenture, trade and other payables less the carrying amount of cash and cash equivalents. For capital risk calculation, subordinated debt instruments are treated as equity.

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

BGN'000	***31.12.2024***	***31.12.2023***
Equity (net assets)	**436 795**	**572 587**
Total liabilities	1 429 739	1 110 555
Cash and cash equivalents, and time deposits with banks	(168 054)	(203 687)
Net debt	**1 261 685**	**906 868**
Total equity and net debt	**1 698 480**	**1 479 455**
Indebtedness ratio % (Net debt to Equity and net debt)	**74%**	**61%**

The policy of the Group companies is to maintain stable levels of coverage of capital requirements, as well as to maintain the balance between high return and risk. Management is in the process of continuously analysing the effect of the new regulatory framework on the Group's capital position and operations.

As at 31 December 2024, applied covenants for the Group from creditors according to Senior Facilities Agreement dated 03.06.2024 (SFA) are calculated on the basis of **"last twelve months"** data and presented as follows:

Operating companies as of 31.12.2024	**EBITDA** *BGN'000*	**EBITDA** *EUR'000*	**EBIT** *BGN'000*	**EBIT** *EUR'000*	**Cash** *BGN'000*	**Cash** *EUR'000*
EDG West	171 677	87 777	76 081	38 900	46 230	23 637
ELH Sales	62 519	31 965	62 324	31 866	87 966	44 976
ELH Trade	13 709	7 009	13 173	6 735	5 206	2 662
ELH ICT	7 967	4 073	3 326	1 701	4 620	2 362
ELH Bulgaria	5 980	3 058	2 625	1 342	20 704	10 586
FEPO	1 837	939	1 135	580	494	253
ELH EPC	1 101	563	667	341	1 062	543
BARA	(15)	(8)	(15)	(8)	227	116
EEEC	(3 645)	(1 864)	(3 650)	(1 866)	1 545	790
Eliminations	(1 757)	(898)	(7 879)	(4 028)	-	-
Upfront fees and transaction costs*	2 658	1 359	2 658	1 359	-	-
TOTAL	**262 031**	**133 973**	**150 445**	**76 922**	**168 054**	**85 925**

* The definitions within SFA imply exclusion of upfront fees and transaction costs from the calculations of covenants.

Covenants calculations**	***BGN'000***	***EUR'000***
Total Debt	950 314	485 888
CASH	168 054	85 925
Total NET DEBT	**782 260**	**399 963**
TOTAL EBITDA	**262 031**	**133 973**
TOTAL EBIT	**150 445**	**76 922**
TOTAL Interest	**(56 617)**	**(28 948)**

**SFA Definitions

Covenants	**Ratio**	**Reference value**
Leverage covenant	2.99	<4
Interest coverage covenant	2.66	>1.5

Leverage: Total Net Debt on the last day of the Relevant Period is EUR **399 963** thousand, Adjusted EBITDA is EUR **133 973** thousand therefore the ratio is **2.99.**

Interest Cover: Adjusted EBIT is EUR **76 922** thousand, Finance Charges is EUR **28 948** thousand therefore the ratio is **2.66**.

"Adjusted EBITDA" for the financial period ended 31 December 2024 is EUR **133 973** thousand.

"Basket Adjusted EBITDA" for the financial period ended 31 December 2024 is EUR **133 973** thousand.

****SFA Definitions:**

- **"Interest Cover"** means the ratio of Adjusted EBIT to Finance Charges.

- **"Leverage"** means the ratio of Total Net Debt on the last day of that Relevant Period to Adjusted EBITDA in respect of that Relevant Period.

- **"Total Net Debt"** means, at any time, the aggregate amount of all obligations of members of the Company Group for or in respect of Borrowings at that time but:

(a) **excluding** any such obligations to any other member of the Company Group;
(b) **excluding** any such obligations in respect of the Parent Loans;
(c) **including**, in the case of Finance Leases only, their capitalised value;
(d) **deducting** the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Company Group at that time, and so that no amount shall be included or excluded more than once

- **"Relevant Period"** means each period of twelve months ending on or about the last day of the Financial Year and each period of twelve months ending on or about the last day of each Financial Quarter.

- **"EBIT"** means, in respect of any Relevant Period, the consolidated operating profit of the Company Group before taxation (excluding the results from discontinued operations):
  (a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Company Group (calculated on a consolidated basis) in respect of that Relevant Period;
  (b) not including any accrued interest owing to any member of the Company Group;
  (c) before taking into account any Exceptional Items;
  (d) before deducting any Acquisition Costs;
  (e) before deducting any Transaction Costs;
  (f) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Company Group which is attributable to minority interests;
  (g) after deducting the amount of any profit of any Non-Company Group Entity to the extent that the amount of the profit included in the financial statements of the Company Group exceeds the

amount actually received in cash by members of the Company Group through distributions by the Non-Company Group Entity;
(h) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset at any time after 31 December 2023;
(i) before taking into account any effect of any Parent Loan or any loan to any Unrestricted Subsidiary and any profit or gain arising there from; And
(j) before taking into account any gain arising from any Debt Purchase Transaction entered into by a member of the Company Group, in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Company Group before taxation.

"EBITDA" means in respect of any Relevant Period, EBIT after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Company Group (and taking no account of the reversal of any previous impairment charge made in that Relevant Period).

- **"Adjusted EBIT"** means, in relation to a Relevant Period, EBIT for that Relevant Period adjusted by:

  (a) including the operating profit before interest and tax (calculated on the same basis as EBIT) of a member of the Company Group (or attributable to a business) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business or assets; and

  (b) excluding the operating profit before interest and tax (calculated on the same basis as EBIT) attributable to any member of the Company Group (or to any business) disposed of during the Relevant Period for that part of the Relevant Period.

- **"Adjusted EBIT"** means, in relation to a Relevant Period, EBIT for that Relevant Period adjusted by:

  (a) including the operating profit before interest and tax (calculated on the same basis as EBIT) of a member of the Company Group (or attributable to a business) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business or assets; and

  (b) excluding the operating profit before interest and tax (calculated on the same basis as EBIT) attributable to any member of the Company Group (or to any business) disposed of during the Relevant Period for that part of the Relevant Period.

- **"Adjusted EBITDA"** means, in relation to a Relevant Period, EBITDA for that Relevant Period adjusted by:

  (a) including the operating profit before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA) of a member of the Company Group (or attributable to a business or assets) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business; and

  (b) excluding the operating profit before interest, tax, depreciation, amortisation and impairment charges (calculated on the same basis as EBITDA) attributable to any member of the Company Group (or to any business or assets) disposed of during the Relevant Period for that part of the Relevant Period.

- **"Basket Adjusted EBITDA"** at any time means Adjusted EBITDA as set out in the most recent Quarterly Financial Statements and corresponding Compliance Certificate delivered to the Agent pursuant to Clause 21 (Information Undertakings).

Ratios - financial structure indicators

	2024	2023
Equity/Liabilities	0.31	0.52
Loans/Trade and other short-term liabilities	0.20	0.67
Cash and cash equivalents/Liabilities	0.12	0.18

The Group monitors its equity through the realized financial result for the reporting period, as follows:

	2024	2023
Profit/Equity	15.59%	20.87%

There are no external regulatory capital requirements imposed on the Group.

36.8. Risk of negative impact on the environment

Electrohold group complies with applicable domestic and international legislation in the field of sustainable development, ecology, and environmental protection, in solidarity with the main objectives and principles of environmental law. Concrete actions are taken and policies regarding the sustainable development are followed. The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of Electrohold group, as well as its impact on climate change.

Risk associated with switching to a low carbon activity. For the most part, the risks associated with this comes from:

- Change in the policies and regulations as a result of the implementation of the European normative documents in the field of climate by the respective regulatory bodies in the Republic of Bulgaria.
- Change in the legislative framework in line with European climate documents and established policies;
- A change in the technologies concerning the distribution network needed to move to a carbon-neutral society.

For the needs of its customers on the open (liberalised) electricity market, the Group buys required energy from the Independent Bulgarian Energy Exchange (IBEX) or on the basis of direct contracts with other traders. Free market energy is a mix of energy produced from both renewable and non-renewable energy sources (fossil fuels and nuclear energy).

At the explicit request of the customers, the energy that will be supplied to them can be purchased only from renewable sources, in which case the customer accepts the price at which this energy is purchased plus the corresponding agreed markup.

For the needs of its customers on regulated market, the Group buys the required energy at the respective prices determined by the Bulgarian Energy and Water Regulatory Commission (EWRC) for each regulatory period.

Furthermore, the development of EU energy policy towards reducing the production of electricity from fossil fuels and replacing them with low-emission green technologies may lead to significant increases in the price of electricity due to the necessary investments to renovate the production sector. Accompanying mechanisms to promote green energy production, such as the obligation to purchase green certificates to exceed the level of flue gas emissions from electricity production from conventional coal-fired power plants, also affect the final price of the product. The implementation of these policies has a particular impact on the energy sector in Bulgaria, where over 40% of electricity is traditionally produced from high-emission lignite. The obligation to close and decommission existing TPPs in the country can pose a significant risk to the country's energy market, further complicated by the expected full market liberalization and higher connectivity with EU energy markets, where electricity trades at higher price levels. These risks are relevant to the medium and long term, and their severity depends mainly on measures at national and European level and can be affected to a very small extent within the company.

Apart from the above, the Group has obligations within the framework of the EU policy in the field of energy efficiency and the current Scheme of obligations for energy efficiency in the country and is obliged to apply measures to reduce energy consumption to end customers.

In conducting its activities, the Group strives mainly to reduce operating costs and carbon footprint (purchase of recycled paper, recycling of used batteries, campaigns promoting the use of energy-saving light bulbs), as well as new and improved customer service that reduces the time and costs associated with end-user service. In this regard, the Group has undertaken campaigns to promote electronic invoices (instead of paper), the purpose of which is to reduce paper costs and preserve the environment by reducing the carbon footprint of the Group. Additionally, the Group offers services for electronic notifications of liabilities, planned interruptions, and other events aimed at informing consumers in advance and potentially reducing the employment of customer service centers.

In connection with the corporate social responsibility of the Group, one of the criteria when choosing a supplier of company cars under operating lease agreements is that the provided cars meet a higher emission standard.

The Group also conducts other campaigns related to the fight against climate change, such as afforestation of public parks, with the participation of employees and customers of the Group.

36.9. Climate change risk

The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of the Group, as well as its impact on climate change.

For the most part, the risks associated with climate change are arising from:

- Change in the policies and regulations as a result of the implementation of the European normative documents in the field of climate by the respective regulatory bodies in the Republic of Bulgaria
- Change in the legislation framework in accordance with the European documents related to climate and approved policies;
- Change in the distribution network technologies needed to move to a carbon-neutral society
- Negative effects on suppliers or customers related with climate that affect the Company:
    - Negative effects on the Company's suppliers are possible due to effects in the chain from climate change, which would lead to a refusal to fulfil commitments directly related to the investment program of the Company. This would lead to non-implementation or delayed implementation of this program.
    - It is possible to increase the energy prices of end customers, which may lead to a reduction in the amount of energy transferred, both due to savings and due to bankruptcies and business closures. This would reduce the amount of profit. At the same time, newly opened businesses would offset this decline.

36.10. Military actions in Ukraine

On 24 February 2022, Russian forces commenced an armed conflict against Ukraine, which, in conjunction with sanctions imposed by governments in response, has led to significant volatility and disruption in the global credit markets and the global economy. In particular, the ongoing conflict has resulted in increased energy prices globally, which have, in turn, impacted tariffs charged by the Group and the policy stance of the Government and EWRC.

The degree to which the conflict between Ukraine and Russia may ultimately continue to affect the Group is uncertain. The ongoing geopolitical tensions related to the war in Ukraine, as well as any escalations of the conflict and the potential imposition of further economic or other sanctions, could negatively affect global macroeconomic conditions and conditions in Bulgaria.

The Group's management considers the situation to be highly dynamic, with the possibility of a negative impact on the Company's operations, especially on the carrying amounts of the Group's assets, which in the financial statements have been determined under a number of judgements and assumptions, taking into account the most reliable information available, at the date of making them.

For specific risks related to individual subsidiaries please refer to Management Report.

37. Acquisition of Non-controlling interest

On July 27, 2021, the acquisition by the Parent Company of the seven subsidiaries of the Czech energy company CEZ Group in Bulgaria was officially completed.

As part of the acquisition process the Parent company used the legislative option for Squeeze Out to acquire the remaining shares of EDG West and Electrohold Sales as follows:

- 14 416 shares (0.75%) of EDG West EAD were acquired at the price approved by Financial Supervisory Commission thus the ownership has been increased to 100%. The total consideration is BGN 4 376 million (EUR 2 237 million) or BGN 303.55 (EUR 155.2) per share.

- 117 shares (2.34%) of ELH Sales EAD were acquired at the price approved by Financial Supervisory Commission thus the ownership has been increased to 100%. The total consideration is BGN 3 412 million (1 744 EUR million) or BGN 29 161.02 (EUR 14 909.79) per share.

During 2024, BGN 175 thousand were paid to minority shareholders from the Escrow account of the Parent company representing outstanding amounts from 2022 acquisition under the specific buyout regimen presented above.

As at the end of 2024, the amount of EUR 34 511 was not yet claimed by the respective minority shareholders and represent restricted cash for the Group.

38. Fair value measurement

Financial assets and liabilities reported at fair value in the statement of financial position are grouped into three levels according to the fair value hierarchy. This hierarchy is determined based on the significance of the inputs used in determining the fair value of financial assets and liabilities as follows:

- Level 1: market prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than market prices included in Level 1 that can be observed in relation to an asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices); and
- Level 3: input information about an asset or liability that is not based on observed market data.

A financial asset or liability is classified at the lowest level of significant input used to determine its fair value.

The level in the fair value hierarchy within which the measurement of fair value in its entirety is categorized is determined based on the lowest element of the level that is relevant to the measurement of fair value in its entirety. For this purpose, the significance of an item is assessed by comparing it to the assessment of fair value in its overall scope. If the measurement of fair value uses observable elements that require a significant adjustment based on unobservable elements, such recognition is at level 3. To assess the significance of an element for the measurement of fair value in its overall scope, it is necessary to consider the factors specific to a given asset or liability.

The Group's financial assets, reported at fair value in the statement of financial position, represent investments in open-end funds in the total amount of BGN 13 532 thousand and are classified in Level 1 of the fair value hierarchy.

The following table presents an analysis of the fair value accounting hierarchy of the Company's financial assets by type:

31 December 2024	**Note**	**Level 1 BGN'000**
Financial assets		
Securities with quoted fair value	19	13 532
Total assets		**13 532**
Net fair value		**13 532**

31 December 2023	**Note**	**Level 1 BGN'000**	**Level 2 BGN'000**	**Level 3 BGN'000**	**Total BGN'000**
Financial assets					
Securities with quoted fair value	19	18 078	-	-	18 078
Other financial assets and bonds		-	-	26 500	26 500
Total assets		**18 078**	**-**	**26 500**	**44 578**
Net fair value		**18 078**	**-**	**26 500**	**44 578**

During the presented reporting periods, there were no transfer between different fair value levels.

39. Events after the reporting period

On 3 January 2025, Eastern European Electric Company B.V. distributed an amount of EUR 300 000 to Eastern European Electric Company III B.V. from the share premium reserve.

No other significant events have occurred.

40. Authorisation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2024 (including comparatives) were approved for issue by the Management board on 04.04.2025.

The Management attached to these annual accounts the Auditor's report for the year 31.12.2024 prepared by Grant Thornton, Netherlands

Eastern European Electric Company B.V.

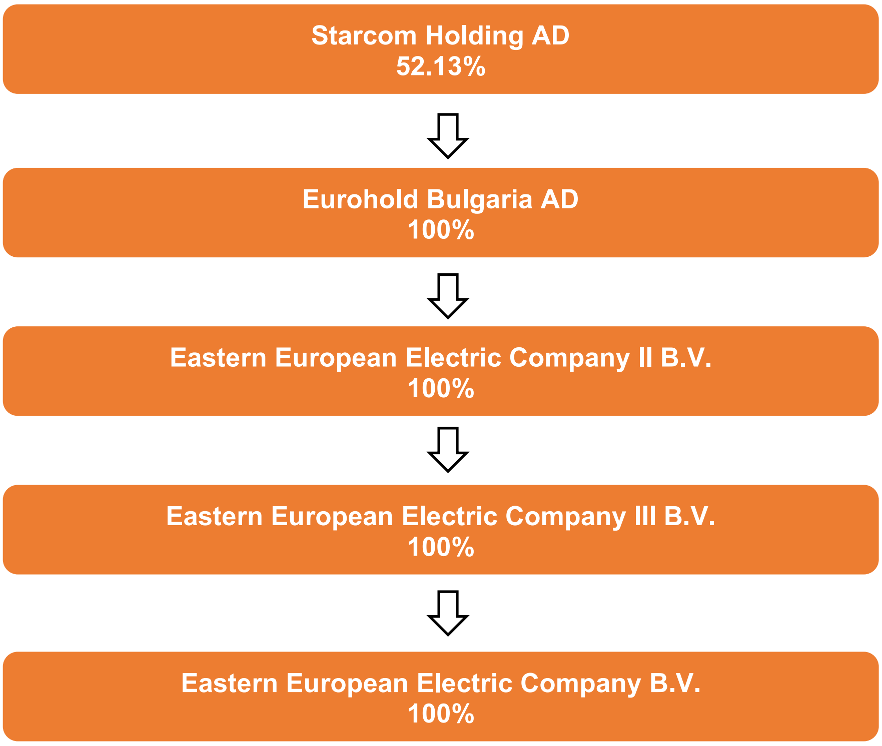
ANNUAL CONSOLIDATED ACTIVITY REPORT

for the year ended 31 December 2024

I. GENERAL INFORMATION AND ACTIVITY REVIEW

The Management hereby presents the annual consolidated activity report of Eastern European Electric Company B.V. (the "Group"/"Electrohold Group"), registered with the Netherlands Chamber of Commerce under CCI number 75462788 with registered address Kerkstraat 134 A, 1017 GP, Amsterdam, the Netherlands, for the year 2024.

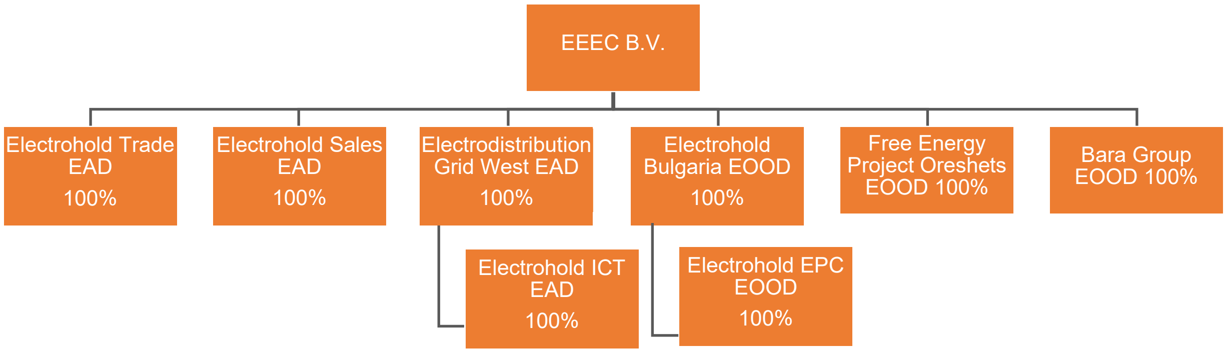
Eastern European Electric Company B.V. is part of the economic group of Eurohold Bulgaria AD, a publicly traded company within the meaning of the of the Public Offering of Securities Act (POSA), established in the Republic of Bulgaria and registered with the Commercial Register at the Registry Agency with Unified Identification Code (UIC) 175187337 and address: Sofia, p.c. Box 1592, Iskar District, 43 Christofor Columbus Blvd. On its part, Eurohold Bulgaria AD is part of the economic group of its majority shareholder Starcom Holding AD, which holds 52.13% of the capital of Eurohold Bulgaria AD (50.08% as at 31 December 2023).



Structure of Eastern European Electric Company B.V. and nature of operations of subsidiaries

The Group consists of Eastern European Electric Company B.V. ("the Parent Company") and its subsidiaries: Electrohold Bulgaria EOOD, Electrohold Sales EAD, Electrodistribution Grid West EAD (EDG West EAD), Electrohold Trade EAD, Electrohold ICT EAD (100% subsidiary of EDG West EAD), Free Energy Project Oreshets EOOD, Electrohold EPC EOOD (100% subsidiary of Electrohold Bulgaria EOOD) and BARA Group EOOD.

1.1. Eastern European Electric Company B.V. (the Parent Company or EEEC B.V.)



Eastern European Electric Company B.V. is established on 26 July 2019 and existing under the laws of Netherlands in the legal Besloten Vennootschap (comparable with Private Limited Liability Company), registered with the Netherlands Chamber of Commerce under CCI number 75462788 with registered address Kerkstraat 134 A, 1017 GP, Amsterdam, the Netherlands. As at 31.12.2024, the sole owner of the Parent company is Eastern European Electric Company III B.V.

Eastern European Electric Company B.V. is part of the Eurohold Bulgaria AD, consolidating the energy business of the Group in Bulgaria.

On 15 July 2021, 100% of the Parent Company's shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V. As at 31 December 2024, the sole shareholder of the Parent Company is Eastern European Electric Company III B.V.

The objectives of the Parent Company are to act as a holding and finance company. It has acquired the following subsidiaries through initial acquisition and buy-outs:

- CEZ Razpredelenie Bulgaria AD - currently renamed Electrodistribution Grid West EAD (EDG West EAD) / Electrorazpredelitelni mreji Zapad EAD (EDG West EAD), including its subsidiary CEZ Information and Communication Technologies Bulgaria EAD (currently renamed Electrohold ICT EAD).
- CEZ Electro Bulgaria AD - currently renamed Electrohold Sales EAD.
- CEZ Trade Bulgaria EAD - currently renamed Electrohold Trade EAD.
- CEZ Bulgaria EAD - currently renamed Electrohold Bulgaria EOOD.
- Free Energy Project Oreshets EAD – currently renamed Free Energy Project Oreshets EOOD.
- Bara Group EOOD.

On 21 July 2021, the Parent Company as a borrower entered into Senior Facilities Agreement with, among others, The Bank of New York Mellon, London Branch as agent, for the purpose of the financing of the acquisition of the shares of above-mentioned subsidiaries. The total amount utilized under the agreement is EUR 360 000 000.

In addition, on 21 July 2021, Eastern European Electric Company II B.V., a sole-owned subsidiary of Eurohold Bulgaria AD and the sole owner of Eastern European Electric Company III B.V. – the parent company of the Parent Company, has entered as borrower into Holdco facility agreement with, among others, Metric Capital Partners LLP, as Agent for the purpose of attracting additional the financing for the acquisition of the above listed seven companies. The funds are provided to the EEEC B.V. in the form of equity. The total amount utilized under the agreement is EUR 113 989 637.

On 3 June 2024, the Parent Company as a borrower entered into Senior Facilities Agreement with, among others, The Bank of New York Mellon, London Branch as agent (the "SFA"), for the purpose of mainly refinancing the Senior Facilities Agreement dated 21 July 2021, direct or indirect refinancing, in whole or in part, of the Holdco Facility Agreement, dated 21 July 2021 (with borrower Eastern European Electric Company II B.V.) and capital expenditure for the subsidiary EDG West. The loan is structured in three facilities (Facility B1 Loan, Facility B2 Loan and Facility C Loan) with total available commitments amounting to EUR 460 000 000, all three fully utilised on 10.06.2024. The total amount utilized was used for fully refinancing the Senior Facilities Agreement dated 21.07.2021 and Holdco Facility Agreement dated 21.07.2021.

1.2. Electrodistribution Grid West EAD (EDG West EAD)

Electrodistribution Grid West EAD is a joint stock company, duly established and validly existing under the laws of the Republic of Bulgaria, entered in the Commercial Register at the Registry Agency under UIC 130277958. As at 31.12.2024, the registered office is in Sofia, Bulgaria and the address is Sofia, Mladost district, 159 Tsarigradsko Shosse Blvd., BenchMark Business Center.

By decision of the Sole Owner of the Company's capital dated 16.12.2024, the address of management has been changed, effective from 01.01.2025. The change in the address of management of Electrodistribution Grid West EAD was entered in the company's account, kept in the Commercial Register at the Registry Agency, on 06.01.2025.

The new address of management of Electrodistribution Grid West EAD is the following: Sofia, p.c. 1113, Izgrev district, Tsarigradsko Shosse Blvd. № 28, Iztok Plaza.

Electrodistribution Grid West EAD is located in Sofia, Republic of Bulgaria and does not have branches and representative offices in other settlements.

The current Articles of Association of the company were registered with its file in the Commercial Register and the register of non-profit legal entities on 06.01.2025.

Electrodistribution Grid West EAD distributes electricity in Bulgaria, on the territory of Western Bulgaria, with an area of 40 000 sq. km. and a population of 2 930 000 inhabitants covering the districts of Sofia-city, Sofia district, Blagoevgrad, Kyustendil, Pernik, Pleven, Lovech, Montana, Vratsa, and Vidin.

All shares of EDG West EAD were acquired by EEEC B.V. through a step acquisition as follows:

- 67% - Majority of the shares were obtained on 27 July 2021.
- 33% - The remaining share capital was acquired by several buy-out procedures during 2022.

The registered capital of the subsidiary amounts to BGN 1 928 thousand, distributed in 1 928 000 ordinary, registered, dematerialized and freely transferable shares, all with voting rights and nominal value of BGN 1 each.

The main activity of the subsidiary is: Operation of the grid, which is a set of medium, low and high voltage power lines and electrical installations used for the transmission and distribution of electricity for the purpose of transporting it to consumers connected to the Company's electricity distribution grid ("EDG") in the territory in which it operates.

The Company operates on the basis of a license issued by SEWRC (currently EWRC):

- License № Л-135-07/13.08.2004 for carrying out the activity "distribution of electricity". The license is for a period of 35 years.
- With Decision № И1-Л-135/06.06.2011 of SEWRC the license was supplemented, including conditions in connection with the Compliance Program.
- With Decision № И2-Л-135/09.12.2013 of SEWRC, the license is supplemented with rights and obligations in connection with the implementation of the activity "coordinator of a special balancing group".
- By Decision No. Л-695/07.07.2023, EWRC amended the license No. Л-135-07 of 13.08.2004 issued to "Electrodistribution Grid West" EAD for the activity "distribution of electricity" by excluding from its territory the territory of "Industrial Park Balkan", the town of Lovech, which was issued a license No. Л-695-7А of 07.07.2023 for the activity "distribution of electricity in a closed distribution network" with the rights and obligations of a "balancing group coordinator" .

The activity of the Company is carried out in accordance with the normative base for the energy sector in Bulgaria, regulated by the Energy Act (EA), the Renewable Energy Act (REA), Energy Efficiency Act (EEA), Spatial Development Act (SDA), the bylaws on their implementation, Public Procurement Act (PPA), Competition Protection Act (CPA), as well as in accordance with the current legislation in the Republic of Bulgaria.

The state body that performs regulatory functions regarding the activity of Electrodistribution Grid West

EAD is the Energy and Water Regulatory Commission (EWRC). The Commission issues general and individual administrative acts related to the licensing activity of the company, which are mandatory for implementation, including pricing.

According to the amendments to the Energy Act that entered into force, effective from 01.07.2018 and specifically Art. 100, para. 4, electricity distribution network operators purchase the necessary quantities of electricity for technological cost from an organized electricity exchange market. In this regard, "Electrodistribution Grid West" EAD is registered as a participant of the "Independent Bulgarian Energy Exchange" EAD and, as of 01.07.2018, purchases the necessary quantities of electricity from market segments: "Centralized Market for Bilateral Contracts", "Day Ahead Market" and "Intraday Market". The estimated market price for the period 01.01.2024 - 30.06.2024, determined by the EWRC in the prices for network services for the company is BGN 254.91/MWh at a level of recognized technological losses of 7.5%, while for the period 01.07.2024 - 31.12.2024 it is in the amount of 185.38 BGN/MWh at recognized level of technological losses of 7%.

Electrodistribution Grid West EAD is the sole owner of the capital of Electrohold Information and Communication Technologies Bulgaria EAD (Electrohold ICT Bulgaria EAD), whose legal form and nature of operations are described below.

Events of special significance to Electrodistribution Grid West

- **New price decision of EWRC № Ц-17/30.06.2024**

In the second half of 2024, Electrodistribution Grid West EAD provides services for access to and transmission through the electricity distribution network at prices approved by the Energy and Water Regulatory Commission with Decision No. Ц -17/30.06.2024, as follows:

- price for transmission of electrical energy through a medium voltage electricity distribution network – 0.01173 BGN/kWh.
- price for transmission of electrical energy through a low-voltage electricity distribution network – 0.03803 BGN/kWh.
- access price for non-household customers – 0.02741 BGN/ kW /day.
- access price for household customers – 0.00770 BGN/kWh.

- **Selection of an auditor to conduct the independent financial audit of the Company's annual financial statements for 2024**

By Decision No. F520848 of 29.04.2024, the company has opened a procedure for awarding a public procurement contract of the type "negotiation with prior invitation to participate" with the subject: "Selection of a registered auditor under Art. 7 of the Independent Financial Audit Act (IFAA), for carrying out an independent financial audit in compliance with the regulatory requirements of the Independent Financial Audit Act, the Accountancy Act and the Public Offering of Securities Act of the separate annual financial statement of Electrodistribution Grid West EAD, as well as for preparing the audit report related to the financial audit", reference No. PPS24-028. By decision of 25.09.2024, materialized in point 8 of Minutes No. 23 of the Management Board of Electrodistribution Grid West EAD, the contracting authority has appointed as the contractor of the public procurement: Grant Thornton OOD. The decision was not appealed within the period provided for by law and has entered into force.

By a decision of the Audit Committee of the company in absentia dated 09.10.2024, it adopted a recommendation for the selection of a registered auditor to review and certify the annual financial statements of the company for 2024, expressing a preference for Audit firm: Grant Thornton OOD.

The recommendation was adopted by a decision of the Supervisory Board of the company in absentia on 10.10.2024 and proposed to the Sole Owner of the capital for decision-making. By a decision of the Sole Owner of the capital of Electrodistribution Grid West EAD on 11.10.2024, the auditing company "Grant Thornton" OOD was appointed to audit the annual financial statements of the company for 2024.

- **Technological costs Compensation Program**

By Decision No. 654 of 18.09.2024, the Council of Ministers approved an update of the Program for compensating the costs of non-household end customers for electricity for the period from 01.07.2024 to 31.12.2024, approved by Decision No. 546/31.07.2024 (the Program). With this decision, the Program provides for a mechanism for compensating part of the costs of electricity for non-household end customers - with the transmission system operator and the electricity distribution network operators being compensated directly, and the remaining non-household end customers through their suppliers.

On the basis of the approved Program, Compensation Agreements have been concluded between Electrodistribution Grid West EAD and Energy System Security Fund (ESSF). The support is used solely to compensate for the costs of Electrodistribution Grid West EAD for the purchase of active electrical energy consumed for technological costs, on which a "duty to society" price is charged for the period from 01.07.2024 to 31.12.2024. The maximum amount of compensation for each individual month is determined based on the quantities of electricity for technological costs for the respective month, confirmed by the ESSF by comparing it with the quantities of active electricity, according to the information available in the fund and the value for each MWh, calculated as the difference between the average monthly price of electricity for base load on the "Day Ahead" market, according to data provided by IBEX and the estimated market price determined by EWRC, respectively for the electricity transmission network operator and for the electricity distribution network operators in Decision No. Ц-17 of 30.06.2024. In 2024, the company recognized government compensations in the amount of BGN 23 301 thousand.

1.3. Electrohold Sales EAD

Electrohold Sales EAD is a joint stock company, registered by virtue of Decision of the Sofia City Court under company file No 10140 in the inventory for the year 2006, lot No. 107837, Reg. 1, item 1453, page 116, re-registered in the Registry Agency on 4 February 2008 UIN 175133827. As at 31.12.2024 the registered office is in Sofia, Bulgaria and the address is Sofia, Mladost district, 159 Tsarigradsko Shosse Blvd., BenchMark Business Center.

By decision of the Sole Owner of the company's capital dated 16.12.2024, the address of management has been changed, effective from 01.01.2025. The change in the address of management of Electrohold Sales EAD was entered in the company's account, kept in the Commercial Register at the Registry Agency, on 06.01.2025.

The new address of management of Electrohold Sales EAD is the following: Sofia, p.c. 1113, Izgrev district, Tsarigradsko Shosse Blvd. № 28, Iztok Plaza.

The registered capital of the subsidiary amounts to BGN 50 thousand, divided into 5 000 ordinary, registered, non-materialized shares with voting rights and freely transferrable with nominal value of BGN 10 each.

The main activities of the subsidiary are:

- Public supply of electricity according to the Energy Act after obtaining and in compliance with the conditions of the obtained license for Public Supply of electricity.
- Supply of electricity as a supplier of last resort according to the Energy Act and the conditions of the license for the activity "supply of electricity from a supplier of last resort"; and
- Any other activity, not prohibited by law and/or by the license of Public Supply of electricity.

The subsidiary operates on the basis of licenses issued by SEWRC (currently EWRC):

- **License No. Л-135-11/29.11.2006 for the activity supply of electricity to the public** - issued for 35 years; valid until 2039**.**
- **License No. Л-229-15/17.05.2007 for electricity trade** for a period of 10 years; valid until 2027. By decision No. И1-Л-229/16.02.2016 of EWRC the license was supplemented with the rights and obligations related to the activity of a coordinator of a standard balancing group
  By decision No. И2-Л-229/01.09.2016 of EWRC the license was extended for another 10 years.

- **License No Л-409-17/01.07.2013 for the activity supply of electricity by Last Resort Supplier** - issued for 28 years; valid until 2041.
  By decision No. И1-Л-409-17 / 29.11.2013 of EWRC the license was supplemented with the rights and obligations related to the activity of a coordinator of a special balancing group.

All shares of Electrohold Sales EAD were acquired by EEEC B.V. through a step acquisition as follows:
- 67% - Majority of the shares were obtained on 27 July 2021.
- 33% - The remaining share capital was acquired by several buy-out procedures during 2022.

Public electricity supply

In 2024, the subsidiary ensures the supply of electricity to the premises of household end customers connected at low voltage to the electricity distribution grid of Electrodistribution Grid West EAD, when these customers are not supplied by another supplier.

The supply of electricity is a service of public interest and is provided under conditions of equality and publicly known general terms and conditions, the latest approved by the EWRC with decision No. ОУ-3/10.03.2023. The general terms and conditions adopted by the EWRC are published on the website of the subsidiary.

Electrohold Sales EAD, in its capacity as an end supplier according to Electricity Trading Rules, is the coordinator of special balancing groups with members: household final customers and producers of electricity from renewable sources with sites with a total installed capacity of less than 500 kW, whose energy it buys, if they have not chosen another balancing group coordinator.

The end supplier buys electricity produced from renewable sources and from highly efficient combined production of electricity and heat from producers under Art. 162 of the Energy Act and under Art. 31 of the Energy from Renewable Sources Act, connected to the electricity distribution network of Electrodistribution Grid West EAD by producers with sites with a total installed electrical power of less than 500 kW.

Trade with electricity on freely negotiated prices
As a trader of electricity, Electrohold Sales is the coordinator of a standard balancing group with members end customers to whom it supplies electricity at freely negotiated prices and producers of electricity from highly efficient combined heat and electricity production and from renewable sources with sites with a total installed power 500 kW and over 500 kW.

Last Resort ("LRS")

Electrohold Sales EAD, in its capacity as a last resort supplier (LRS), provides the necessary quantities of electricity to supply end customers by concluding transactions with electricity at freely agreed prices, and forms its average sales price of the electric energy intended for sale to customers by LRS.

Until 30.9.2024 the Methodology for determining the prices of electricity of the Last Resort Supplier, promulgated SG, issue 60 of 20.07.2021, amended and supplemented in State Gazette, issue 90 of 29.10.2021, was in force. According to it the sale price of electricity for customers of a last resort supplier was formed by the following formula:

$P_{LRS} = (80\% * P_{MDA} + 20\% * P_{IMB}) * (1 + C_a)$, where:

P_{LRS} – average selling price of electricity, in BGN / MWh.
P_{MDA} – price of electricity on the market day ahead for the respective hour, in BGN / MWh.
P_{IMB} – price for shortage of the balancing market for the respective hour, in BGN / MWh.
C_a – the component for the activity "supply of electricity from LRS", which is set at 5%.

Effective from 01.10.2024 changes in the Methodology came into force (promulgated SG, issue 83 of 01.10.2024), changed the method of forming the selling price of electricity for LRS customers for the relevant settlement period, as follows:

$P_{LRS} = \max [(80\% * P_{MDA} + 20\% * P_{IMB}); P_{MDA}] * (1 + C_a)$, where:

P_{LRS} – average selling price of electricity, in BGN / MWh.
P_{MDA} – price of electricity on the market day ahead for the respective hour, in BGN / MWh.
P_{IMB} – price for shortage of the balancing market for the respective hour, in BGN / MWh.
C_a – the component for the activity "supply of electricity from LRS", which is kept at 5%.

The amendments to the Methodology aim to bring the mechanism for determining the price of LRS into line with the new regulatory framework in the field of the electricity market, regulating the organization and operation of the balancing market, as well as with the current levels of prices on the day-ahead market and those for energy surplus and shortage.

The changes in the Methodology ensure that the prices paid by customers will be significantly higher than the market prices, i.e. customers will have no incentive to stay with the Last Resort Supplier.

In case the measured quantities of electricity deviate by more than 20% from the quantities according to the registered purchase schedules for the respective calendar month, LRS may charge additional imbalance costs to end customers, direct members of the special balancing group.

Changes in regulated prices

- **Regulation related to the price of electricity to final household customers**

In the first half of 2024, Electrohold Sales EAD, in its capacity as an end supplier, carries out its activities according to the electricity prices for final household customers approved by EWRC with Decision No. Ц-14/ 30.06.2023:

	Decision № Ц-14/30.06.2023		
	Purchase prices	**Price without VAT**	
1	NEK EAD	BGN/MWh	115.80
2	Obligation to society component	BGN/MWh	0.00
	Sale prices	**Price without VAT**	
	Sale of electricity to residential users – low voltage		
1	Two scales		
	Day	BGN/KWh	0.14875
	Night	BGN/KWh	0.05997
2	One scale	BGN/KWh	0.14875

In the second half of 2024, Electrohold Sales EAD, in its capacity as an end supplier, carries out its activities according to the electricity prices for final household customers approved by EWRC with Decision No. Ц-17/30.06.2024:

	Decision № Ц-17/30.06.2024		
	Purchase prices	**Price without VAT**	
1	NEK EAD	BGN/MWh	127.69
2	Obligation to society component	BGN/MWh	0.00
	Sale prices		
	Sale of electricity to residential users – low voltage		
1	Two scales	**Price without VAT**	
	Day	BGN/KWh	0.16210
	Night	BGN/KWh	0.07104
2	One scale	BGN/KWh	0.16210

Energy efficiency provision

According to the provisions of the Energy Efficient Act ("EEA"), Electrohold Sales EAD is an obligated person within the meaning of Art. 14, para. 4, item 1 and art. 14a, para. 4, item 1. The individual goals of the subsidiary are determined in accordance with the provisions of the Energy Efficiency Act and in accordance with the Integrated Plan in the field of energy and climate of the Republic of Bulgaria by the Council of Ministers. The company's individual goal for 2024 was approved by Order of the Minister of Energy. The reporting of energy savings achieved by the obligated persons is carried out through Energy Savings Certificates (ESC) issued by the Agency for Sustainable Energy Development ("SEDA"). Several options are provided for completing the objectives:

The Ordinance on the methodologies for determining the national energy efficiency target provides several opportunities for meeting the objectives:

- Direct investments in energy savings in final energy consumption with financing of the end user of the measures.
- Offering energy efficient services.
- Contributions to the Energy Efficiency and Renewable Energy Fund or other financial intermediary in the conditions of free negotiation.
- Acquisition (purchase) of ESC from measures implemented by others and the obliged person should prove his contribution to the implementation of the measures when they are for a program period 2021 – 2030.

Pursuant to the Energy Efficiency Act of the company, the following targets for energy savings have been set for the period 2017 – 2020:

- For 2017 – 51.885 GWh with Decision of the Council of Ministers № 796 of 20.12.2017.
- For 2018 – 76.960 GWh with Protocol № 27 of 11.07.2018 of the Council of Ministers.
- For 2019 – 52.425 GWh with Protocol № 43 / 23.10.2019 of the Council of Ministers.
- For 2020 – 73.859 GWh with Protocol № 43 / 22.07.2020 of the Council of Ministers.

For the period 2021 – 2030:

- For 2021 – 10.742 GWh with Order of the Minister of Energy № Е-РД-16-216 / 07.04.2021.
- For 2022 – 9.320 GWh with Order of the Minister of Energy № Е-РД-16-195/29.03.2022.
- For 2023 – 10.653 GWh with Order of the Minister of Energy № Е-РД-16-183/31.03.2023.
- For 2024 – 10.070 GWh with Order of the Minister of Energy № Е-РД-16-171/25.03.2024.

As of 31.12.2024, SEDA has reported partial implementation of the objectives as follows:

- For 2017: 17.18 GWh.
- For 2018: 5.33 GWh.
- For 2019: 2.53 GWh.
- For 2020: 3.66 GWh.
- For 2021: 1.29 GWh.
- For 2022: 1.71 GWh.
- For 2023: 0 GWh.
- For 2024: 0 GWh.

In 2023, the reported provision for meeting the 2017, 2018, 2019 and 2020 the Energy Efficiency Act`s energy savings targets with a period of validity until the end of the reporting program period 2017-2020 and provision for the new program period 2021-2030 is in the total amount of BGN 19 544 thousand as of 31.12.2024 (for 2023: BGN 26 478 thousand).

In 2024, the subsidiary continued to consistently apply the approach in determining the amount of the energy efficiency provision. For this purpose, again, the price levels obtained on the basis of offers from independent third parties for the price of certificates for 1 MWh of energy savings were used, due to the fact that it could not establish reliable sources of public information about the prices of certificates.

1.4. Electrohold Trade EAD

Electrohold Trade EAD is a sole-owned joint-stock company with seat and registered address in the Republic of Bulgaria, Sofia, p.k. 1113, Izgrev district, Tsarigradsko Shosse Blvd. № 28, Iztok Plaza. The subsidiary is entered into the Commercial register at the Registry Agency under UIC 113570147 and in the VAT system with VAT No. BG113570147.

During 2024, the entity has changed its registered address.

The registered capital of the subsidiary amounts to BGN 500 thousand, divided into 500 000 ordinary, registered, non-materialized shares with voting rights and freely transferrable with nominal value of BGN 1 each.

All shares of Electrohold Trade EAD were acquired by EEEC B.V. on 27 July 2021.

The subsidiary's main scope of activity develops in two main areas:

- Trade in electricity, heating power, gas fuels, and all other types of energy sources after obtaining of the relevant license, in such case a license is required.
- Research, consulting, designing, financing and construction of energy projects, delivery of energy efficient services, delivery of services under contracts with guaranteed results – ESCO contracts, construction and assembly works, repair works, delivery of materials and equipment.

To carry out its main activity, the subsidiary:

- License for Electricity trader No. L-191-15/04.07.2005, issued by the State Energy and Water Regulatory Commission (SEWRC). The license was amended by the SEWRC with Decision No И2-Л-191 from 06.10.2014 with the rights and obligation of "combined balance group coordinator". The validity of the licenses was extended by the EWRC with Decision No И4-Л-191 from 05.09.2024 until 05.07.2035.
- The subsidiary is registered at Electricity System Operator EAD (ESO) on the end customer electricity market, on the wholesale market and as a standard balance group coordinator with electricity identification number EIC 32XCEZ-TRADE-BG3, as well as a market participant on the Independent Bulgarian Energy Exchange EAD.
- The subsidiary is registered with the Central Professional Builders' Register with a Certificate from the Bulgaria Chamber of Builders for execution of 3rd group construction works – construction works of the energy infrastructure second to fifth category, valid until 30 September 2024. After this date the entity has not taken any actions to renew the license, because such activity is not performed anymore.

The subsidiary develops its activities in the following areas:

- Sale of electricity to industrial and business customers.
- Wholesale electricity trading.
- Coordinator of a standard balancing group.
- Offering energy solutions to customers.
- Management of renewable energy sources ("RES").
- Services in the field of electricity trading.

1.5. Electrohold Bulgaria EOOD

Electrohold Bulgaria EOOD is a sole-owned limited liability company, duly established and validly existing under the laws of the Republic of Bulgaria, with registered office in Sofia and address of management: Sofia, p.k. 1113, Izgrev district, Tsarigradsko Shosse Blvd. № 28, Iztok Plaza, entered in the Commercial Register at the UIC Registry Agency № 206772943. The subsidiary is registered under VAT system with VAT number BG206772943.

During 2024, the subsidiary has changed its registered address.

The registered capital of the subsidiary amounts to BGN 200 thousand, divided into 200 000 shares, with a nominal value of BGN 1 each.

All shares of Electrohold Bulgaria EOOD were acquired by EEEC B.V. on 27 July 2021.
The main activity of Electrohold Bulgaria EOOD is trade consulting, purchase and sale of equipment

and materials, as well as other activities not prohibited by law. The company is established for an indefinite period.

In 2024, the subsidiary has provided shared and consulting services to related companies - Electrodistribution Grid West EAD, Electrohold Sales EAD, Electrohold Trade EAD, Free Energy Project Oreshets EOOD, Electrohold EPC EOOD, Bara Group EOOD, Electrohold ICT EAD.

The services, provided to these companies under the service contracts are: financial and accounting services, receivables management, human resources, public relations and communication, customer service, legal services, property management, transportation services, procurement, management consulting and business operations.

1.6. Electrohold ICT EAD

Electrohold Information and Communication Technologies EAD is a sole proprietorship joint stock company, duly established and validly existing under the laws of the Republic of Bulgaria, with registered office: Sofia 1784, Mladost district 159 Tsarigradsko Shose Blvd., BenchMark Business Center, registered in the Commercial Register under UIC 203517599. The subsidiary is registered under VAT system with VAT number BG 203517599.

As at 31.12.2024, the registered office is in Sofia, Bulgaria and the address is Sofia, Mladost district, 159 Tsarigradsko Shosse Blvd., BenchMark Business Center.

By decision of the Sole Owner of the Company's capital dated 16.12.2024, the address of management has been changed, effective from 01.01.2025. The change in the address of management of Electrohold ICT EAD was entered in the company's account, kept in the Commercial Register at the Registry Agency, on 06.01.2025.

The new address of management of Electrohold ICT is the following: Sofia, p.k. 1113, Izgrev district, Tsarigradsko Shosse Blvd. № 28, Iztok Plaza.

The registered capital of the subsidiary amounts to BGN 6 000 thousand, corresponding to 60 000 ordinary registered available shares with a nominal value of BGN 100 and an issue value of BGN 100.

The scope of the company's business is "Trading in integrated systems in the field of information and communication technology, provision of information, communication and technology services, as well as other technical and consulting services and activities not expressly prohibited by law."

The establishment of the subsidiary is related to a change in the model of provision of information and communication technology services to the companies of the Electrohold Group, without any changes in the type of services. The main purpose of the change is to increase the economic efficiency of the consumption of these services, as Electrohold ICT EAD becomes the holder of the license rights for the corporate and local information systems with the possibility to sub-license their use directly to the companies of the Electrohold Group.

Electrohold ICT EAD provides complex information, communication, and technology services, mainly to the companies of the Electrohold Group, according to contracts concluded between the companies. The type and scope of services provided by Electrohold ICT EAD are presented in the ICT Services Catalogue, which is an integral part of each contract. The services are used for maintenance and development of implemented information systems and to secure the business-critical processes of the companies. Electrohold ICT EAD provides ICT services related to access, operation, maintenance and administration, such as:

- Provides the necessary hardware and communications equipment, technical solutions, system and specialist software and databases, including administrative support and expert involvement in its research, negotiation and delivery, and in the management of the licences used to provide the services.
- Provides warranty and/or out-of-warranty support for equipment, technical solutions and specialized software and databases, including:

    - ✓ Installation, system administration, hardware and software maintenance, upgrading of specialized software and equipment, and administrative support of the requested end users, their accounts and access rights.
    - ✓ Troubleshooting operational issues using specialized software and equipment, administer configurations and changes pertaining to infrastructure in use.
    - ✓ Monitoring and controlling the availability and performance of specialized software and equipment in use.
    - ✓ Solving problems related to the security and reliability of information and operational processes, securing information through data archiving.
    - ✓ Maintenance and management of operational documentation.
    - ✓ Modification of specialized software parameters, including parameters related to database systems.
    - ✓ Information and technical support for end users - installation and basic setup of the end user's workplace.
    - ✓ Handling, categorization and resolution of end user requests, incidents, and problems.
- Provides consultations for technical development of equipment and products, after assessment of technological innovations and their applicability, evaluates and analyses requests for changes in applications functionality and organises change management according to the Change Management Procedure.
- Assists in training of users - employees of companies of the Electrohold Group, preparation of methodological materials and instructions, user manuals, etc.

In the role of system integrator, Electrohold ICT EAD also sells integrated systems, for which it has previously performed system design, data modelling, delivery of necessary hardware, software, licenses, including their maintenance, installation, configuration, implementation of interfaces with other systems, as well as participation in the processes of localization, implementation, migration of data from existing systems, tests and acceptance in a productive environment.

To automate ancillary processes, integrate existing information systems, as well as future development of core business processes using information technologies, an expansion of the portfolio of ICT services provided is envisaged in order to align with the business strategies of the client companies and their planned activities.

1.7. Electrohold EPC EOOD

Electrohold EPC EOOD is a sole-owned limited liability company, incorporated and validly existing under the laws of the Republic of Bulgaria, with its registered office in Sofia1784, Mladost District, 159 "Tsarigradsko Shose" blvd. , BenchMark Business Center, registered in the Commercial Register at the Registry Agency with UIC 207104361. The subsidiary is registered under VAT system with identification number BG207104361.

By decision of the Sole Owner of the Company's capital dated 16.12.2024, the address of management has been changed, effective from 01.01.2025. The change in the address of management of Electrohold EPC was entered in the company's account, kept in the Commercial Register at the Registry Agency, on 06.01.2025.

The new address of management of Electrohold EPC is the following: Sofia, p.c. 1113, Izgrev district, Tsarigradsko Shosse Blvd. № 28, Iztok Plaza.

The registered capital of the subsidiary amounts to BGN 5 000 (five thousand) divided into 500 shares, with a nominal value of BGN 10 each and is fully subscribed and contributed by its Sole Owner Electrohold Bulgaria EOOD.

As at 31.12.2024, Electrohold EPC EOOD is 100% owned by Electrohold Bulgaria EOOD.

The entity's business activities include preparation of investment projects, construction and installation works, delivery, purchase and sale of materials/goods, consultations and assistance in preparing documentation for conducting procedures and tenders, as well as any other activity not prohibited by law.

The establishment of the entity is related to a change in the model of providing services in the field of logistics and selection of suppliers in the Electrohold Group. The main goal of the change is to increase the economic efficiency in the consumption of these services and optimize the processes in the Group.

1.8. Free Energy Project Oreshets EOOD

Free Energy Project Oreshets EOOD is a sole owned limited liability company, established and existing under the laws of the Republic of Bulgaria, with registered office in Sofia and address of management Sofia, p.c. 1113, Izgrev district, Tsarigradsko Shosse Blvd. № 28, Iztok Plaza, entered in the Commercial Register at the Registry Agency under UIC 206772530. The subsidiary is registered under VAT system with VAT number BG206772530.

The registered capital of the subsidiary amounts to BGN 160 200, distributed in 1 602 shares, each with nominal value of BGN 100.

The company has changed its address during 2024.

All shares of Free Energy Project Oreshets EOOD were acquired by EEEC B.V. on 27 July 2021.

The subject of activity of the subsidiary Free Energy Project Oreshets is: production, construction and operation of power systems and power plants, related to renewable energy resources; production of and trading with energy from renewable resources; purchase of real estate for the purposes of construction, lease or sale; construction and entrepreneur services; marketing researches, consultancy; import and export; commercial representation and intermediary services of Bulgarian and foreign natural persons and legal entities, as well as any other activity non-prohibited by the Bulgarian law.

By changes in the Bulgarian Energy Act, amended - State Gazette, no. 38 of 2018, effective from 01.07.2018, an obligation was introduced for producers of energy from renewable sources to enter into transactions with electricity at freely agreed prices for the quantities under Art. 31, para. 5, item 2 of the Energy Act from renewable sources with a total installed capacity of 4 MW and over 4 MW, and the operators of the electricity transmission and distribution networks to compensate for the technological costs of transmission, respectively of distribution, on an organized exchange market. In addition, as of 01.07.2018, the payment model for the "obligations to society" price has changed, with traders paying the amounts due directly to the "Electricity System Security Fund" (ESSF) by providing payment guarantees. Starting from the same date, the difference between the preferential price and the market price determined by a decision of the EWRC is paid by the ESSF.

Regulation related to the price and trade of electrical energy

In 2024, Free Energy Project Oreshets carried out activities in accordance with the legislation of the Republic of Bulgaria. The electricity produced during the year is 6 134 MWh. The entire amount of electricity produced was sold to Electrohold Trade EAD, under an electricity sale contract.

The revenues from the sold produced electricity are: BGN 1 079 thousand., in accordance with the working hours determined by the EWRC and at the premium determined in Decision C-13 of 30.06.2023, determining the estimated market price by groups of producers depending on the primary energy source for the period 01.07.2022 – 30.06.2023 for producers of electricity produced from solar energy –250.27 BGN /MWh (or a premium of 235.33 BGN /MWh), excluding VAT, at the preferential price –485.60 BGN /MWh, excluding VAT and Decision C-15 of 30.06.2024, determining the estimated market price by producer group depending on the primary energy source for the period 01.07.2024-30.06.2025 for producers of electricity from solar energy –141.49 BGN /MWh (or a premium of 344.11 BGN /MWh), excluding VAT, at a preferential price of 486.60 BGN /MWh, excluding VAT, 6 133.65 MWh were sold.

The Company, in implementation of the High Energy Prices Emergency Intervention Regulation and in its capacity as a Producer with electricity generation facilities with an installed capacity of more than 1 MW with a premium compensation contract effective as of October 8, 2022, whose market revenues are received from the sale of electricity produced from sources under Art. 7, paragraph 1 of Regulation

(EU) 2022/1854, has an obligation to pay to the Electricity System Security Fund targeted contributions from the market revenues from each transaction without value added tax concluded at freely negotiated prices with a delivery period of 1 December 2024 to 31 December 2024, excluding balancing energy transactions.

The target contribution amount from each transaction is calculated as:

1. The positive difference between the market revenues at freely agreed prices (achieved market price) under the relevant transaction without VAT and the determined revenue ceiling, calculated when applying the estimated market price according to the price decision of the Commission for Energy and Water Regulation, which the effective premium for the respective producer has been determined, for producers for whom the amount of this premium is different from 0.00 BGN /MWh without VAT, **and**

2. 90 % of the positive difference between the market revenues at freely agreed prices (achieved market price) for the relevant transaction without value added tax and the specified revenue ceiling, calculated by applying the preferential price determined by the decision of the Commission for Energy and Water Regulation according to the contract for compensation with premiums, for producers for whom the determined amount of the effective premium is 0.00 BGN /MWh without VAT.

1.9. BARA Group EOOD

Bara Group EOOD is a sole-owned limited liability company, duly incorporated and validly existing under the laws of Republic of Bulgaria, having its seat and registered address in Sofia, p.k. 1113, Izgrev district, Tsarigradsko Shosse Blvd. № 28, Iztok Plaza, registered with the Commercial Register at the Registry Agency under UIC № 120545968. Bara Group EOOD is 100% owned by Eastern European Electric Company B.V.

The registered capital of the subsidiary amounts to BGN 5 000, divided into 500 shares with a nominal value of BGN 10 each.

All shares of BARA Group EOOD were acquired by EEEC B.V. on 27 July 2021.

The main activity of the subsidiary is: “construction, maintenance and exploitation of energy sites for production of electric power from renewable energy sources and alternative energy sources (after obtaining of the respective licence and permits); electric power production from renewable energy sources and alternative energy sources (after obtaining of the relevant licenses and permits), internal and external trade, purchase and sale of real estate, construction, commercial representation, intermediation and agency of local and foreign individuals and legal entities; transport and forwarding activities, as well as any other activities not prohibited by law.

The subsidiary is non-operational due to change in legislation.

II. ANALYSIS OF KEY PERFORMANCE MEASURES

1. Group revenues, expenses, and financial performance

	Change	2024	2023
	%	BGN'000	BGN'000
Revenue from operating activities	-1%	2 280 991	2 310 687
Expenses of operating activities	2%	(1 824 355)	(1 791 493)
Gross Operating Profit	**-12%**	**456 636**	**519 194**
Other revenue	108%	47 214	22 745
Other operating expenses	-1%	(244 477)	(246 976)
EBITDA	**-12%**	**259 373**	**294 963**
Financial expenses, net	17%	(59 522)	(50 733)
Depreciation and amortization	6%	(111 586)	(105 756)
EBT	**-36%**	**88 265**	**138 474**
Net profit for the period	**-43%**	**68 100**	**119 518**
Assets, incl.:	**11%**	**1 866 534**	**1 683 142**
Property, plant and equipment	5%	885 300	840 800
Inventory	51%	36 037	23 790
Trade and other receivables	34%	369 502	276 448
Cash and cash equivalents	-17%	168 054	203 687
Equity	**-24%**	**436 795**	**572 587**
Total liabilities	**29%**	**1 429 739**	**1 110 555**
Non-current liabilities	62%	990 714	610 279

The realized for the reporting period **gross operating profit** amounts to BGN **456 636** thousand (2023: BGN 519 194 thousand). The decrease is caused by lower tariffs in the distribution segment due to lower regulatory recognized energy price for technological losses and negative effect in the trading portfolio due to increased balancing costs.

The Group's **revenue** is recognised when control over the goods and/or services promised in the contract with the customer is transferred to the customer. Control is transferred to the customer upon satisfaction of the contractual performance obligations through transfer of the promised goods and/or provision of the promised services. For the reporting period, the Group realized revenue from operating activities of BGN 2 280 991 thousand (2023: BGN 2 310 687 thousand).

The **expenses of operating activities** consist mainly of electricity purchases which for the reporting period are BGN 1 824 355 thousand (2023: BGN 1 791 493 thousand).

For the reporting period, the Group realized a **net profit** of BGN **68 100** thousand (2023: BGN 119 518 thousand). The decline is caused by increase in financial expenses (2024: BGN 71 937 thousand; 2023: BGN 57 190 thousand) in line with the increased facility amount under the Senior Facilities Agreement dated 3 June 2024 (principal of EUR 460 000 000 as at 31.12.2024 compared to EUR 360 000 000 as at 31.12.2023).

Depreciation and amortization expenses for the reporting period amount to BGN 111 586 thousand (2023: BGN 105 756 thousand).

Finance expenses, net of financial income for the reporting period reached BGN 59 522 thousand (2023: BGN 50 733 thousand). The marked increase is due to increased facility amount under the Senior Facilities Agreement dated 3 June 2024 in comparison with the Senior Facilities Agreement dated 21

July 2021 (principal of EUR 460 000 000 as at 31.12.2024 compared to EUR 360 000 000 as at 31.12.2023).

Group assets
The assets of the Group at the end of 2024 amount to BGN 1 866 534 thousand, of which non-current assets amount to BGN 1 031 955 thousand and current assets amount to at BGN 834 579 thousand.

The amount of property, plant and equipment as of 31 December 2024 is BGN 885 300 thousand, mainly consisted of the equipment of the distribution subsidiary.

The receivables of the Group are short-term and represent trade and other receivables, assets under contracts, receivables from related parties, tax receivables and advances and prepayments. The total amount of receivables reached BGN 616 956 thousand.

Other current assets are mainly cash and cash equivalents and amount to BGN 168 054 thousand.

Group assets by type:

	Tangible/ Intangible assets	Deferred tax assets	Trade and other receivables, financial assets and contract assets	Cash and cash equivalents and Inventories	**Total assets**
	BGN'000	BGN'000	BGN'000	BGN'000	**BGN'000**
2024	1 026 288	5 667	630 488	204 091	**1 866 534**
2023	943 745	8 078	503 842	227 477	**1 683 142**

Group equity and liabilities:

The equity of the Group as at 31 December 2024 amounts to BGN 436 795 thousand.

The liabilities of the Group as at 31 December 2024 amount to BGN 1 429 739 thousand, of which non-current liabilities amount to BGN 990 714 thousand and current liabilities are BGN 439 025 thousand.

	Issued capital	Share premium	Reserves from and Retained earnings	Non-current liabilities	Current liabilities	**Total equity and liabilities**
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	**BGN'000**
2024	2	89 460	347 333	990 714	439 025	**1 866 534**
2023	2	261 768	310 817	610 279	500 276	**1 683 142**

Group financial ratios	**2024**	**2023**
Return on equity, (ROE)	15.59%	20.87%
Return on assets, (ROA)	3.65%	7.10%
Operating profit margin, %	6.48%	8.19%
Current ratio	1.90	1.46
Liquidity ratio	0.38	0.41
Assets turnover	1.22	1.37

The Management has included the Audtor`s report for the year ended 31.12.2024 prepared by Grant Thornton, Netherlands in these Management report.

2. Revenues, expenses, and financial performance by companies in Electrohold Group

2.1. EEEC B.V.

Revenues, expenses, and financial performance

The financial result of the Parent company for 2024 is a profit of BGN 180 thousand in comparison to a profit of BGN 96 860 thousand for 2023. The positive result is generated mainly from dividends received from the subsidiaries.

The interest expense for the current year amounts to BGN 67 525 thousand compared to BGN 49 593 thousand during 2023. The Parent company has a long-term loan, whose interest rate is set to 6M EURIBOR + 3%/min. 3 %. During 2024 the company has refinanced its Senior Facilities Agreement dated 21 July 2021 by a Senior Facilities Agreement dated 3 June 2024, under which the facility amount is higher, leading to increased interest expense in the current year. Nevertheless, the company maintains a stable Interest cover, having a sufficient headroom for the covenant set in the loan agreement.

The equity as at 31.12.2024 amounts to BGN 109 928 thousand, compared to BGN 313 381 thousand as at 31.12.2023. The decrease is due to distributions of share premium reserve to the Parent company – Eastern European Electric Company III B.V.

On 3 June 2024, the Company as a borrower entered into Senior Facilities Agreement with, among others, The Bank of New York Mellon, London Branch as agent (the “SFA”), for the purpose of mainly refinancing the Senior Facilities Agreement dated 21 July 2021 and others. The total amount available for the Company under the SFA is EUR 460 000 thousand, structured in three facilities, fully utilized on 10 June 2024. As at the end 2024, the book value of the loan amounts to BGN 891 109 thousand.

2.2. Electrodistribution Grid West EAD (EDG West EAD)

10.0 TWh	Transferred energy to end customer
2 200 000	Customers
5.94%	Technological costs
BGN 504 mln.	Total income
BGN 141 mln.	Investments
2 563	Employees
BGN 97 mln.	Personnel expenses

Key performance indicators:

Indicator	Change %	2024 BGN'000	2023 BGN'000
Total revenue, incl.:	**- 14.4%**	**504 195**	**589 110**
Revenue from contracts with customers	-15.0%	486 978	572 697
Total expenses, incl.:	**-6.6%**	**(428 114)**	**(458 134)**
Technological costs for distribution of electricity	-20.9%	(122 733)	(155 071)
Operating profit	**-41.9%**	**76 081**	**130 976**
Profit before tax	-40.1%	72 809	121 613
Net profit	**-42.0%**	**63 495**	**109 515**
Assets	**10.0%**	**1 191 397**	**1 082 605**
Property, plant and equipment	5.5%	867 652	822 656
Inventory	83.3%	35 165	19 180
Trade and other receivables	73.8%	62 532	35 976
Cash and cash equivalents	380.7%	46 230	9 617
Equity	**6.6%**	**831 046**	**779 410**
Total liabilities	**18.9%**	**360 351**	**303 195**
Non-current liabilities	14.4%	188 554	164 780
Current liabilities	24.1%	171 797	138 415

In 2024, the company realized a net profit of BGN 63 495 thousand, which represents a decrease of 42% compared to the realized net profit for 2023 in the amount of BGN 109 515 thousand. The decrease in the realized net profit of BGN 46 020 thousand is due to the combined effect of: a decrease of BGN 85 719 thousand (-15.0%) in the realized revenues under contracts with customers due to lower regulatory prices for transmission and access to the company's electricity distribution network, valid for 2024; higher other revenues by BGN 804 thousand; lower technological costs for energy transmission in the amount of BGN 32 338 thousand (-20.9%) due to a lower price for technological costs; minimal increase in operating expenses by BGN 2 318 thousand (0.8%); lower net financial expenses by BGN 6 091 thousand and lower corporate tax expenses by BGN 2 784 thousand.

In 2024, the company continues to fulfill its main license requirements, namely to develop and modernize the electricity distribution network, to ensure continuity of electricity supply to the end user, as well as to serve with the expected quality.

Profit before taxes for the reporting period amounted to BGN 72 809 thousand, which represents a decrease of 40.1% compared to the profit before taxes for 2023. As mentioned above, the main reason for the lower financial results is the decrease in revenues under contracts with customers for transmission through and access to the electricity distribution network, despite the reported increase in the quantities of energy transmitted to the end customer from 9 601 GWh in 2023 to 9 991 GWh in 2024. The decrease in revenues is a result of the lower regulatory prices, effective for the period from 01.07.2024 to 31.12.2024, respectively for transmission and access, in the amount of 11.73 BGN/MWh and 38.03 BGN/MWh, compared to the regulatory prices in effect for the period from 01.07.2023 to 30.06.2024, respectively for transmission and access, in the amount of 10.65 BGN/MWh and 42.32 BGN/MWh and current prices for the period 01.01.2023 to 30.06.2023, for transmission and access, in the amount of 16.53 BGN/MWh and 67.59 BGN/MWh.

In 2024, the company realized lower technological costs by BGN 32 338 thousand, which decrease is due to lower electricity prices on the IBEX in 2024 compared to 2023. In 2024, technological costs as a percentage of total energy for distribution decrease from 6.15% in 2023 to 5.94%, with the quantities for technological costs increasing by only 0.3% compared to the growth in energy transmitted to customers of 4.1%. The regulatory recognized price for technological costs for the period from 01.07.2023 to 30.06.2024 is equal to 254.91 BGN/MWh, and by decision of the Energy and Water Regulatory Commission No. Ц-17 of 30.06.2024, the regulatory recognized price for technological costs for electricity was reduced to 185.38 BGN/MWh. At the beginning of July 2024, a permanent increase in electricity prices on IBEX began, including the levels of electricity prices for technological costs, above the recognized regulatory price. For the first six months of 2024, the average price for electricity for technological costs that the Company achieves for energy purchases from IBEX is 155.46 BGN/MWh, which is lower than the price approved by EWRC for this period (BGN/MWh 254.91). For the second six months of 2024, the achieved average price for the purchase of electricity for technological costs of IBEX by the Company is 273.50 BGN/MWh, and is higher than the price recognized by the EWRC for the period (185.38 BGN/MWh). As a result of the permanent increase in electricity prices, the Government has adopted a Program for Compensation of Non-Household Customers for Electricity Costs for the period from July 1 to December 31, 2024, approved by Decision of the Council of Ministers No. 546/31.07.2024 and amended by Decision No. 654 / 18.09.2024. The total amount of compensation is the value of the amount of electricity for technological consumption multiplied by the difference in the price of energy between the real average monthly exchange price of the "Day Ahead" segment of IBEX and the estimated market price approved by EWRC. Under the contract concluded between EDG West and ESSF in connection with the updated cost compensation program, during 2024 EDG West accrued compensation for the period from 1 July 2024 to 31 December 2024, in the amount of BGN 23 301 thousand.

In 2023, a "Program for compensating the costs of electricity transmission and distribution network operators for the purchase of electricity for technological costs" approved by the Council of Ministers is also in effect, but the Company does not report government compensation, since the actual purchase price of IBEX for technological costs for energy is below the regulatory recognized one.

The operating profit realized for 2024 amounted to BGN 76 081 thousand, which represents a decrease of 41.9% compared to the operating profit realized in 2023 in the amount of BGN 130 976 thousand.

Total revenue from contracts with customers in 2024 amounted to BGN 486 978 thousand (2023: BGN 572 697 thousand), which represents a decrease of 15.0%.

Within the scope of activity, the Company's revenues are classified by the following types of services provided:

- services for access to the medium (MV) and low (LV) voltage electricity distribution network and transmission through the medium (MV) and low (LV) voltage electricity distribution network – in the amount of BGN 451 498 thousand for 2024 (BGN 536 967 thousand for 2023);
- services for collecting a fee for access to the electricity transmission network for producers of electricity from renewable sources (RE), which is due by producers of electricity from solar and wind energy connected to the electricity transmission and distribution network - in the amount of BGN 297 thousand for 2024 (BGN 168 thousand for 2023);
- Services for connecting consumers to the electricity distribution network – in the amount of BGN 28 902 thousand for 2024 (BGN 26 961 thousand for 2023);
- Services for the study, repair and maintenance of the electricity distribution network and commercial metering equipment - in the amount of BGN 6 281 thousand for 2024 (BGN 8 601 thousand for 2023).

With the application of IFRS 15 for services of access to the high-voltage (HV) electricity transmission network and transmission through the high-voltage (HV) electricity transmission network, the Company's activity is determined not in the control of the services before, during and after their provision to the customers, but in the collection of amounts due from the customers on behalf of a third party, i.e. by the Electricity System Operator (ESO), which is legally regulated. Therefore, the Company has determined to present the income and expenses from these transactions net in the statement of profit and loss and other comprehensive income.

Operating expenses were incurred to implement the operational activities, the set strategic goals and in compliance with all licensing requirements. The investment and operational activities carried out by the Company during the reporting period were aimed at reducing technological costs, thereby achieving efficiency in operating costs.

The costs of materials in 2024 amount to BGN 15 403 thousand and decrease by 5.0% compared to the costs for 2023, when they amounted to BGN 16 208 thousand. The costs of external services in 2024 amount to BGN 86 529 thousand and are BGN 6 270 thousand higher compared to 2023, or an increase of 7.8%, which increase is mainly due to higher costs for network maintenance and external services related to the company's licensing activities.

For the period from January to December 2024, Electrodistribution grid West EAD distributed 10 622 042 MWh of electricity through its electricity distribution network, of which the technological costs amounted to 630 592 MWh or 5.94% (2023: 6.15%). EWRC determines on an annual basis the maximum levels of technological costs as a percentage of the transmitted electricity. The amount recognized by EWRC for technological costs as of 31.12.2024 is 7.0% (2023: 7.5%) of the transmitted and distributed electricity.

Depreciation expenses amount to 95 596 thousand BGN for 2024, which represents an increase of 5 052 thousand BGN or 0.8% more than the previous year 2023. This growth in accrued depreciation is due to the investments made in 2024 in fixed assets in connection with the implementation of the Company's investment program.

The company's net financial expenses in 2024 decreased by BGN 6 091 thousand compared to 2023 and amounted to BGN 3 272 thousand. The decrease is due to reported income from dividends in the amount of BGN 2 000 thousand and reported profit from assets reported at fair value in the amount of BGN 2 843 thousand. Reported interest on loans in 2024 amounted to BGN 8 780 thousand, while for 2023 interest expenses amounted to BGN 8 220 thousand. Out of these, interest expenses on loans provided by related parties amounted to BGN 7 020 thousand in 2024 and BGN 6 400 thousand in 2023.

The company's assets at the end of 2024 amounted to BGN 1 191 397 thousand, of which non-current assets amounted to BGN 909 789 thousand (2023: BGN 840 757 thousand), and current assets amounted to BGN 281 608 thousand (2023: BGN 241 848 thousand). Non-current assets account for 76.4% of all assets and mainly include property, plant and equipment.

The regulatory investments made by the company in 2024 amount to BGN 136 654 thousand (BGN 2023: 95 940 thousand).

The investments made in fixed assets in 2024 are aimed at the modernization, reconstruction and development of the distribution network. Investment funds were invested in the removal of electricity meters and the replacement of commercial metering devices, as well as in the connection of energy facilities.

Equity and liabilities

The Company's share capital amounts to BGN 1 928 thousand as of the end of 2024 and as of the end of 2023. The company's equity as of 31.12.2024 amounts to BGN 831 046 thousand, which represents a growth of 6.6% compared to the reported equity as of 31.12.2023 in the amount of BGN 779 410 thousand, which is due to the reported profit after taxes in 2024 in the amount of BGN 63 495 thousand as well as to decrease in retained earnings as a result of a dividend paid to the sole owner of the capital in the amount of BGN 11 700 thousand.

The company's liabilities amount to BGN 360 351 thousand (2023: BGN 303 195 thousand), of which non-current liabilities amount to BGN 188 554 thousand (2023: BGN 164 780 thousand), and current liabilities amount to BGN 171 797 thousand (2023: BGN 138 415 thousand).

Of the total liabilities of the company as of 31.12.2024, liabilities for loans from banks and loans from related parties amounted to BGN 129 208 thousand (2023: BGN 135 405 thousand). As of 31.12.2024, loans from banks amounted to BGN 28 334 thousand (2023: BGN 33 402 thousand), and liabilities for loans from related parties amounted to BGN 100 872 thousand (2023: BGN 102 003 thousand).

The total value of current and non-current liabilities under contracts with customers increased by BGN 9 296 thousand compared to the previous year and as of 31.12.2024 amounted to BGN 34 047 thousand.

The total value of current and non-current financial leasing liabilities as of 31.12.2024 is BGN 26 092 thousand, while as of 31.12.2023 they were BGN 3 449 thousand. The increase is due to a concluded lease agreement for premises of the company's head office for a period of 10 years.

The company's current liabilities also include trade payables totaling BGN 100 579 thousand as of 31.12.2024 (2023: BGN 74 530 thousand). The increase in trade payables is 35% and is due to an increase in invoiced deliveries at the end of 2024, of materials, assets and services and are usually settled within 60 days.

Financial indicators for 2024 and 2023

Indicator	2024	2023
Return on Equity, net (ROE)	7.64%	14.05%
Return on Assets, net (ROA)	5.33%	10.12%
Operating income (%)	15.09%	22.23%
Asset turnover	0.42	0.54
Current ratio	1.64	1.75
Liquidity ratio	0.27	0.07

2.3. Electrohold Sales EAD

Key performance indicators:

Indicator	Change %	2024 BGN'000	2023 BGN'000
Total revenue, incl.:	**17.7%**	**1 138 508**	**967 093**
Revenue from contracts with customers	17.2%	1 123 833	958 834
Total expenses, incl.:	**14.8%**	**(1 076 184)**	**(937 403)**
Electricity costs	16.8%	(1 054 881)	(902 926)
Operating profit	**109.9%**	**62 324**	**29 690**
Profit before tax	124.8%	68 223	30 343
Net profit	**122.6%**	**59 394**	**26 685**
Assets, incl.:	**11.8%**	**431 570**	**385 851**
PPE, intangible assets and right of use assets	386.7%	1 319	271
Financial assets	-46.1%	12 024	22 293
Contract assets	6.3%	75 005	70 560
Trade and other receivables, incl. related parties	95.8%	252 373	128 868
Cash and cash equivalents	-44.6%	87 966	158 669
Equity	**15.1%**	**208 031**	**180 709**
Total liabilities	**9.0%**	**223 539**	**205 142**
Non-current liabilities	350.0%	1 431	318
Current liabilities	8.4%	222 108	204 824

Revenue, expenses, and financial result

During the last financial year Electrohold Sales EAD generated **operational profit** from its activity amounting to BGN 62 324 thousand (2023: BGN 29 690 thousand), marking an increase of 109.9%

The revenue from contracts with customers for the financial year is related to the license for electricity supply, the last resort supplier license, and the Trader license. For 2024 the total revenues amount to a total of BGN 1 123 833 thousand (for 2023: BGN 958 834 thousand), realizing an increase of BGN 164 999 thousand (17.2%). The revenue growth is mainly due to a higher volume of electricity sales, as well as an increase in prices during the reporting period compared to 2023.

Distribution of revenues by a License:

Period	Segment 1 License „Public supply of electricity“	Segment 2 License „Last Resort Supplier“	Segment 3 License „Trader“	Total revenue
	BGN’000	BGN’000	BGN’000	BGN’000
2024	723 246	101 658	298 929	**1 123 833**
2023	547 762	127 368	283 704	**958 834**
deviation	**175 484**	**(25 710)**	**15 225**	**164 999**

The other income from the activity of the company amounts to BGN 14 675 thousand (2023: BGN 8 259) and represents:

- Penalties for overdue payments from clients: BGN 9 677 thousand (2023: BGN 8 169 thousand)
- Other income: BGN 4 998 thousand (2023: BGN 90 thousand). The increase in other operating income in 2024 is due to recovered VAT in connection with receivables for final uncollectibility of receivables from household and non-household customers in the amount of BGN 4 976 thousand.

Expenses for main activity for 2024 amount to BGN 1 076 184 thousand (2023 - BGN 937 403 thousand) and consist of:

- **Costs for the purchase of electricity** – BGN 1 054 881thousand as of 31.12.2024 (2023: BGN 902 926 thousand, or an increase of BGN 151 955 thousand (16.8%). The change in costs for purchased electricity follows the trend of revenue from contracts with customers.

- **Hired services** – BGN 28 907 thousand (2023: BGN 28 162 thousand).

  In 2024, the main expenses for external services are a result of concluded intra-group contracts for the provision of services with companies in the Group of Electrohold Bulgaria EOOD, Electrohold ICT EAD, Electrohold Trade EAD and Electrohold EPC EOOD - a total of BGN 27 175 thousand (2023: BGN 27 276 thousand).

- **Personnel expenses** – BGN 4 319 thousand as of 31.12.2024 (2023: BGN 3 579 thousand).

- **Expenses for impairment of trade and other receivables and assets under contracts with customers**

  In 2024, the company reported a net result of impairment expense for credit losses on trade and other receivables, assets under contracts with customers and cash in the amount of BGN 710 thousand (2023: BGN 2 958 thousand reversal of impairment expense).

- **Recovered/(accrued) provisions**

  In 2024, the company recognized revenue in the amount of BGN 13 680 thousand, mainly as a result of recovered provisions on a won court case with Future Energy in the amount of BGN 6 724 thousand and savings for Energy Efficiency in the amount of BGN 6 933 thousand (for 2023 - BGN 5 023 thousand accrued provisions).

- **Depreciation and amortization costs** – The category includes costs for materials and other operating expenses in the amount of BGN 852 thousand for 2024 (BGN 436 thousand for 2023).

The subsidiary's financial income/expenses for 2024, respectively 2023, are as follows:

- **Financial income** – 2024 BGN 6 587 thousand (2023: BGN 3 618 thousand).

Financial income in 2024 is a result of realized profit from the sale of financial assets and revaluation at fair value of current financial assets acquired by the company in the total amount of BGN 5 680 thousand (2023: BGN 3 133 thousand), as well as from interest on bank accounts and interest on loans granted in the total amount of BGN 907 thousand (2023: BGN 485 thousand).

- **Financial expenses** – BGN 688 thousand (2023: BGN 2 965 thousand).

Financial expenses are mainly from fair value revaluation of current financial assets acquired by the company, bank fees, interest expenses, fees for bank guarantees and other financial expenses.

The net profit for the company is BGN 59 394 thousand (2023: BGN 26 685 thousand).
The total realized comprehensive income in 2024 is BGN 59 322 thousand compared to BGN 26 808 thousand for 2023.

Assets
The total assets of the company at the end of the year are BGN 431 570 thousand (2023: BGN 385 851 thousand), of which current assets are BGN 427 368 thousand (2023: BGN 380 390 thousand), and non-current assets are BGN 4 202 thousand (2023: BGN 5 461 thousand).

Equity and liabilities
The company's share capital is in the amount of BGN 50 thousand at the end of 2024, respectively at the end of 2023. The company's equity as of December 31, 2023 is in the amount of BGN 208 031 thousand, which represents an increase of 15% compared to the reported equity as of December 31, 2023 in the amount of BGN 180 709 thousand, which is due to the reported profit after taxes in 2024 in the amount of BGN 59 394 thousand, as well as of a decrease in retained earnings as of 31.12.2024 compared to 31.12.2023 as a result of a dividend paid to the Sole Owner of the capital in the amount of BGN 32 000 thousand and reported decline in other comprehensive income reflected in equity in amount of BGN 72 thousand.

Financial indicators for 2024 and 2023

Indicator	2024	2023
Return on equity (ROE)	28.55%	14.77%
Return on assets (ROA)	13.76%	6.92%
Operating profit, %	5.47%	3.07%
Total liquidity	1.92	1.86
Acid-test ratio	0.40	0.77
Asset turnover	2.63	2.52

The results achieved by the company for the year ending on 31.12.2024, respectively 31.12.2023 are as follows:

- Sales of electricity as of 31 December 2024 are 6 892 716 MWh respectively, and for the year ended as of 31 December 2023, the same are 6 890 370 MWh, insignificant change.
- Margin from the sale of electricity for 2024: 6.14% and a year earlier: 5.83%.

2.4. Electrohold Trade EAD

Key performance indicators:

Indicator	Change %	2024 BGN'000	2023 BGN'000
Total revenue, incl.:	**-0.04%**	**933 982**	**934 381**
Revenue from contracts with customers		933 877	934 324
Total expenses	**2.10%**	**920 808**	**901 892**
Operating profit	**-59.45%**	**13 174**	**32 489**
Profit before tax		14 888	33 757
Net profit	**-57.40%**	**12 951**	**30 400**
Assets, incl.:	**38.07%**	**220 265**	**159 532**
Non-current assets		5 763	2 442
Inventory		242	110
Financial assets		1 508	-
Trade and other receivables, incl. related parties		207 546	149 442
Cash and cash equivalents		5 206	7 538
Equity	**-5.50%**	**98 330**	**104 051**
Total liabilities, incl.:	**119.78%**	**121 935**	**55 481**
Non-current liabilities		4 363	997

Revenue, expenses, and financial result
In 2024, the Company reported profit before tax at the amount of BGN 14 888 thousand (2023: BGN 33 757 thousand) and net profit of BGN 12 951 thousand (2023: BGN 30 400 thousand). The decrease in profit compared to 2023 is the result of the lower gross margin.

The revenues for the financial year amount to BGN 933 982 thousand (2023: BGN 934 381), marking insignificant decrease.

The value of purchased electricity, incl. direct costs for the purchase of energy amount to: BGN 907 253 thousand (2023: BGN 887 323 thousand), or an insignificant increase of 2.10%.

Other operating costs include:

- **Personnel costs** – BGN 7 240 thousand (2023: BGN 7 962 thousand).
- **Administrative expenses** - BGN 5 170 thousand (2023: 6 607 thousand).
- **Impairment costs** - BGN 1 138 thousand (2023: 328 thousand).

The Company's end customers portfolio is diversified and allocated in three main segments – industrial customers of HV grids (high-voltage), corporate customers of MV/LV grids (middle and low voltage) and business customers of LV grids (low voltages) with lower annual consumption.

Financial indicators for 2024 and 2023

Indicators	2024	2023
Return on equity (ROE)	13.17%	29.22%
Return on assets (ROA)	5.88%	19.06%
Operating profit, %	1.41%	3.48%
Debt/Equity	1.24	0.53
Total liquidity	1.82	2.88

The decrease in return on equity (ROE) compared to 2024 from 29.22% to 13.17% is due to the decrease in net profit.

The decrease in return on equity (ROA) compared to 2023 from 19.06% to 5.88% is due to the decrease in net profit by 57% and increase assets by 38%.

Assets
The Company`s total assets as of 31.12.2024 amount to BGN 220 265 thousand (2023: BGN 159 532 thousand), which include current assets amounting to BGN 214 502 thousand (2023: BGN 157 090 thousand), and non-current assets amounting to BGN 5 763 thousand (2023: BGN 2 442 thousand).

Liabilities and equity
The total equity decreased to BGN 98 330 thousand (for 2023 – BGN 104 051 thousand).
The total liabilities amount to BGN 121 935 thousand (for 2023 – BGN 55 481 thousand).

2.5. Electrohold Bulgaria EOOD

The Company's realized net profit for 2024 is BGN 1 435 thousand. An increase of BGN 607 thousand was reported compared to the net profit for 2023.

Revenues in 2024 are increased in comparison with 2023 by 9.2%. Revenues from contracts with customers have a major share in revenues. The increase in revenue in 2024 is due to a higher cost base of services provided.

In 2024, a 5.1% increase in expenses was recorded compared to those of 2023. The increase is directly related to the larger volume of services provided.

Revenues, expenses and financial result
During the past financial year, Electrohold Bulgaria EOOD made an operating profit of BGN 2 627 thousand.

- Revenues for the financial year amount to BGN 45 194 thousand.
- Hired services costs amount to BGN 9 988 thousand.
- Personnel costs amount to BGN 27 969 thousand.
- Depreciation and amortisation costs are BGN 3 355 thousand.
- The net financial expense is BGN 953 thousand.

The realized profit before taxes amounts to BGN 1 674 thousand. Profit after taxes for the year is equal to BGN 1 435 thousand.

Assets

The Company's assets as of 31.12.2024 amount to BGN 102 754 thousand. Their structure is:

- **Non-current assets** - BGN 20 532 thousand (20%). Assets with right of use have the largest share of non-current assets - 87%. Those are leased hired areas under lease contracts.

- **Current assets** – BGN 82 222 thousand (80%). The share of cash in the subsidiary's current assets is 25%. The Company's receivables account for 73% of current assets. The change in commercial and other financial assets compared to 2023 amounts to BGN (422) thousand. Loans in the amount of BGN 31 317 thousand were granted.

Equity and liabilities
The company's equity totals BGN 6 490 thousand compared to BGN 5 491 thousand for 2023. The change is mainly due to generated profit in the amount of BGN 1 435 thousand.
In 2024, the company did not distribute dividends (2023: BGN 0 thousand).

Total liabilities of the subsidiary amount to BGN 95 814 thousand (2023: BGN 88 484 thousand). The increase is due to increase in lease liabilities which mainly comprise of rent agreement for office building.

2.6. Electrohold ICT EAD

Revenue, expenses and financial result

- In 2024, the Company made a profit after tax of BGN 2 864 thousand.
- Realized profit before tax amounts to BGN 3 287 thousand.
- Operating income amounted to BGN 31 135 thousand.
- Operating expenses were incurred to meet the operating activities and strategic objectives set for the Company.
- Expenses for materials and external services amounted to BGN 15 624 thousand.
- Employee remuneration expenses amounted to BGN 4 082 thousand.
- Depreciation and amortisation expenses amount to BGN 4 641 thousand.
- Other expenses amount to BGN 138 thousand.

The change in Customer Contract Revenue is due to an 11.32% increase in Information, Communication and Technology Services Revenue in 2024 compared to the same in 2023. In 2024, work on new projects started and work on old ones continues. As of the reporting date, a large part of these projects has been completed, resulting in an increase in revenues from ICT projects, and recognized project costs have decreased.

Assets

The Company's assets at the end of 2024 amount to BGN 61 221 thousand (2023: BGN 57 312 thousand).

Equity and liabilities

The Company's equity amounts to BGN 27 305 thousand (2023: BGN 26 469 thousand). Long-term liabilities amount to BGN 3 809 thousand and include deferred tax liabilities of BGN 374 thousand, lease liabilities of BGN 2 805 thousand and employee benefit liabilities of BGN 630 thousand.

2.7. Electrohold EPC EOOD

- For the financial year 2024, Electrohold EPC EOOD made a net profit of BGN 149 thousand (2023: BGN 407 thousand).
- Revenues in 2024 amount to BGN 50 459 thousand (2023: BGN 27 909 thousand).
- Personnel expenses amount to BGN 8 545 thousand (2023: BGN 6 438 thousand).
- Hired service expenses amount to BGN 4 090 thousand (2023: BGN 5 875 thousand).
- Net financial expenses amount to BGN 499 thousand (2023: BGN 60 thousand).
- Total assets of the company amount to BGN 81 742 thousand (2023: BGN 85 189 thousand) and consist mainly of trade receivables and advances paid.

2.8. Free Energy Project Oreshets EOOD

For the financial year 2024 Free Energy Project Oreshets EOOD realized a net profit in the amount of BGN 1 049 thousand (2023: BGN 948 thousand).

Revenues in 2024 amount to BGN 2 838 thousand (2023: BGN 2 928 thousand) and are mostly related to the sale of electricity - BGN 1 079 thousand and revenues from the Energy System Security Fund BGN 1 668 thousand.

- Personnel costs amount to BGN 39 thousand (2023: BGN 26 thousand).
- Costs for external services amount to BGN 553 thousand (2023: BGN 574 thousand).
- Depreciation and amortization costs amount to BGN 702 thousand (2023: BGN 699 thousand)
- The net financial income are BGN 70 thousand (2023: BGN expense 2 thousand).

2.9. BARA Group EOOD

During the reporting period BARA Group EOOD has generated **operating loss** amounting to BGN 15 thousand, which is mainly generated by personnel expenses.

During the reporting period BARA Group EOOD has generated **net loss** amounting to BGN 17 thousand.

The company does not possess any assets, apart from cash held at banks, amounting to BGN 227 thousand.

III. STRATEGY AND BUSINESS GOALS FOR 2025 BY COMPANY WITHIN EEEC (ELECTROHOLD) GROUP

STRATEGY

The strategy of the Group is focused on providing high quality services to its customers, implementation, and strict adherence to licensing requirements, as well as increasing the value of share capital. The implementation of the strategy will be carried out through the effective implementation of the long-term and short-term goals set by the Group.

The business strategy of the Group in the field of sustainable development is based on the understanding of creating shared value aimed at:

- Business.
- Management and employees.
- Environmental protection.
- The interests and needs of customers and society.

1.1. Eastern European Electric Company B.V.

As a holding company, the main goal of EEEC B.V. is effective management, supervision, and assistance of operational companies**.**

The Company is continuously monitoring market conditions for potential refinancing of financing opportunities. Apart from financing, there are no plans which would have a significant influence on expectations concerning future activities, investments, staffing and profitability. It is expected that the result will be in line with that of the reporting period.

1.2. Electrodistribution Grid West EAD

The future activity and development of Electrodistribution Grid West EAD mainly depend on the decisions of the Energy and Water Regulatory Commission (EWRC) regarding prices in the energy sector. The seventh regulatory period began on 01.07.2024 and lasts three years and will end on 30.06.2027. The recognized amount of technological expense for the first year of the regulatory period is 7%. The main parameters in the company's regulatory framework for this regulatory period are: recognized depreciation and amortization expenses in the amount of BGN 80.3 million; rate of return: 6.99%; net book value of assets: BGN 512.6 million and recognized average net nominal amount of investment expenses: BGN 132.2 million.

The following objectives have been identified as priorities for the Company in 2025:
- Optimising operating costs to achieve financial stability.
- Reduce technology costs.
- Expand its automated meter reading system: a key component of building SMART Grid networks and providing improved electronic services to electricity market participants and end customers, as well as balance metering. The ultimate goal is to reach 100% SMART meter coverage in the coming years.

- Geographic Information System (GIS) development project, an integral part of the grid digitization and automation process. The project involves collection, processing, analysis, verification and entry of collected data into GIS for all elements of the electricity distribution network.
- Prioritizing the Digitization of the Electric Grid.
- Provide for the reconstruction and upgrading of existing facilities and the construction of new facilities to assist in the overall efficiency of the power distribution network.
- Introduction of new advanced technologies for automated and flexible management of power distribution networks, as well as the workforce, in line with economic development prospects, the development of new generations of power grids.
- Development and renewal of strategic infrastructure and development and integration of information systems.
- Increasing the efficiency of the employees of Electrodistribution Grid West EAD.
- Meeting the requirements of the granted electricity distribution license.
- Ensuring continuity of electricity supply to the end user and quality customer service.
- Maintaining a steady trend of reduction in occupational accidents while maintaining safe working conditions.
- Improving the quality of services provided in accordance with European standards.

The long-term strategic goals of Electrodistribution Grid West EAD entail the development of electricity distribution activities in accordance with the requirements of European legislation and all applicable regulatory frameworks in the Republic of Bulgaria.

The key short-term objectives of the Company include:

- Maintaining the company's image as a reliable partner that cares for its customers and efficiently manages the property provided by shareholders.
- Implementing new management decisions contributing to the improvement of operational efficiency.
- Improving the company's financial position, increasing revenue from electricity distribution, and effectively utilizing operational resources.
- Reducing technological costs through new technical, technological, informational, and communication solutions that limit opportunities for unlawful use of electricity.
- Ensuring safe electricity supply under conditions of equality for customers in the Western region of Bulgaria.
- Combating theft of electrical equipment and unlawful use of electricity.
- Achieving transparency and openness in the Company's activities.
- Achieving mutual respect with contractors, ensuring public support for the company's business objectives.

1.3. Electrohold Sales EAD

Future development of the subsidiary

In 2025, the subsidiary will continue to develop the activities of electricity supply and electricity last resort supplier, together with the activity of electricity trading on the basis of the license issued for this in accordance with the requirements of European legislation, of Energy Act and all by-laws, complying with the requirements for separate accounting, avoiding the hypothesis of cross-subsidization between the three activities subject to licensing.

Electrohold Sales EAD, as a responsible company, will continue its activity related to the explanatory campaigns to help our customers, both mass and with individual focus in terms of price components, energy efficiency, etc.

The company's focus is to protect the interests of its consumers and shareholders, complying with the requirements of the Law both in a regulated environment and in the conditions of an open electricity market.

Adaptation to regulatory changes and market liberalization:
The full liberalization of the electricity market is expected, and the company is preparing for the challenges and opportunities arising from the gradual elimination of regulated prices and the introduction of mechanisms to protect vulnerable consumers. This transition is enshrined in the strategic documents of the Republic of Bulgaria and requires active preparation on the part of the company.

Initiatives of the subsidiary for 2025:

- **Trade network:** development of the partner network throughout the country and development of the possibilities for online service and contracts conclusion.
- **Automation and optimization of processes:** Introduction of automated solutions for data exchange in an open electricity market.
- **Improvement of access to services:** Expanding electronic services that allow applications without visiting physical offices.
- **Facilitating payments:** Expanding online payment options.
- **Training and motivation:** Well-trained employees familiar with corporate standards to provide personalized services and high-quality service.
- **New services:** Strengthening the market presence of photovoltaic systems for self-consumption for homes and small businesses as part of our mission for sustainable, modern and compliant energy.
- **Integrating new products:** Providing consultations and representation to network operators, fast energy audits and innovative solutions that improve customer convenience.

The main business goals of the company are:

- Supplying electricity to consumers connected to the distribution network and providing quality service on the open market.
- Maintaining and expanding market share through effective participation in the competitive environment.
- Offering customer-oriented service packages.
- Ensuring economically justified costs and transparency for customers and regulatory authorities.
- Maintaining motivated and highly qualified personnel.
- Financial stability and optimization of processes to maximize market value.

1.4. Electrohold Trade EAD

The main goal of the company is to develop, expand and diversify its portfolio of industrial and business clients, RES, to sustainably manage the balancing group, to trade on the wholesale market in the country and the region, to offer energy solutions and services to customers and producers on the free electricity market and to achieve a competitive energy mix.

1.5. Electrohold Bulgaria EOOD

The goals for the future development of the company:

- Ensuring a high level of service to internal and external customers, towards introducing uniform standards of operation and increasing efficiency.
- Enhancing operational quantitative and qualitative control in the provision of services to the companies in the Electrohold Group.
- The Company will invest in employee motivation and development and seek to create conditions for career growth within the Group as well as retraining within the Company as changes occurred.

The following business objectives have been identified as priorities for the Company in 2025:

- Effective management of the companies of the Electrohold Group.
- Optimization of the activities of the companies of the Electrohold Group.
- Achievement of European service quality standards.

1.6. Electrohold ICT EAD

In 2025, Electrohold ICT EAD plans the following development:

- Continues actions on implementation of the requirements of the national legislation on information security (achieving compliance with the Regulation on Minimum Requirements for Network and Information Security / MIMIS). Activities to enhance data and information systems security, training and awareness campaigns for all users continue.
- Continuation of the activities planned within the scope of the SAP for the development of new data exchange services.
- Commencement of work on the preparation of an analysis of the correspondences for data processing with the selected new billing system.
- Starting work on managing the implementation of set tasks in the field regarding the activities of servicing the electrical network facilities.
- Commencing work on setting up the selected CRM platform for digital customer service of the companies in the group.
- Selection of an appropriate solution for collecting, processing and providing data on measured readings from commercial metering devices, integrated with a geographic information system.
- Continuation of work on collecting and updating data on transmission system facilities in the geographic information system.
- Continued work to optimize and upgrade the technology environment and all its components.
- Continued development of new information systems functionality in the areas of Non-Technical Losses and Balances.

1.7. Electrohold EPC EOOD

The goals for the future development of the company:

- Optimizing the time for selecting a contractor and achieving the best price for execution.
- Constant monitoring of the inventory needs to carry out the licensing activities of EDG West and third parties.
- Control of the optimal use of storage areas.
- Effective development of operational processes and organizational structure of the company.
- Reduction of deadlines for the implementation of objects.
- Increasing the operational quantitative and qualitative control during the construction of objects.
- Increasing the qualification for the scope of construction works.

Business objectives of the company in 2025:

- Supporting and improving the activity of EDG West in the implementation of the Investment and Repair Program through optimization in the conduct of tender procedures in the selection of a supplier of goods and services by effectively applying the Public Procurement Act.
- Effective management of the processes in the selection of suppliers for the needs of the companies in the Electrohold Group by effectively applying the Public Procurement Act.
- Optimization of the logistics services provided to the companies in the Electrohold Group.
- Positioning of the company as a service provider for third parties.

1.8. Free Energy Project Oreshets EOOD

Continuation of subsidiary`s sustainable performance from the operation of the photovoltaic park with a capacity of 4 879 MW, which was put into operation in April 2012. The main business objective of the company is to be a reliable producer of electrical energy.

IV. NON-FINANCIAL INFORMATION FOR GROUP'S OPERATIONS

During 2024 and 2023, Electrohold Group falls within the scope of Directive 2014/95/EU of the European Parliament and of the Council of October 22, 2014. At the same time, EEEC B.V. is an exempt Parent company from preparing a Sustainability report as part of the group of Eurohold Bulgaria AD.

Eurohold Bulgaria AD prepares an consolidated annual activity report which includes non-financial information containing information about all enterprises from the EEEC B.V.`s group, in accordance with Article 48 of the Accounting Act in the Republic of Bulgaria. The consolidated annual activity report of Eurohold Bulgaria AD can be found after its publication on the company's website www.eurohold.bg in the "Investor Information" section, "Financial Information" subsection.

However, with the aim of better transparency regarding social and environmental topics, EEEC B.V. presents in this consolidated report partial non-financial information for its Group concerning the reporting year 2024 and where applicable for the previous year 2023.

Change in regulations regarding non-financial reporting

As of 01.01.2024, Electrohold Group falls within the scope of the new Directive (EU) 2022/2464 of 14.12.2022, regarding corporate sustainability reporting, Corporate Sustainability Reporting Directive (CSRD). The legislation was included in the provisions of the Accounting Act in 2024. The implementation of the requirements for preparing a sustainability report was postponed by a horizon of 1 year. The first year for submitting this report is in 2026 for the financial year 2025.

NON-FINANCIAL INFORMATION FOR 2024

1. **Commitment and approach to sustainability practices**

As part of the Eurohold Bulgaria AD group, the Parent company together with all subsidiaries, integrate and complement their business model, corporate culture, and sustainability approach with that of the Eurohold group.

In its activities the Group strives for sustainable practices and perceives sustainable development, such as long-term economic success combined with compliance with regulatory and sector requirements, incl. licensing requirements, ensuring uninterrupted electricity supply to end customers, caring for the environment, providing a healthy and efficient working environment for employees, and social engagement with the community. The understanding of sustainable development is a fundamental principle embedded in the structure and corporate values of all companies.

The subsidiaries in Electrohold Group have its internal policies, standards, and practices for sustainable business growth, compliance with ethical principles, collegiality, and conscientiousness, socially responsible behaviour towards the company's employees and customers, meeting the needs of the community, and caring for the environment.

The Group actions we take to achieve commitment and a sustainable model are related to the following:

- **Evaluating environmental impact**

We strive to assess the potential impact of our business on the environment in order to reduce the negative effects of our activities on natural resources.

- **Care of employees**

A key factor for the successful execution of our mission is the presence of a suitable work environment for our employees. We care for their needs, training, and development, supporting them to be engaged and responsible towards the environment and society.

- **Engaging business partners**

We are working towards expanding our commitment to sustainability across the supply chain, acquainting and engaging our business partners with our standards for environmental conservation, social rights, human rights, anti-bribery, and anti-corruption measures.

- **Dialogue with stakeholders**

We engage in dialogue with stakeholders such as employees, customers, local authorities, suppliers, shareholders, organizations, and communities to gain a better understanding of our operational environment, including market development and cultural dynamics.

- **Analyse and identify areas for improving the environment**

We analyze and identify areas for improving the environment at all levels of the companies withing the Group, initiating projects related to ecological and health-related topics.

2. **Achieving a sustainable model**

Achieving a sustainable model is based on the adopted Mission, Vision, Values, and Ethics.

MISSION

We provide energy, introduce innovations, invest sustainably, and improve the quality of life. We strive to be a constantly evolving Group that meets its licensing requirements in Bulgaria. Therefore, we are dedicated to the continuous development of our services depending on the needs of customers and society. The Group's strategical aim is to offer such solutions that provide customers with security and stability in their daily lives and business operations.

VISION

To be a responsible, flexible, and transparent partner. We guarantee our customers quality service and a quick response to their individual needs. Building long-term and lasting relationships with customers, partners, and employees is a key concern for us. We have developed clear rules and policies to ensure sustainable business practices.

VALUES

We uphold the core values of the group – integrity, reliability, responsibility, professionalism, efficiency, stability, trust, and innovation. The success that distinguishes our Group is based on a strong commitment to our core values.

ETHICS

Adherence to and application of all principles of business ethics, moral values, ethical behaviour, and protection of human rights.

3. **Business model**

Electrohold group is one of the biggest energy groups in Bulgaria, part of Eurohold Group. Subsidiaries in the group perform their activities based on their licenses for distribution, sale of electricity on regulated and open market. Electrohold group companies work on the territory of West Bulgaria covering area of approximately 40 000 square kilometres.

The Group's businesses are:

- Access to distribution grid and transmission of electricity on MV and LV
    - Distribution of electricity to consumers who are connected to the electricity distribution grid (EDG).
    - Management of EDG.
    - Maintenance of EDG, sites and facilities in accordance with technical requirements.
    - Construction of new systems for distribution and measurement of electricity and maintenance of existing sites and facilities.
    - Development of EDG in accordance with the prospects for economic development and forecasts for changes in electricity consumption in the region.
    - Maintenance and development of ancillary networks.
    - Other services for consumers related to the distribution of electricity.

- Supply of electricity to regulated market.
- Sale of electricity on freely negotiated prices.
- Shared services in the Group.
- ICT Services mainly within the Group.
- Generation of energy from renewable energy sources.
- Commercial management of RES.
- Management of charging stations for electric vehicles.

4. Identification of key Stakeholders groups

To respond to upcoming changes, technological advancements, and the increasingly pervasive digitization, we identify the key stakeholder groups and actively engage with them.

The stakeholder groups identified by the Group include:
- Government institutions, administrative bodies, energy regulators, national ombudsmen, local and regional authorities.
- Land users and local communities.
- The general public, non-governmental organizations (NGOs), independent experts, opinion leaders shaping public sentiment.
- Media.
- Customers and consumer organizations (including those with inquiries regarding electricity supply or facing difficulties in bill payments).
- Business/industry organizations.
- Internal stakeholders (employees, entrepreneurs, major equipment suppliers).
- External stakeholders (shareholders, banks, other lending institutions).

Analysing the expectations of stakeholders is a crucial process that determines our ability to adequately respond to market challenges, the ability to adapt, and identify risks and opportunities crucial to our key stakeholders.

Interaction with Stakeholders

Our policy regarding interaction with stakeholders is built on certain principles:
- Efficient resource management.
- Generating stable profitability.
- Compliance with legal requirements.
- Providing publicity and transparency regarding company operations.
- Business ethics.
- Social responsibility.

The subsidiaries periodically conduct training for leaders of local communities (including Roma communities) on best practices for reducing bills, energy savings, and safe electricity usage.

The Group companies have a long-term communication program regarding network investments, which includes meetings with local authorities and opinion leaders, regular communications in the media, timely announcements of planned outages related to the Investment Program, publishing price proposals during their presentation to the Energy and Water Regulatory Commission, announcing new prices once approved, interviews with representatives and third parties.

5. Executive and supervisory bodies. Management

Eastern European Electric Company B.V. has a one-tier management system with a Management Board. The two members of the Management board are male and have higher education.

Specifics of the management systems of subsidiaries

The activities for some of Electrohold subsidiaries are subject to special regulation by the Energy and Water Regulatory Commission (EWRC). The Commission issues general and individual administrative acts related to the licensed activities, which are mandatory for implementation, including with regard to pricing.

The activities for some of Electrohold subsidiaries are carried out in accordance with the normative base for the energy sector in Bulgaria, regulated by the Energy Act (EA), the Renewable Energy Act (REA), the bylaws on their implementation, the Public Offering of Securities Act (POSA), Public Procurement Act (PPA), Competition Protection Act (CPA), Spatial Planning Act (SPA), as well as in accordance with the current legislation in the Republic of Bulgaria.

The management system is adequate and meets the following criteria:

- There is an adequate and transparent organizational structure, in line with regulatory requirements for the energy business.
- Responsibilities are clearly and appropriately distributed.
- An effective system for providing information has been established.
- The management system meets the requirements of specific regulations relevant to the company's business.
- The management system is periodically reviewed.
- Eastern European Electric Company B.V. has adopted, complies with, and is guided by accepted and applied corporate governance principles.

The main policies affecting the management and functioning of some of Electrohold subsidiaries are:

- Code of Ethics.
- Corporate Management Policy.
- Policy for identification and prevention of conflicts of interest in the companies of the Group in Bulgaria.
- Privacy Policy, which sets out the subsidiaries' rules regarding the processing of personal data of its customers and partners.
- Remuneration Policy.
- Policy for Preventing Gender-Based Violence in the Companies of the Electrohold Group in Bulgaria.
- Diversity Policy
- Others.

For the effective and consistent implementation of the management system in Electrohold subsidiaries, the management bodies are assisted by the following key functions, namely:

- Internal control
- Risk management
- Internal audit

The following committees have been established for some of Electrohold subsidiaries – EDG West EAD, Electrohold Trade EOOD and Electrohold Sales EOOD:

- Audit Committee – a mandatory body due to the quality of the Subsidiary of "enterprise of public interest" within the meaning of Art. 40f of the Independent Financial Audit Act (IFAA) (repealed) and Art. 107, para. 1 of the IFAA

The Supervisory Board of the subsidiaries acts instead of the Remuneration Committee, as an internal body with special competence.

6. Corporate social responsibility

Corporate responsibility is realized through the following actions:

- Dialogue with stakeholders through actions and initiatives that identify problems and promote appropriate solutions.
- Improving corporate governance to ensure the transparency of the entire organization. We value proactivity and innovation as a valuable resource for ensuring the continuity of electricity supply.

- Caring for the environment focused on climate change and contributing to sustainable growth. The prudent handling of the resources provided to us is an important measure of our care for the environment.
- Care for employees as a valuable resource and basis for achieving the goals of the Group. ensuring safe working conditions and motivation for all employees.
- The Group strives to provide excellent working conditions, to stimulate active internal communication. Social benefits are part of the motivational program with which we try to ensure the care and recognition of people. Their safety and satisfaction are of great importance to us.
- Strict compliance with legislation along with the application of standards, policies, internal rules, and procedures.
- Compliance with and implementation of environmental regulations, without violations.
- Fulfilment of licensing obligations.
- Ensuring continuity of electricity supply and quality distribution service to end customers.

7. Employees

7.1. Headcount and structure

As of 31 December 2024, the average number of Group`s employees is 3 289 employees (2023: 3 230 employees). The personnel expenses as of 31 December 2024 amount to BGN 150 895 thousand (2023: BGN 155 856 thousand).

Total accrued remuneration of key management personnel in the Group for 2024 is BGN 5 803 thousand (2023: BGN 690 thousand).

Information below represents structure of employees in Group:

- **Structure of staff**

Average number of staff	Total	women	% of women	men	% of men
2024	**3 289**	1 085	33.0%	2 204	67.0%
2023	**3 230**	990	30.7%	2 240	69.3%

- **Age distribution of personnel**

Indicator	Under 30 years			Between 30 and 50 years			Over 50 years		
Employees	women	men	total	women	men	total	women	men	total
Distribution by age 2024	63	164	**227**	613	1 175	**1 788**	355	919	**1 274**
Distribution by age 2023	56	163	**219**	604	1 203	**1 807**	330	874	**1 204**

- **Distribution of personnel by level of education**

Employees	under 30 years			between 30 and 50 years			over 50 years		
	women	men	total	women	men	total	women	men	total
higher education	21	34	**55**	431	418	**849**	202	267	**469**
secondary education	42	130	**172**	182	750	**932**	153	649	**802**
primary education	-	-	**0**	-	7	**7**	-	3	**3**

- **Personnel turnover**

Period / **Left employees**	2024	2023
Number of employees who have left the Group, including:	375	356
- left voluntarily	338	313
- dismissed by the Group companies, including:	37	42
- *dismissed by the Group companies for corruption or bribery*	-	-
- *dismissed due to reduces* by the *Group companies*	-	1

Period / **Hired employees**	2024	2023
Number of employees hired for existing positions	353	376
Number of employees hired for opened positions during the period	-	66

An important prerequisite for achieving the business goals and prosperity of the Group are its employees, as well as having a sufficient number of qualified and motivated personnel who are engaged and loyal.

In this regard, the challenging task of recruiting new employees, especially for more specialized and/or key positions, has been particularly difficult in recent years. Recently, there has been a shortage of human capital, and companies are finding it increasingly difficult to find the employees they need - both in terms of quantity and quality, possessing the necessary knowledge and skills.

Therefore, emphasis should also be placed on efforts to retain good specialists, both in managerial and specialized expert positions, who have already acquired and demonstrated high professional qualifications, integrated into the team, and the overall corporate policy and culture.

Employee turnover is an indicator of the level of employee satisfaction, which is formed by several components:

- Nature of the work, proper organization, and environment.
- Atmosphere within the team and the company, manager/employee relationships.
- Renumeration, adequate to the functions and competitive in comparison to the labour market.
- Additional benefits and incentives.
- Opportunities for career development and enhancement of professional competencies and skills.

Timely and clear communication with employees contributes to employees feeling valued and fosters relationships of mutual trust.

Addressing the issue of turnover cannot be achieved through individual actions or short-term initiatives, but rather through the implementation of a comprehensive long-term mechanism (program) for retaining and developing employees, especially those of key importance. The process of finding their replacement requires a lot of time and resources, and it is not certain whether it will be successful.

- **Employee satisfaction**

Period / **Complaints / signals**	2024	2023
Number of registered complaints/signals of irregularities submitted by the staff on issues related to human resources	7	5

The Group takes all legal measures in connection with the review and acquaintance with each of the submitted signals, promptly organizing a committee for an internal investigation with the participation of trade union representatives to objectively clarify the facts and circumstances, as well as providing information to management bodies and feedback to the employee.

- **Occupational accidents**

Occupational accidents with employees	**2024**	**2023**
Number of occupational accidents registered	11	11
Employees affected by degree of injury:		
- with minor/light injury	11	10
- with moderate body harm	-	-
- with severe body harm	-	1

7.2. Information about the Group`s human resource policy

The human resources policy adopted by the Group ensures equal rights for all employees for equal access to training, career development, and fair compensation based on individual performance.

- **Career Development**

The Group provides career development opportunities for its employees, both vertically and horizontally. An emphasis is focused on providing opportunities for development and successful realization of talented professionals from all areas who have demonstrated their energy and professionalism.

When seeking a specialist for a higher expert or managerial position, internal candidates within the organization are first considered, and if a selection is not made, external candidates are sought. The company is guided by the belief that attracting, assessing, and integrating new employees marks the beginning of a long-term partnership.

- **Training, Human Resources, and Social Policy**

The management of the Group continued its policy of developing people working in the organization. In 2024, various internal trainings were implemented, allowing employees to build and develop their knowledge and skills. Trainings are accessible to all employees and enable them to improve their professional and personal knowledge and skills directly related to their work and following the principle for lifelong training.

Considering legislative changes in the energy sector, amendments to the Public Procurement Act, and the forthcoming liberalization of consumers in the regulated electricity market, trainings were organized in 2024 for the “Customer Service” Directorate at Electrohold Bulgaria EOOD and the “Tender Procedures” Directorate at Electrohold EPC EOOD. A total of 103 employees from the Customer Service Directorate participated in the “Persuasive Communication and Sales” training, while 27 employees from the Tender Procedures Directorate attended the “Updates to the Public Procurement Legal Framework” program.

There were also 2 strategic workshops organized and held, aiming at strategic planning upgrade.

External trainings	
Number of External Training Sessions	14 external trainings were conducted during the reporting period, in alignment with the approved annual training plan. The topics are determined by the immediate supervisor and coordinated with the director of the respective directorate. If necessary, the Human Resources Development department also consults on the selection and design of these programs.
Employee Participation	All employees designated for each specific training took part in these external programs. In instances where an employee was absent for a valid reason, a suitable replacement from the same unit was assigned to attend.
Internal trainings	
Number of Internal Training Sessions	Internal trainings at the subsidiary occur with varying frequency. Sessions for new employees are held regularly each week, following a predefined plan and responding to immediate needs. These programs include managers trainings, onboarding for new hires, intern development activities, and team-building initiatives. Additional sessions address the implementation of new procedures and guidelines, as well as other professional and technical topics. During the reporting year, 49 internal trainings were completed.
Employee Participation	Nearly 100% of all invited employees attend the internal trainings. If an employee is absent due to valid circumstances, another team member from the same unit is designated to participate.

The subsidiary Electrodistribution Grid West EAD also has a modern Technical Training Center (TTC), the purpose of which is to support the development of professional skills and specific know-how of operational and repair personnel through the development of training programs and the opportunity for practical application of knowledge.

In 2024, a total of 155 internal training courses were conducted at the TTC of EDG West EAD. These are aimed entirely at increasing the professional competence of our employees and are presented in the table below:

Internal trainings	2024	2023
Number of internal trainings held	155	104
Number of subjects/modules	53	71
Number of participants	2 136	1 522
Number of hours	1 859	1 483

During the year, the programs created for newly hired and current employees, as well as those specific to the company and necessary for improving the qualifications of employees, were continued and developed.

Based on the license received from the National Agency for Vocational Education and Training (NAPET), 145 employees and subcontractors of the company were trained, divided into 13 groups, in specialties from the professional fields of "Electrical Engineering and Energy", "Mechanical Engineering, Metalworking and Metallurgy" and "Motor Vehicles, Ships and Aircraft".

Every year, employees holding technical positions undergo mandatory training programs on safe working conditions, which end with exams for acquiring a qualification group. During the reporting year, 15 trainings were conducted at the Technical Training Center with 173 employees.

Every year, the curricula are enriched with new ones, the old ones are improved, upgraded and updated.

In 2024, trainings for the Welder profession continued. During this period, 82 employees from the "Operation and Maintenance Directorate" were trained.

In 2024, the use of the internal E- learning platform continued as a complementary training channel. It mainly organized training on so-called mandatory or legally defined obligations (e.g. healthy working conditions).

As part of its concern for people development, the company encourages and supports employees to continue to improve their qualifications through its partnership with leading higher education institutions in the country. The company encourages and helps prominent specialists to continue their development. For 2024, the company has 39 contracts for improving qualifications between EDG West and employees, 17 of which were concluded in the same year.

Trainings in relation to ESG – Environmental Social Governance

ESG and climate protection topics are an integral part of the agenda of the management meetings of EDG West. The members of the EDG West Management Board were personally involved in the project to prepare the Corporate Climate Action Plan in 2023 and this process continued in 2024. Thus, their awareness and knowledge regarding climate change have significantly improved in the preparation of the Corporate Climate Action Plan.

In 2024, the main pillars of the ESG topic were presented to the attention of employees in the Financial Management and Human Resources departments of the Electrohold Group during internal annual meetings that took place in June and December 2024. The presentation was made to over 150 employees.

In September 2024, the Chief Financial Officer of Electrohold Group took part in a panel discussion "Intersection of Business, Audit and Consultants in ESG", part of a seminar on "ESG Reporting Step by Step" and presented the first small steps taken by the team of EDG West and the other companies in the Electrohold Group in terms of ESG and climate issues.

- **Employee development**

The Group endeavours to encourage its employees to engage in activities that would allow for the full realization of their potential and the achievement of their professional ambitions. Emphasis is also placed on the development of qualities and professional skills that enable employee growth throughout the organization.

- **Internal communication**

Management acknowledges that internal communication is a vital condition for effective work within the Group. The goal is to create good internal communication among departments, employees, and management, which contributes to achieving the Group’s general and social goals. Three main forms of communication are encouraged: Vertical upward, vertical downward, and horizontal. Vertical (upward) communication aims to reveal employees' views and questions to management, vertical (downward) communication aims for management to inform employees about the Group’s vision, goals, and plans, while horizontal communication occurs among employees, encouraging the exchange of information and contributing to team building.

The established management system ensures direct reporting lines for key functions, as well as access to information resources by all employees and individuals performing key control functions.

The Group encourages direct and immediate communication between management and employees, including timely reporting of events and risks that may significantly affect its operations. Currently, communication is carried out through various channels, such as emails, informal meetings, team gatherings, announcements on the intranet, emails to stakeholders, and group emails when concerning the entire staff.

The Group has implemented an archival system with levels of access for employees, ensuring that necessary information reaches every interested employee.

- **Remuneration, social benefits and other motivating factors**

The Group's compensation policy is oriented towards ensuring fair remuneration for work positions, taking into account their complexity, responsibility, required education and qualifications, as well as reflecting the individual contribution of each employee. A unified analytical methodology for job evaluation has been introduced, and the Group also applies a bonus assessment linked to the performance and results achieved by each employee.

The social benefits received by employees are in the form of:
- Meal allowances, with a portion provided in the form of food vouchers.
- Additional health insurance coverage.
- Supplementary voluntary pension insurance.
- Organized annual preventive medical check-ups.
- Discounts on products and services from a wide range of commercial outlets.
- Funds for holidays and summer vacations.
- Assistance for childbirth and in times of bereavement.
- Organization of sports events and more for employees.

Social benefits are an important tool for motivating employees, through which the Group supports its employees and their families.

- **Gender equality**

Gender equality is an essential element of our human resources management policy. Gender equality is crucial for achieving social justice and cohesion, sustainable and inclusive economic growth. It affects all areas of life, hence integrating the principle of gender equality into all policies of the companies within the Electrohold Group is a necessary condition and guarantee for good governance and progress.

We implement a consistent policy on gender equality, aligned with international policies.

The strategic goal of the policy is to promote gender equality, prevent and eliminate gender-based discrimination. The gender equality policy is based on the principles of:
- Equal opportunities for women and men in all spheres of activity of the companies within the group.
- Equal access for women and men to all Group resources.
- Equal treatment of women and men and prevention of discrimination and violence.
- Balanced representation of women and men in decision-making bodies.
- Overcoming stereotypes imposed in the past.

A program has been launched in the companies to include women in the electricity sector, attracting them as employees, developing, and retaining them within the Group.

- **Healthy and safe environment**

Ensuring healthy and safe working conditions is a priority for the Group. The Group strives to provide the best and safest working conditions by investing in quality equipment, continuously improving the dynamic office culture, and promoting a healthy and safe work environment.

The Group complies with all legal provisions related to the health and safety of employees, and procedures and policies have been adopted for this purpose. Management encourages employees to take a proactive approach to maintaining safety and a healthy work environment.

- **Cooperation with Trade Union Partners and Collective Legal Agreements**

Relations with trade unions are oriented towards improving working conditions and ensuring transparency and consultation in relation to activities, human resources management. Regular monthly meetings are held with representatives of the 4 trade union organizations in the Group, and cooperation is based on an open dialogue between the parties.

EDG West EAD, Electrohold Sales EAD, Electrohold Bulgaria EOOD have an effective Collective Labour Agreement valid for the period 01.01.2024 - 31.12.2025, with which all additional payments on the remuneration and social benefits of employees are agreed. During 2024 salaries` increase for 2025 was negotiated.

- **Diversity policy**

Some of the subsidiaries apply a diversity policy with regard to personal characteristics such as age, sex, ethnic origin, education, and professional experience, in the course of carrying out the overall activity of the subsidiary through the following guidelines:

- equal treatment;
- impartiality;
- equal access to resources and/or professional development;
- avoidance of any forms of discrimination; and
- active promotion and considering of the widest range of opinions in the formation of resolutions of the collective bodies of the subsidiary.

The Policy is applied by and with regard to the administrative, management and the supervisory bodies of the subsidiaries.

The manners and the results of the implementation of the Policy are disclosed to the attention of the shareholders and of the general public through a Corporate Governance Declaration to the annual activity report of the subsidiaries.

Objectives of the policy

- The Policy aims to promote the manifestation of the different personal and individual characteristics of the officers from the administrative, management and supervisory bodies of the subsidiaries, by providing them equal access to occupation of positions within those bodies, as well as objective criteria for development, promotion, remuneration and dismissal.
- The Policy aims also to promote the adoption of competent, efficient, beneficiary and flexible with regard to the specific environment resolutions of the administrative, management and supervisory bodies of the subsidiary through providing opportunity to take part into such bodies to people from the widest possible range of social areas and of different economic and social background, as well as to people of different professions and expertise. The active formation, sharing and considering of opinions, reflecting the widest possible range of interests of different social, economic and seniority groups, is also encouraged.
- The Policy aims also to promote (or at least to provide equal opportunity for) participation in the selection process on hiring and in the realization of the activities of the administrative, management and supervisory bodies of the subsidiaries to under-privileged people and to people belonging to groups, which are possible targets of different types of discrimination (e.g. women; people of limited working ability; employees at the beginning of their professional path or at pre-pension age; people of under-privileged social status, etc.).

Directions of the policy implementation:

- The officers from the administrative, management and supervisory bodies of the subsidiaries shall guarantee to all applicants for the occupation of positions in these bodies equal access to application, selection and conclusion of individual agreements, including, but not limited to: announcement of unoccupied positions (whenever there are such), determination of a reasonable term for application, setting of objective selection and evaluation criteria, avoidance of any discrimination selective criteria (e.g. sex, age, etc.)
- To the officers from the administrative, management and supervisory bodies of the subsidiaries should be provided equal conditions of access to resources of the subsidiary while performing their employment duties. Any restrictions or more favourable conditions for access to resources may be imposed or granted only with regard to objective conditions of specific positions (e.g.: access to specialized equipment, access to confidential information, etc.) or in cases of normative requirements for that.

- The subsidiaries should apply uniform and consistent policy on working hours and working remuneration (including, basic salary or negotiated remuneration and all kinds of bonus schemes for additional remuneration or overtime remuneration) with regard to the officers from its administrative, management and supervisory bodies. Deviations are allowed only within the borders of specific cases regulated by law (e.g., more favourable working conditions to employees with limited abilities, etc.), as well as upon objectively set criteria for additional remuneration, which criteria have in advance been notified to the employees and applied regardless of aspects such as sex, age, etc.
- The officers from the administrative, management and supervisory bodies of the subsidiary should be guaranteed equal conditions of education, promotion within the internal organizational structure of the subsidiary, regardless of factors such as age, sex, educational background, etc.
- The officers from the administrative, management and supervisory bodies of the subsidiaries should be guaranteed equal criteria for selection upon dismissal, as well as equal conditions for receiving compensations upon dismissal, regardless of aspects such as sex, age, economic situation, etc.
- The officers from the administrative, management and supervisory bodies of the subsidiaries should be guaranteed equal conditions for expressing of their opinion upon adoption of the resolutions of the bodies of the subsidiary, as their opinions, ideas and considerations should be evaluated with respect to objective expediency and efficiency. Preliminary discussions and exchange of opinions before the adoption of resolutions by the collective bodies of the subsidiaries are encouraged. The adoption of resolutions, which will correspond to the widest possible range of interests of representatives of different social groups, is encouraged.
- Without prejudice to any of the abovementioned rules of promotion of equal access and participation in the administrative, management and supervisory bodies of the subsidiaries, and aiming at additional promotion of diversity within the activities of those bodies, it is encouraged - whenever the objective conditions and the status of the subsidiaries allow that and upon the discretion of the management of the subsidiaries on the necessity for that, to form additional consultative task-forces – *ad hoc* or with permanent functions, which shall include members of different social, economic or expert groups (e.g. on matters on promotion of employment among people of under-privileged economic status, of limited working abilities, on promotion on career start programs, etc.)
- Without prejudice to the abovementioned rules of equal access and participation in the administrative, management and supervisory bodies of the subsidiaries, it is encouraged to provide opportunity to participate in the selection process for occupation of positions in those bodies to people of under-privileged status (e.g., by announcement of ongoing selection procedures among members of such groups, bearing administrative costs of participation in such process, etc.).

- **Human rights policy**

The subsidiaries adhere to the established internal and international regulatory and legal frameworks in the human rights sphere, respecting and honouring the human dignity. The subsidiaries do not tolerate and emphatically declares its readiness to counteract any form of violence, disregarding human rights, discrimination, and any other illegal deeds, towards personality of its employees and clients.

- **Combating corruption**

The subsidiaries observe and encourage the application of the effective anticorruption legislation, exercising illegal actions fight policy aiming to motivate certain behaviour in employees and/or counteragents of the subsidiary.
On 20 September 2012 the subsidiaries and trade unions signed a declaration in accordance with Art. 7, Para. 2 of the Collective Labour Agreement for joined actions and efforts for non-admission of unprofessional and/or corruption practices and actions by the subsidiary employees to consumers, customers of the subsidiary.

With the adopted in 2016 Ethical Code the subsidiaries once again gave expression of its readiness to effectively counteract all actions, representing corruption practices carried out in any form.

8. Quality management

8.1. Electrodistribution Grid West EAD (EDG West EAD)

Since 2011, the subsidiary has implemented and applies a quality management system in accordance with the international standard EN ISO 9001:2008. In March 2021, the international certification organization BUREAU VERITAS BULGARIA EOOD conducted a recertification audit of the Quality Management System in accordance with the ISO 9001:2015 standard of Electrodistribution Grid West EAD. The certifying organization expressed its full satisfaction with the established efficiency of the Quality Management System, the implemented processes, the high degree of commitment and good organization of the employees. In March 2023, the company was certified according to the international standard EN ISO 45001:2018 "Occupational health and safety management systems". Electrodistribution Grid West EAD has implemented an Integrated Management System (IMS) for quality, occupational health and safety, and information security.

Measurement of service quality

Electrodistribution Grid West EAD provides quality service to its customers and strives to meet the service targets set in the Quality Methodology. For the past 2024, all quality measurement indicators are within the framework of those legally defined by the regulator.

№	Name of indicator	Metric of the indicator	2024
1	Time taken to receive a reasoned response to a complaint, request, written complaint, consumer query	Average number of days for verification to prepare a reasoned written answer	12.03
2	Average time for inspection of an electrometer at the request of a consumer	Average time for conducting the inspection	3.56
3	Average time for electrometer replacement	Average time for electrometer replacement	2.63
4	Time for correcting errors in electrometer readings	Average time for conducting the inspection	1.69
5	Time for checking for deviations in the quality of delivered electrical energy upon user request	Average time for conducting the inspection	8.09
6	Time required for drafting a preliminary contract and written opinion on the conditions for connecting a user	Average time required for drafting a preliminary contract and written opinion on the conditions for connecting a user	8.73

In the past year 2024, the total number of complaints received was 6 249 (2023: 6 954), of which 871 were reasonably satisfied (2023: 850).

Quality of energy indicators

The main directions for improving indicators for the continuity of electricity supply are focused on:

- Reducing the number of interruptions.
- Reducing the number of affected users due to interruptions.
- Reducing the time for restoring electricity supply.

According to the Methodology, the indicators for the continuity of electricity supply are:

- **System Average Interruption Duration Index (SAIDI)** - reflects the average duration of interruptions per customer for a one-year period (in minutes per year).
- **System Annual Interruption Frequency Index (SAIFI)** - reflects the average number of interruptions per customer for a one-year period.

When determining the index of the average number of interruptions, EWRC accepts values for:

- Planned interruptions per year, for which customers are informed in advance by Electrodistribution Grid West EAD.
- Unplanned interruptions for which customers are not previously notified.

INDICATOR	SAIDI - 2024	SAIDI - 2023
	Minutes	
Unplanned outages	155.6	167.8
Planned outages	182.2	179.1

INDICATOR	SAIFI - 2024	SAIFI - 2023
	Number of outages per client	
Unplanned outages	2.51	2.80
Planned outages	1.34	1.39

In 2024, severe weather conditions in November and December put the electricity distribution network in Western Bulgaria to serious tests - the heavy snow brought down numerous trees, broke poles, and snapped wires. The icing and impassable roads made it difficult for the operational teams of Electrodistribution Grid West EAD to work, but thanks to the established organization, the electricity supply to all affected consumers on the territory of Western Bulgaria was gradually restored.

Energy Ombudsman

A unique consumer institution for Bulgaria has been established – the Energy Ombudsman, which examines cases and signals on which the group companies have made a decision, but the client is not satisfied with the response. The opinion of the Energy Ombudsman is final for the structures of Electrohold. In 2024, the Energy Ombudsman received and examined 127 signals/cases for Electrodistribution Grid West EAD, of which only 10 were justified.

8.2. Electrohold Sales EAD

In accordance with item 3.7.4. of End Supplier license No Л-135-11/29.11.2006, item 3.7.2. of the Last Resort Supplier license No Л-409-17/01.07.2013 and item 3.6.3. of Trader license No Л-229-15/17.05.2007, issued by EWRC, Electrohold Sales maintains a quality management system (QMS), which spreads over all the elements of the license activities and is certified by an independent competent organization.

In 2012, the Company acquired a certificate under ISO 9001:2008. In 2018, the company successfully re-certified the Quality Management System, according to the new version of the ISO 9001:2015 standard.

The implementation of the QMS, according to ISO 9001, ensures that all structures and employees of Electrohold Sales apply uniform and strict quality management mechanisms, to control and measure the effectiveness of all processes, adequately maintain and secure the infrastructure and work to increase customer satisfaction and our partners.

8.3. Electrohold Trade EAD

In 2024, the subsidiary continued to act in compliance with the legislation in force, with the applicable legislative framework in the field of the open electricity market and with its electricity trading license No Л-191-15/04.07.2005.

The company is certified according to the following standards:

- Re-certification audit under Standard ISO 9001:2015 – Quality Management.
- Re-certification audit under Standard ISO 14001:2015 – Environmental Management.
- Re-certification audit under Standard ISO 45001:2018 – Occupational Health and Safety Management.
- Re-certification audit under Standard ISO 50001:2018 – Energy Management.
- Internal audits according to the Group’s policy.

8.4. Electrohold Bulgaria EOOD

In 2012, Electrohold Bulgaria EOOD successfully certified the implemented Quality Management System according to the ISO 9001:2008 standard for the processes managed in the Supply and Logistics Directorate and the Customer Service Directorate, which are key to the quality performance of the licensing activities of the companies of the Electrohold Group. In 2018, the subsidiary successfully re-certified the Quality Management System according to the new version of the ISO 9001:2015 standard for the processes that are managed in the Tender Procedures Directorate (from 2022 in Electrohold EPC) and Customer Service Directorate.

8.5. Electrohold ICT EAD

Electrohold ICT_has implemented a quality and information security management system, which is certified according to ISO 9001:2015 with validity of the certificate until 18.10.2027 and ISO 27001:2022 with validity of the certificate until 18.10.2027.

8.6. Electrohold EPC EOOD

Certification according to the ISO standards

Electrohold EPC has implemented a quality and information security management system, certified according to ISO 9001:2015, with the certificate valid until 20.09.2026 and certificate ISO 14001:2015 valid until 26.01.2028. These certificates guarantee that all activities of Electrohold IPC in connection with the management of the organization regarding design, construction, repairs and reconstructions comply with the relevant international standard for quality management systems and the international standard for environmental management systems.

Chamber of builders in Bulgaria

Electrohold EPC is registered in the Central Professional Register of Builders at the Chamber of Builders in Bulgaria for the execution of construction projects ranging from second to fifth category.
These certifications ensure that all structures and employees of the certified Electrohold companies apply uniform and strict quality management mechanisms to control and measure the effectiveness of all processes, adequately maintain and secure the infrastructure, and work to increase the satisfaction of our customers and partners.

9. Suppliers

All subsidiaries in the Group conduct business operations with a large number and variety of suppliers. The procedures for selecting partners that companies applies are in accordance with the Public Procurement Act (PPA). The Group is guided by its fundamental principles of fairness, transparency, and, of course, objective evaluation criteria such as price, quality, timely deliveries, previous experience, etc.

Some of the subsidiaries in the Group have adopted and adheres to Rules for selecting suppliers under the PPA, registration, storage, and control of contracts. These rules establish the order and conditions for concluding contracts, the method of registration, storage, control over the performance, and evaluation of contracts. All suppliers have declared a commitment to comply with the regulatory provisions regarding environmental protection and social responsibility.

10. Environmental protection

A special statement from the subsidiary Electrodistribution Grid West EAD regarding Ecological Measures for Network Safety and Security

Ecological Measures for Network Safety and Security

The primary goal of Electrodistribution Grid West EAD (EDG West EAD) is to comply with all regulatory provisions in the field of environmental issues, safety, and security of the power distribution network. In the reporting year 2024, the Company's efforts were mainly focused in two directions:

- Execution of activities related to the adequate management of waste generated by the Company and prevention of pollution of environmental components.

- Execution of other activities related to compliance with regulatory requirements for environmental protection and biodiversity.

As of 31 December 2024, there are 10 regulated sites for storage and 20 types of generated waste within the territory of EDG West EAD, as follows:

- Sofia, Vrabnitsa District, Adam Mitskevich Street No. 2.
- Sofia, Poduene District, Gintsi Street No. 32.
- Radomir, Shiroki Dol Street No. 1.
- Pernik, Sveta Petka Street No. 65.
- Blagoevgrad, Gramada Quarter.
- Pleven, Vitska Dolina Street No. 61.
- Lovech, part of UPI II, quarter 277 according to the plan of Lovech, Northern Industrial Zone;
- Vratsa, Seniche Housing Estate, UPI No. II, quarter 21.
- Vidin, Vidin Municipality, UPI 5093, Western Industrial Zone.
- Dupnitsa, Arakchiyski Most Street No. 5.

In 2024, hazardous and industrial waste was handed over to companies holding the respective permit for waste management activities, as described below in the table. Thanks to the delivery of hazardous and industrial waste to licensed companies, the risks of environmental pollution have been minimized.

Waste code	**Quantity transferred, in tons**
13 05 03* "Sludge from oil sumps"	1.4
16 01 03 "Disused tires"	3.7
16 02 13* “Disused equipment containing hazardous components other than those mentioned in codes 16 02 09 to 16 02 12” (discarded transformers)	51.79
19 10 01 “Iron and steel waste”	21.3
19 10 02 "Non-ferrous metal waste"	21
16 02 14 “Discarded equipment other than those mentioned in codes 16 02 09 to 16 02 13” – discarded electrical and electronic equipment	258.52
17 06 04 “Insulating materials other than those mentioned in 17 06 01 and 17 06 03” – discarded ceramic and glass insulators	221.51
16 02 16 “Components removed from discarded equipment other than those mentioned in 16 02 15” – discarded electrical meter boards and distribution boxes	0.86
20 01 01 "Paper"	2.8
20 01 39 “Plastics“	3.14
20 02 01 "Biodegradable waste"	19.49
16 01 17 "Ferrous metals"	42.93
16 01 18 "Non-ferrous metals"	47.03
16 06 04 "Alkaline batteries"	0.04

** Hazardous waste*

In 2024, the implementation of the Program for Conducting Own Monitoring of Groundwater and the Soil Monitoring Plan continued. The monitoring includes gathering, assessing, and summarizing information about groundwater and soils through periodic observation and measurement of specific indicators. The goal is to identify any changes resulting from the company's activities.

In 2024, there were no adverse impacts on environmental components from the company's activities.

EDG West EAD aims to conserve biodiversity within its licensed territory. The Company assists Regional Inspectorates for Environment and Water (RIEW) with signals they receive. Signals most commonly concern stork nests hanging on conductors, which pose potential risks to both the storks and the electrical network's safety, creating fire hazards. Signals from regulatory bodies may also involve uninsulated conductors causing the death or injury of birds using them for resting during flight.

In 2024, 14 (fourteen) prescriptions were issued by control bodies for lifting problematic stork nests onto metal platforms. The activities were completed on time, in compliance with the requirements set out in the prescriptions.

The company did not incur any financial penalties from regulatory authorities regarding environmental conservation.

11. Climate Corporate Governance

11.1. A special statement from the subsidiary Electrodistribution Grid West EAD regarding Climate Corporate Governance

Climate-related disclosures were prepared in 2023 and 2024 within the framework of the Corporate Governance on Climate-related Issues project for Electrodistribution Grid West EAD.

In 2023, EDG West took the first steps towards integrating climate risks and opportunities into corporate reporting, with this process continuing in 2024. As part of the process, an analysis and assessment of the current state of climate information was conducted, a gap analysis was prepared, and an action plan was adopted for the phased introduction of reporting in accordance with the TCFD guidelines.

Electrodistribution Grid West EAD presents information on the risks and impacts identified in the initial assessment stage that the company faces in relation to climate change. The company has not yet completed the full stage of analyzing the risks and impacts affecting its activities, as well as the related opportunities. A set of indicators has been determined, the monitoring of some of which began in 2024, and processes have been initiated to update the risk management procedure by integrating climate risks into it.

In parallel with the above, projects are underway for the modernization and digitalization of the electricity distribution network, the introduction of new modern technologies for automated and flexible management, the construction of smart electricity networks with high technical safety and a zero carbon footprint, including smart meters and the infrastructure necessary for their operation, which will contribute to the overall efficiency of the electricity distribution network and the quality of the services provided. All this is a necessary condition for addressing the challenges related to the decentralization and decarbonization of electricity generation and distribution. Electrodistribution Grid West EAD is aware that it has a long way to go, but declares its commitment to making continuous efforts to meet all modern requirements for sustainability and social responsibility.

Climate-related disclosures, according to TCFD recommendations, focus around four thematic areas

MANAGEMENT	STRATEGY	RISK MANAGEMENT	INDICATORS AND OBJECTIVES
Climate related issues management	Climate-related risks and opportunities and their impact on strategy and financial planning	How the organization identifies, assesses, and manages climate-related risks	Indicators and objectives used for assessing and managing climate-related risks and opportunities

Electrodistribution Grid West EAD follows this model, according to the adopted action plan for phased implementation of reporting in accordance with the TCFD guidelines.

- **MANAGEMENT**

The questions related to climate are an integral part of our daily business operations, and their management will be integrated into the internal structure of our group organization.

- **Management Board of EDG West** manages the company and its representation.

The Management Board operates as a continuously acting body that makes decisions within its competence, including those related to climate, in accordance with the decisions of the Sole

Shareholder, the Company's Articles of Association, and applicable legislation.

The Management Board will be the body that approves and exercises control over the business strategy and indicators set to reduce climate-related risks and take advantage of climate-related opportunities, with its functions summarized as follows:

- Proposing for approval by the Supervisory Board a Sustainable Development Strategy and climate-related indicators;
- Approving and exercising control over the implementation of climate-related indicators and risks, and the measures taken to minimize them;
- Holding regular meetings (every three months) to discuss issues related to climate and the implementation of set strategic goals.

  - **The Supervisory Board of EDG West** will exercise control functions over climate-related issues, summarized as follows:

- Accepting and approving the proposed Sustainable Development Strategy and climate-related indicators;
- Receiving information on the implementation of strategic goals and climate-related indicators.

  - **The Sustainable Development Committee** will be formed at the level of the Electrohold Group and will be chaired by the Sustainability Manager. Its functions will include:

- Developing a Sustainable Development Strategy;.
- Regularly (every three months) informing the Management Board of the Company about the implementation of climate-related indicators, potential risks, and proposing measures for their minimization.
- Disseminating decisions taken by the Management Board on climate-related issues and monitoring their implementation.
- Exchanging information and implementing best practices related to climate governance.
- Ensuring that climate-specific indicators are consolidated and overseeing the preparation of non-financial disclosures related to climate.

The senior management of EDG West will exercise operational functions related to climate, summarized as follows:

- Establishing an organization and monitoring the implementation of climate-related indicators in the business processes they manage.
- Assessing the risk and opportunities at the process level related to the implementation of approved indicators.
- Proposing measures to minimize climate-related risks in the processes they manage.

➢ **STRATEGY**

A number of factors related to climate change and the energy transition have significantly influenced the role and activities of electricity distribution operators in recent years, with their impact expected to become even more pronounced. The serious challenges we face necessitate the implementation of an integrated approach to achieve decarbonization, mitigate, and adapt to climate change. They compel us to change our business model and position ourselves as leaders in the transition to a low-carbon economy.

As a modern, responsible electricity distribution operator, EDG West clearly recognizes the need for timely and adequate measures to adapt to the energy transition and climate change, which are largely embedded in our corporate strategy but need to be further developed. Our goal is to achieve higher standards of sustainability and social responsibility.

First and foremost, it is crucial for the electricity distribution infrastructure to be prepared for potential extreme weather events that could cause damage and disruptions to the quality of delivered electricity.

It is imperative for the company's operations to adapt to the new trends in electricity production, transmission, and trading, as well as to the behaviour and needs of consumers and, of course, to the challenges of the regulatory environment. This will be achieved through the modernization of infrastructure and extensive digitization of processes within the company, which are already underway.

As a next step, following the assessment of risks, impacts, and opportunities on the business, EDG West will develop a comprehensive company strategy incorporating climate-related issues and financial planning for the company.

➢ **RISKS AND OPPORTUNITIES**

Risk assessment and opportunities related to climate change and their financial impact are essential aspects to be considered. The consequences of climate change and actions taken in response to climate change represent both risks and opportunities for electricity distribution companies. These need to be identified, assessed, and reflected in the company's strategy and financial planning.

According to the TCFD framework, climate-related risks are categorized into two main categories: Transition risks and Physical risks.

➢ **Transition risks**: These are risks associated with the transition to a low-carbon economy, with the most common being political and legal, regulatory, technological, market reactions, and reputation risks.
➢ **Physical risks**: These are risks arising from climate change, which can be caused by events (acute), such as strong winds, floods, and temperature extremes, as well as longer-term changes (chronic) in precipitation and temperature and increased variability in meteorological patterns (e.g., wind speed). Physical risks can be acute, caused by events, including increased severity of extreme weather events, or chronic, related to long-term changes in climate patterns.

For electricity distribution companies as a whole, and specifically for EDG West, climate-related risks and opportunities arise from:

- **Transition risks:**

- New methods of energy production, distribution, and consumption.
- Regulations, including EU climate and energy targets for 2050, legislation.
- Technologies and digitization.

- **Physical risks:**

- Climate variability (such as temperature, wind speed, extreme cold and heat events).

All these risks affect the reliability of infrastructure, the quality of service, and determine the direction of our business development.

- **Risk of adverse environmental impact:**

The company complies with applicable domestic and international legislation in the field of sustainable development, ecology, and environmental protection, aligning with the fundamental goals and principles of environmental law. Specific actions are taken, and policies are followed regarding the company's sustainable development. Management continuously monitors the emergence of risks and negative consequences of climate change on the activities of EDG West, as well as its impact on climate change.

The company has reduced the percentage of technological expenses for 2024 to 5.94% compared to 2018 – 9.06%, and the Company's goal is to maintain the trend of reduction in the following periods. Over a period of seven years, the Company has reduced its technological expenses by 500 GWh. and with this amount has reduced the total production of electricity for this period and has saved almost over 80 million BGN, with the calculations for each year of the period under review being made at an average annual purchase price for 1 MWh technological expense.
Following the TCFD guidelines and in accordance with the action plan, EDG West aims to identify climate risks and opportunities and, as a next step, to assess their financial impacts for the company. This is of course a long process, the beginning of which was set in 2023.

During the reporting year, a historical review was made of the most common climate-related events affecting our activities and infrastructure:

- Snow accumulations and icing occurring during the winter.

- Storms, strong winds, and heavy rains occurring throughout the year (less frequently during winter).
- Lightning and thunderstorms occurring between May and September.

For the purposes of the review, data from the incident register maintained by the Company was used.

During the initial risk review in 2024, the following climate-related risks were identified for EDG West EAD, which will be entered into the company's risk register:

TYPE OF RISK Transition/physical	Risk	Description
Transition risk- market	Increased balancing costs	The more frequent occurrence of temperature spikes (-/+) will lead to spikes in electricity consumption, which are difficult to predict, potentially resulting in increased balancing costs
Physical	Increased costs for network replacement and maintenance due to the increased frequency of extreme weather events and the growing severity of these events.	Physical damages to assets may include: - Damaged network / power lines / destroyed assets due to accumulated snow (on various assets, facilities, and trees near the network), strong winds (pylons, electrical equipment, and trees), more frequent lightning strikes (electrical equipment, trees). - Direct mechanical damage to the electricity distribution infrastructure caused by short circuits. - Indirect mechanical damage and short circuits from trees or debris carried onto overhead lines, physical damage, including collapse of overhead lines or poles. - Deterioration of SAIDI/SAIFI ratios due to an increased number of events or due to difficult conditions for electricians to reach and repair damaged equipment.
Physical	Increased operating expenses - for personnel and others	The harsh working conditions during extreme weather events will: - Lead to demands from staff for increased compensation. - Increase the number of cases of staff injuries or other health-related issues.
Transition risk-Strategy	Increased investment expenses in the short-term aspect	To achieve the goals of the EU and member states, a new network design may be necessary: - Increased use of electric vehicles will require charging stations at multiple locations, which need to be connected to the grid and supplemented with installations. - Reduction in the use of fossil fuel heating power plants will require a different balancing of the grid, necessitating investments in other assets. - Increased costs of electricity and reduction in greenhouse gas emissions from companies may increase the number of renewable energy production installations connected to the grid, requiring new infrastructure. All of the above and other scenarios will require urgent investments in different and newer

TYPE OF RISK Transition/physical	Risk	Description
		equipment, which need to be financed within a short time frame, leading to increased pressure to find financing, which may not be readily available.
Transition risk- Regulatory	Increased regulatory requirements related to achieving the goals	To achieve the goals, the EU and member states will implement: - Various regulatory requirements, frameworks, and legislation that need to be complied with by the entities. - Impose sanctions in cases where these requirements are not met.

- **Risk of negative climate impact on the Company**

Risk associated with transitioning to low-carbon activities. In large part, these associated risks stem from:
- Changes in policies and regulations resulting from the implementation of European climate norms by the respective regulatory authorities in the Republic of Bulgaria.
- Changes in the legislative framework in line with European climate documents and established policies.
- Changes in technologies affecting the distribution network necessary for transitioning to a carbon-neutral society.

What can we do to impact climate change
- Support stricter CO2 emission standards.
- Support the transition to a low-carbon future to fulfil our environmental and social responsibilities through prudent resource use, waste separation, periodic analysis, and control of achievements.
- Support environmentally friendly activities and green initiatives in society.

- **Reputational and regulatory risk**

For Electrodistribution Grid West EAD, reputation and regulatory risk are of utmost importance. The professional attitude and commitment of the company's management personnel, as well as the active involvement of specialists in public life - in forums, sector meetings, and regular communication with various bodies and stakeholders, contribute to strengthening the trust and image of Electrodistribution Grid West EAD. as a reliable partner in socio-economic life.

According to the action plan, after the risks and opportunities related to climate and energy transition are identified and assessed, the next step is to reflect/integrate them into the company's business strategy.

➢ **Performance indicators and goals**

Indicators and targets are used to measure and manage climate-related risks and opportunities. As part of the assessment of climate-related risks and opportunities, 7 key indicators were selected in 2023 to be monitored. A methodology was developed for their calculation and assessment. In 2024, each of them was monitored and initial calculations were made for their future monitoring.

Monitored indicators:

Indicator	Monitored indicators by 2024	Unit of measurement	2024	2023	2022	Total as of 31.12.2024 (cumulative)	Comments
1	**Total energy consumption for the company's activities, of which:**	*GWh .*	6.3	6.5	7.1	**19.9**	For the distribution of consumption between production from RES and other types of producers, EDG West used the percentage production for all of Bulgaria, distributed by RES and others for 2023 and 2024, official information from ESO.
	from RES	*GWh .*	1.29	1.30	1.42	**4.0**	
	from Conventional producers including NPPs	*GWh .*	5.01	5.20	5.68	**15.9**	
2	**Greenhouse gas (GHG) emissions - scope 1**						
	a) Fuel consumption of the vehicle fleet	*tCO2e*	4 118.11	4 357.98	3 978.48		
	b) Natural gas used in buildings		n.a.	n.a.	n.a.		
	c) SF6 emissions in case of leaks	*tCO2e*	117.5	0.00	0.00		
	d) Diesel backup generators		n.a.	n.a.	n.a.		
3	**Greenhouse gas (GHG) emissions - scope 2**						
	a) Electricity consumption	*tCO2e*	1 304.42	1 352.40	1 361.78		
	b) Electricity distribution losses	*tCO2e*	130 648.55	130 249.55	127 437.42		
4	**Renewable capacities connected to the grid (GW and number)**	number	1 084	1 917	870	**6 008**	The number and capacity show the newly connected RES to the EDG **in the specific year** . The cumulative data are for **the total number and**
		GW .	0.314	0.226	0.076	**1.065**	

							capacity of all RES in the ERN.
5	**Smart meters installed**	number	124 796	127 642	123 957	**751 484**	By the end of 2024, **33.58%** of the commercial metering devices (electricity meters) owned by EDG West are remote electricity meters.
6	**Charging stations connected to the EDG West network**	number	214	136		**350**	

	Climate-related network incidents	**2024**		**2023**		**2022**		**Comments**
		%	**number**	**%**	**number**	**%**	**number**	
7	Snow accumulations	22%	1 376	24%	2 087	12%	699	EDG West maintains a network incident log, which allows for tracking the impact of specific climate-related events. The table below shows that about 68% of the incidents recorded in 2024 are climate/weather-related. Traditionally, storms, snowdrifts and lightning have the strongest impact.
	Storms and strong winds	23%	1 446	24%	2 072	25%	1 520	
	Lightning	16%	1 023	14%	1209	25%	1 472	
	Heavy rains	7%	436	6%	527	7%	447	
	Floods	0%	5	0%	21	0%	3	
	Landslides	0%	19	0%	14	0%	0	
	Icing	0%	7	0%	14	1%	50	
	Hail	0%	24	0%	13	0%	18	
	Total	**68%**	**4 336**	**68%**	**5 957**	**70%**	**4 209**	

12. Society

Electrohold Group operates as a responsible investor and corporate citizen, maintaining and developing partnership relations and dialogue with local communities and supporting various socially significant projects, causes, and initiatives. The green transition poses challenges for the electrical distribution network, which must be flexible enough to accommodate the connection of numerous installations of RES.

- **Collaboration with Local Authorities**

Electrodistribution Grid West EAD develops long-term partnership relationships with local authorities and consumer organizations. Every year, representatives of Electrodistribution Grid West EAD hold meetings with local authorities under the patronage of the regional governors of the 10 districts where the company operates. At these meetings, plans for network development in the respective districts and the challenges in this process are discussed and ways to improve dialogue and cooperation are sought. The feedback it receives is important for the company in order to change and upgrade business processes.

Additionally, meetings are held at the request of local authorities and opinion leaders to discuss current issues concerning local communities and the company's activities. In 2024, 36 meetings were held with local authorities and opinion leaders.

In 2024, a framework agreement was signed between the National Association of Municipalities in the Republic of Bulgaria (NAMB) and the electricity distribution companies on the territory of Bulgaria to implement an effective partnership to maintain and develop electricity distribution services, continuity and quality of electricity supplied to citizens and economic entities in accordance with the license conditions of the companies, to ensure energy security and to implement national and European policies related to decarbonization - environmental protection, energy efficiency and use of renewable energy sources.

- **Working with Users and Consumer Organizations**

Within the framework of the Consumer Council at Electrohold, regular contacts are maintained and joint meetings are held between representatives of Electrodistribution Grid West EAD and consumer and expert organizations, at which topics relevant to consumers are discussed, processes are analyzed and specific solutions to consumer cases are sought. In 2024, the Consumer Council considered and responded to 272 signals from consumers.

In 2024, three modern customer service centers were opened – one in the Mladost business park in Sofia, and one each in the center of Plovdiv and Varna.

- **Environmental Care**

An important element of the partnership with society is the initiative "Energy is You" for painting objects from the electricity distribution network in cities. In this way, the urban environment becomes more welcoming, more aesthetic and contributes to its preservation. When granting permission to paint objects from the electricity distribution network in cities, an important condition is to depict socially significant and important topics in the field of history, society, environmental protection, etc.

In 2024, a long-term partnership between Electrohold and the organization of street graffiti artists Sofia will be launched Graffiti Tour. In May, the "Energy is You" competition was held as part of the Sofia Graffiti Festival. Urban Art. Dozens of works by street artists competed for first place. The winning project was depicted in the graffiti area of the capital's emblematic Chavdar Bridge.

Within the framework of the partnership between Electrohold and Sofia Graffiti Tour during December, 10 transformer stations were painted (5 in the capital and 5 in the rest of Western Bulgaria). The connecting theme of the images was environmental protection, the use of clean energy and sports. For Christmas, the transformer stations were illuminated with Christmas lights and a social media campaign “Selfies with a transformer station” was organized, which received a positive response among the public. Local authorities supported the campaign, sharing information about it on their media channels.

For Christmas, Electrohold supported the initiative of the Sofia Greater Municipality to make the capital more beautiful and festive by placing Christmas decorations on two trams. To contribute to the festive mood of the residents and guests of the capital, Electrohold participated in the largest Christmas show in Bulgaria - "A Fairytale Christmas in New York" at Boyana Cinema Center, organizing interactive exhibitions, scientific workshops for young and old and preparing many pleasant surprises related to the history of electrical engineering.
In 2023, Electrohold ceased the mass issuance of paper invoices and switched entirely to the issuance and delivery of electronic invoices for electricity. The positive effects continued to be seen in 2024. The use of an electronic invoice provides every consumer with the opportunity to contribute to environmental protection by reducing the use of paper, saving natural and energy resources necessary for its production - wood, water, oxygen, electricity, as well as funds and fuels used for its delivery to a specific address. In addition to the undeniable environmental benefits, the electronic invoice is much more convenient, more reliable and more secure than the paper version. It is completely free, protects the client's personal data and allows for easy and practical control of costs.

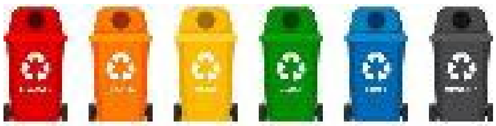
The effects of stopping paper invoices are permanent and cumulative, and over approximately one year they are:

56 160 000	saved paper sheets
7 020	saved trees from being cut down
28 080 000	saved liters of fresh water
702 000	kWh saved electricity needed to produce paper invoices every month
56 160	litres of ink discounted for printing

If one tree provides oxygen to 10 people for 1 year, then the trees saved from felling, thanks to Electrohold's electronic invoice, will provide oxygen to 70 200 people in 1 year, and in five years all saved (cumulatively) trees will provide oxygen to over 1 million people.

Some of the subsidiaries in the Electrohold Group invest in electric vehicles.

Paper, batteries, and other items are collected separately.



- **Energy efficiency**

Energy efficiency is one of the pillars of ESG policy (Environmental Social) of Electrodistribution Grid West. The company's initiatives are designed not only to contribute to sustainable development and environmental protection, but also to form a completely new attitude towards electricity consumption. The company is implementing a long-term campaign to promote the reasonable and responsible use of electricity. Part of this campaign are educational talks in primary schools of Western Bulgaria, as well as popularization of measures to reduce consumption in various segments of society, publication of brochures, publication of advice on Electrohold's websites and in social networks, participation in expert discussions, and more.

In 2024, the Electrohold Group built 8 solar plants for household customers for their own consumption. The service of building solar plants for their own needs contributes to achieving the goals of the energy transition and ensures energy independence for electricity consumers. It is in line with the mission of the companies in the Electrohold Group to introduce innovations that increase energy efficiency and are an integral part of the strategy to reduce the carbon footprint of the company's customers.

Since 2024, the Electrohold group has started building charging stations for electric cars with capacities up to 180 kW. By the end of the year, 30 were installed in various cities in Bulgaria.

- **Power Purchase Agreement (PPA)**

On 24 September 2024, a hybrid renewable energy park near Pernik with a peak capacity of 32 megawatts and a storage facility of 61 megawatt hours was put into operation. Through the energy produced, Electrohold Trade (part of the Electrohold Group) will supply customers with green energy. In addition, PPA customers receive guarantees of origin with a unique number, which certify that the energy was produced by a precisely defined green installation. Electrohold's strategy is to offer green and sustainable solutions for its industrial and business customers.

- **Partnerships with Professional Organizations and Educational Institutions**

The cause of education is an integral part of our partnership with society for the convergence of vocational education and business in the field of energy.
Electrodistribution Grid West EAD develops long-term and successful cooperation with vocational high schools with a technical focus and higher education institutions, which are incubators of future specialists. The goal of this cooperation is to contribute to the development, development and retention of personnel in a key sector of the economy, such as the power industry. The goal is achieved through the following programs: internship program, dual training program, scholarship program, Week of Opportunities, Energy for the Future Academy, the preparation of a newsletter and a specialized website in support of vocational education (the initiatives are described above).

Electrodistribution Grid West EAD partners with over 30 professional high schools with a technical focus on the territory of Western Bulgaria, as well as with the following higher education institutions - Technical University-Sofia, Higher Transport School "Todor Kableshkov", University of Mining and Geology, College of Energy and Electronics, Military Academy, Faculty of Economics at Sofia University, University of National and World Economy. In 2024, the Technical University-Gabrovo and EDG West EAD concluded a framework agreement for cooperation in the training of personnel for the Bulgarian energy sector.

Thanks to this cooperation, the curricula are updated to meet the needs of real business in the energy sector, Electrohold scholarship holders are given the opportunity to apply with the score from the "Energy for the Future" competition for admission to universities. Additionally, EDG West EAD sends letters of support for the admission plan to vocational high schools every year.

The company is developing a long-term policy in support of Bulgarian vocational education and training of young specialists in the field of electric power. In order to recruit, train and develop future personnel, the company implements the following long-term programs - internship, scholarship, dual training, Academy "Energy for the Future", "Week of Opportunities", maintains the first specialized website "Energy for the Future" and regularly publishes the first corporate newsletter in Bulgaria, focused on vocational education. The information in it is aimed at popularizing the professions in the company and supporting admission to secondary vocational high schools and higher technical educational institutions.

The 17th edition of Electrohold's internship program took place in 2024. Over 52 students from 10 universities from the country and abroad participated in it. Over 1 500 students and pupils have gone through the internship program over the past 17 years. On average, 37% have remained employed by the group. The paid internship offers flexible working hours and duration. It allows participants to gain practical skills in a real work environment, provides qualified mentors, provides valuable experience in teamwork and builds social skills. Between 10% and 12% of interns return the following year, with some continuing their development in another professional field.

The company distributed 6 scholarships for the second semester to 12th grade students and provided two full-year scholarships to half-orphans.

For another year, a Week of Opportunities was held, dedicated to education and innovation in energy. The event, which was online, was attended by over 400 students from vocational high schools in Western Bulgaria and nearly 20 teachers. In the spring, over 200 students from grades X , XI and XII from vocational high schools in Western Bulgaria participated in Open Days. Experts from EDG West presented to the students about modern trends in the management and maintenance of the country's electricity system and technologies for electricity production from renewable energy sources. For the second time, a special Energy for the Future academy for teachers was also organized.

An electrical engineering classroom was equipped at the Vocational High School of Mechano-Electrical Engineering–Pleven in 2024. The modern equipment will allow students to become familiar with the practical aspects of managing and maintaining the electricity distribution network, gaining valuable knowledge and skills in the field. Electrohold's initiative to equip electrical engineering classrooms was launched in 2021. In addition to Pleven, the Group has so far equipped classrooms in schools in Pernik, Dupnitsa, and Vidin.

4 newsletters were issued to promote Electrohold among young specialists and future professionals in the energy sector.

- **Partnerships with Expert and Industry Organizations**

Electrodistribution Grid West EAD is a member of the Chamber of Builders in Bulgaria, EU DSO Entity , Bulgarian Chamber of Energy Engineers (BBKE), Bulgarian Institute for Standardization (BDS), Bulgarian Accreditation Service, National Association for Occupational Health and Safety.

At the group level, Electrohold is a member of the Industrial Capital Association, the Bulgarian Forum of Business Leaders, the Electric Vehicles Industrial Cluster, the Energy Management Institute, the Institute of Internal Auditors in Bulgaria, the Confederation of Employers and Industrialists in Bulgaria, the National Energy Chamber, the Council of Women in Business in Bulgaria, and the Bulgarian Association for People Management.

Membership in the aforementioned organizations contributes to strengthening the image of Electrodistribution Grid West and Electrohold as respected professionals who adhere to high professional and ethical standards.

- **Donations**

In 2024, Electrohold and Eurohold created a platform for financial support for Bulgarian sports from business. Funds were donated to children's sports clubs at the St. George School. Donations were provided to the Bulgarian Volleyball Federation, the Bulgarian Basketball Federation and the Bulgarian Tennis Federation. A donation was also made to support the activities of the “Bulgarcheta” Foundation.

A gym was equipped and donated to the “Hristo Botev” Primary School in Belogradchik, where students could play sports in a modern environment.

In 2024, EDG West became the protector of an Egyptian vulture by providing food and installing a GPS transmitter. This is a globally endangered species and is one of the fastest disappearing birds on the planet. Today, the Balkan Peninsula is home to fewer than 60 pairs. The adoption of the Egyptian vulture is part of the long-term policy of EDG West EAD for environmental care and biodiversity conservation.

The total amount of donations exceeds BGN 500 000.

- **Volunteering**

Employees of Electrohold Group actively participate in volunteer initiatives to assist people in need, causes, and organizations.

- **Distinctions**

The companies from the Electrohold group received four awards in the 14th edition of the national competition "The Greenest Companies in Bulgaria 2024", organized by b2b Media:

- Electrohold Bulgaria took first place in the categories "Sustainable Policies" and "Leader in Green Investments" with its campaign to replace the paper electricity invoice with an electronic one and promote digital services;
- For its overall environmental policy, the company was ranked first in the b 2 b competition. Media "The Greenest Companies in Bulgaria 2024" in the category "Energy and Water Sector";
- Electrohold Sales received third place for "Green Technology" with its new product for turnkey construction of photovoltaic systems for self-consumption.

In 2024, Electrohold Bulgaria received a special distinction "Business and Education in Practice" at the 2023 Annual HR Awards Competition of the Bulgarian Association for Human Resources Management (BAHRM). The company was honored for its systematic, long-term work at a strategic level to build better cooperation between business and education.

Electrodistribution Grid West EAD was honored during the "Annual National Occupational Safety and Health Awards". The company took second place in the category "Enterprise that invested the most in improving occupational health and safety conditions".

- **Biodiversity Conservation**

Electrodistribution Grid West EAD is implementing two large-scale projects under the EU LIFE program, within which it is undertaking various measures to secure the network in order to prevent incidents and protect birds - "Life for Birds" (LIFE16 NAT/BG/000612) and "Safe Flight for Birds on the Danube" (LIFE19 NAT/SK/001023). The main activities under both projects are conducting field surveys, locating risky poles in the electricity distribution infrastructure and securing them. The projects are implemented jointly with the Bulgarian Society for the Protection of Birds and are co-financed by the EU under the LIFE program.

The company works to protect biodiversity by investing its own funds. In 2024, 106 metal platforms were installed to lift risky stork nests.

- **Stakeholder-related Risks**

Electrohold Group provides a socially significant service, but this significance is at risk if professional and committed management is not provided, along with adequate training tailored to the needs of the employees. In this regard, the introduction and implementation of continuing education policies are encouraged, which not only create added value and motivation but also support employees in their personal and career development.

What Can We Do to Influence Stakeholders?

To achieve better interaction with our stakeholders, we strive to build sustainable cooperative relationships and dialogue. The Company has developed a Stakeholder Engagement Program, which is published on the website of EDG West in the Customer section, subsection Stakeholder Engagement Plan: https://ermzapad.bg/documents/4485/SEP_EDG_West_December_2022.pdf.

13. Participation in European projects

In support of its social and public initiatives, Electrodistribution Grid West EAD participates in a number of European projects, the most significant of which are the following:

- **Project “Life for birds him/her power lines "**

The company is implementing the project "LIFE BIRDS ON POWER LINES", which is funded by the LIFE program of the European Union. The project implementation period is until 31.12.2022, and it has been extended by another two years - until 31.12.2024 . The main objective of the project is related to minimizing risks to the environment and biodiversity. The activities are aimed at improving, modernizing and securing the electricity distribution network in order to provide a safer network for birds. In 2024, "EDG West" EAD successfully completed the implementation of this project.

- **Project "LIFE19NAT/SK/001023 Life Danube free sky "**

In 2024, the Company continued the implementation of a second large-scale project, funded by the LIFE program of the European Commission - "Transnational Protection of Birds on the Danube". The project implementation deadline is until 28.02.2026. Its activities are carried out by fifteen partners in seven countries - Austria, Bulgaria, Croatia, Hungary, Romania, Slovakia and Serbia. The coordinator is the non-governmental organization Raptor Protection , Slovakia, and from the Bulgarian side, Electrodistribution Grid West EAD and the Bulgarian Society for the Protection of Birds (BSPB) participate. The aim of the project is to protect the bird species that inhabit the area near the Danube River.

- **Data hub for the Creation of Energy communities at Local Level and to Advance Research him/her them (DATA CELLAR)**

Local Energy Communities (LECs) have been identified by the EC as a key measure to promote the energy transition in the EU. At the same time, the digitalization of the EU energy system and the proper sharing of data between energy players seem crucial to foster the sharing of best practices and the creation of a community of knowledge to tackle one of the most urgent global crises of our society: climate change. The DATA CELLAR project aims to create a public energy data space that will support the creation, development and management of LECs in the EU. Within the project, DATA CELLAR and its services will be used by representatives of nine validation cases in the EU and with different levels of development, promoted by different types of actors such as public authorities, ERPs, aggregators , etc.

- **Enable Flexibility provision by all Actors and sectors through market and digital Techno (ENFLATE)**

The ENFLATE project builds on existing data management solutions for energy and non-energy services and will replicate them across different geographies, climates and customer needs. The project will propose applicable, customer-centric, flexible platforms and test them in Bulgaria, Greece, Spain, Sweden and Switzerland, engaging local customers, TSOs, DSOs, market operators, regulators, service providers, manufacturers and academia.

ENFLATE will provide innovative technologies for smart grids, market platforms for customers, smart buildings and cross-flexibility services in local energy communities, integrating customer-oriented flexibility with pan-European markets. Effective business models combining energy services with health and mobility services will be developed and tested. ENFLATE will assess the impact of the proposed cross-flexibility services at local, regional and pan-European levels.

- **Demand Response - Residential Innovation for a Sustainable Energy system (DR-RISE)**

The main objective of the DR-RISE project is to demonstrate the benefits of demand response (DR) in the residential sector not only for end users, but also for the overall energy system and all stakeholders. It will offer a set of tools and services with a dual purpose: increasing energy efficiency through optimal management, as well as demonstrating the benefits (not only economic) of DR. The platform will be demonstrated in three different EU countries, focusing on bringing together a wide range of environments (e.g. existing energy communities, smart villages, urban housing blocks, low-income households, etc.). A first iteration of the pilot projects will be deployed to assess the benefits of DR, including the minimum devices required for it. Then, building on the previous results, a second iteration will be carried out and the results will be compared with the previous one. This two-phase methodology will allow us to take corrective measures if necessary and assess the potential benefits of multiple sensors and controls. The platform will therefore reach TRL7/8 by the end of the project.

- **Digital Twin for Europe (TwinEU)**

The current international situation makes the energy transition process more critical for Europe than ever. A key requirement is to increase the penetration of renewable energy sources, while aiming to make the infrastructure more sustainable and cost-effective. In this context, digital twins (DT) constitute a key asset to facilitate all aspects of business and operational coordination for system operators and market participants. It is essential now to start a process of reaching an agreement at European level, so that no isolated cases develop, but a unified ecosystem of DT solutions. Each operator will be able to make its own deployment decisions, while preserving and maintaining interoperability and exchange with the rest of the ecosystem. This is exactly the vision of the TwinEU consortium: enabling new technologies to promote an advanced concept of DT, while defining the conditions for interoperability, data and model exchange through standard interfaces and open APIs for external actors. The envisaged DT will build the core of a European data exchange supported by interfaces to the energy data space under development. Advanced modelling, supported by AI tools and capable of using high-performance computing infrastructure, will provide an unprecedented opportunity to monitor, test and activate a pan-European digital replica of the European energy infrastructure. In this process, reaching consensus is crucial: the consortium is therefore bringing together an unprecedented number of participants committed to achieving this common goal. The concepts developed by TwinEU cover over 15 different European countries with continuous coverage of the continental map. Demonstrations will involve key players at every level from transmission to distribution and market operators, while testing coordinated cross-zonal data exchange. The consortium also includes relevant industry players, research institutions and associations with clear experience in developing innovative solutions for Europe.

Detailed information about them can be found in Note 27 "Government Donations" to the Company's financial statements, where information related to participation in European projects is disclosed.

- **Modernization Fund Project**

On 23 December 2024, EDG West concluded a contract with the Ministry of Energy, in its capacity as Administrator of funds under the Modernization Fund for the Republic of Bulgaria, under the Project "Installation of smart meters, including the related infrastructure and integration of a metering data management system (MDM). According to the concluded contract, the Company should receive a grant for the implementation of the Project, which includes 2 sub-projects, namely: 1. Implementation of 450 000 smart meters, together with the necessary infrastructure (modems, concentrators) and 2. Integration of a metering data management system (MDM), which is a software system consisting of modules that provides long-term storage and management of data supplied by all metering devices. The project was approved by Decision No. 268 of the Council of Ministers of 5 April 2023.

The funds are provided by the European Union under Directive 2003/87/EC of the European Parliament dated 13 October 2023 and are intended for the modernization of energy systems and increasing energy efficiency in European Union Member States.

The amount of the grant provided is in the total amount of BGN 76 277 thousand excluding VAT (equivalent to EUR 39 000 thousand), with the funds divided as follows: 1. For the sub-project for the implementation of smart meters: BGN 58 675 thousand (EUR 30 000 thousand) and 2. For the sub-project for the integration of a data management system: BGN 17 602 thousand (EUR 9 000 thousand). The funds should be spent only for the reimbursement of eligible costs, according to the concluded contract, which have actually been incurred and paid after the conclusion of the contract.

The implementation period of the entire Project is 38 months, and the funds will be provided to the Company in stages, according to a schedule for the implementation of individual stages of the two sub-projects, after preparing a report on the eligible costs incurred for each individual stage, verified and approved by an independent registered auditor and approved by the Grant Administrator (Ministry of Energy).

14. Research and development

In 2024, the Group carried out some activities in the field of research and development on projects as described above in IV., p. 13. Participation in European projects.

V. RISKS

1. Risk management

The Group management, as well as management of the subsidiaries are responsible for identifying and managing the risks that Electrohold Group faces in its operational activities. Risk management policies and systems are subject to ongoing review in relation to changes occurring in the Group's operational activities.

The overall risk management focuses on the unpredictability of the financial markets and aims to reduce any adverse effects on the Group's financial performance.

The Group has established and operates a risk management system. The operational activity in this area is performed by a specialized intra-group unit - Risk Management, in which employees of Electrohold Bulgaria EOOD participate.

In carrying out their activities, the companies of the Electrohold Group are exposed to various general and specific risks.

2. Risks and opportunities

2.1. General risks

- **Market risk**

There is a market risk associated with core business of Electrohold Group - electricity consumption and risk resulting from the volatility and unpredictability of the wholesale market and the fundamental factors impacting it (prices of natural gas, fuels, CO2 emissions, RES, EU policy, market mergers, climate changes, etc.), the risk of liberalisation of the electricity market. Risks related to competition and supplier change on the open market, risks related to the behaviour of market participants, experience, and code of ethics and etc.

Market risk exists when the Group is in unfavourable conditions due to increased competition in the market, reduced market demand or the inability to develop in new markets or position products, to win targeted customers.

These are risks that arise from causes external to the Group and the Group's ability to effectively influence the factors determining this risk is very limited. Market risk includes currency risk, interest rate risk and price risk.

After the extremely high volatility reported in the electricity market in 2022, 2023 and 2024 were characterized by a stabilization of prices in the short-term and long-term wholesale electricity market. Major factors influencing wholesale electricity prices in Bulgaria are carbon prices, market opening/coupling, and possible commissioning of a new nuclear power plant.

The transition to a greener energy mix, supply diversification and energy efficiency accelerated. Throughout 2024, dynamic development was observed in the construction of new renewable energy sources and the construction of systems for industry's own needs, energy savings and a number of other measures.

During 2024, electricity consumption in Bulgaria increased by 0.5% from 35 924 GWh to 36 101 GWh. Demand for electricity in Bulgaria is expected to grow by 0.6% in 2025 to reach 39 723 GWh and at 1.2% by 2034 to reach 39 723 GWh, according to EIU industry Report Bulgaria.[2]

Bulgaria’s energy sector is diverse and well developed, with universal access to the grid and numerous cross border connections in neighbouring countries. The electricity market is split between direct contracts and merchant market, for which Bulgaria operates an active regional energy exchange.

Much of Bulgaria's energy sector is still publicly owned, with state owned firms controlling nuclear, coal and gas industries, and continuing to play an important role in electricity generation and transmission, also private, independent RES are coming online.

Even with the implementation of the electricity market liberalization, Bulgaria is anticipated to adopt a gradual approach, with suppliers serving as intermediaries to facilitate the transition.

There is a huge potential to transform Bulgaria’s energy system and decarbonise its economy: most carbon intensive economy in the EU with greenhouse gas intensity more than four times higher than the EU average.

The Group operates within a transparent and supportive regulatory regime in line with EU standards, which underpins and supports the attractive fundamentals of the Bulgarian energy market set out above.

[2] Source: EIU, World energy statistics, Electricity information and World energy balances OECD/IEA 2024 IEA statistics, www.iea.org/data-and-statistics

- **Currency risk**

The Group is exposed to currency risk through payments in foreign currency and through its assets and liabilities denominated in foreign currency. Foreign currency exposures result in gains or losses that are recognized in the consolidated statement of profit or loss and other comprehensive income. These exposures comprise the Group's monetary assets that are not denominated in the currency used in the financial statements of local companies.

The Group operates mainly in Bulgarian levs and in euro. Management believes that with the Bulgarian Currency Board operating in Bulgaria and the fixed exchange rate of the Bulgarian lev to the euro, the Group is not exposed to significant adverse effects of changes in the exchange rate.

The Group has no significant investments in countries other than the country in which it operates – Republic of Bulgaria. In cases, if any, where the local currency is exposed to significant currency risk, its management is achieved by investing in assets denominated in Euro.

January 1, 2026, is announced to be Bulgaria's target date for entry into the Eurozone.

The new Law on the Bulgarian National Bank is published in the State Gazette № 13 from 13.02.2024, effective from the date indicated in the Decision of the Council of the European Union on the adoption of the euro by the Republic of Bulgaria. [3] After entering in force, the official currency in Bulgaria will be euro. No shocks are expected on the money market in the country due to the fixed rate at which the currencies would be translated.

The Bulgarian parliament has formally asked the European Commission and European Central Bank (ECB) to assess the country's readiness to join the euro area on 25 February 2025. Following the release of a convergence report, a series of approvals would be required – from members of the euro area, the ECOFIN council of EU's finance ministers, European Parliament and the European Council.

The convergence report must confirm that the country meets all the criteria in the field of monetary policy and financial stability. If the report is positive, it will allow the Bulgaria's planned admission to the eurozone from 1 January, 2026.

Bulgaria will have a two-month transition period during which payments will still be possible in both currencies (as in other countries that have adopted the euro), and the prices of all goods and services will be displayed in parallel. After this transition period, payments will only be made in euros.

The Group has an internal action plan on adopting the euro, which is mainly related to IT reconfiguration.

- **Interest rate risk**

The Group is exposed to the risk of changes in market interest rates, mainly with respect to its short-term and long-term financial liabilities with variable (floating) interest rates. The Group's policy is to manage interest expenses by using financial instruments with both fixed and floating interest rates. The interest rates on the majority of the Group's loans to banking institutions are based on one-month and / or quarterly and / or six-month EURIBOR.

The following table presents a sensitivity analysis to possible changes in interest rates, with their effect on the Group's profit before tax (through the effect on floating interest rate loans and borrowings), all other variables held constant. There is no impact on the other components of Group's equity.

	Increase / Decrease in interest rates	Effect of the profit before taxes
2024	%	*BGN'000*
For interest-bearing loans and borrowings	+1%	(9 458)
For interest-bearing loans and borrowings	-0.5%	4 729

[3] Source: https://www.bnb.bg/bnbweb/groups/public/documents/bnb_law/laws_bnb_new_bg.pdf. Note: only a Bulgarian version of the act is available as of now.

2023		
For interest-bearing loans and borrowings	+1%	(6 827)
For interest-bearing loans and borrowings	-0.5%	3 414

The Group controls this exposure through periodic review of its active positions. Cash flow assumptions as well as the impact of interest rate fluctuations on the investment portfolio are reviewed every six months.

Since September 2022 the Governing Council started increasing the ECB's three key interest rates consecutively from 75 basis points to 400 basis points in September 2023.

In June 2024 the European Central Bank (ECB) lowered interest rates for the first time in nearly five years. The ECB lowered its main interest rate on deposits by 25 basis points to 3.75%. Three more decreases followed in September and October this year, each by 25 basis points. As at the end of the year the main interest rate is 3.00%.

As of the date of preparation of this report, the main interest rate is 2.5% (following the decreases in February and March, 2025). The ECB Governing Council's decision is based on its updated assessment of the inflation outlook, the dynamics of core inflation and the sound functioning of the monetary policy transmission mechanism.

The actions of the European Central Bank give counterparties reasons to consider the interest rate risk low in the current market situation.

A significant part of company`s loan liability is hedged by interest rate swap via which potential fluctuations in the interest rates would be mitigated.

- **Price risk**

The Group's exposure to price risk is related to financial assets at fair value, which include open end funds traded on EU stock exchanges.
Under these instruments, there is a risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those related to interest rate and currency risk), regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting the market.
Price risk is managed by analyzing the companies in which investments are made on the basis of their operating activities.

- **Credit risk**

The Group's credit risk is mainly related to trade and financial receivables (including cash at bank).
The amounts presented in the consolidated statement of financial position are on a net basis, excluding provisions for uncollectible receivables, assessed as such by management, based on previous experience and current economic conditions.

The Group holds assets in a trading portfolio in order to manage credit risk. Credit risk is the risk that one party to a financial instrument will incur a financial loss for the other party to it by failing to meet an obligation. The Group has implemented policies and procedures to mitigate the exposure of the credit risk group.

The Group's investment policy requires strict application of the diversification rules on exposure limits for each type of instrument and for an individual counterparty, set out in the insurance legislation of each country.
Group's cash and payment operations are mainly concentrated in different first-class banks. In order to calculate expected credit losses for cash and cash equivalents, the Group applies a rating model by using the banks' ratings as determined by internationally recognized rating firms such as Moody's, Fitch, S&P, BCRA and Bloomberg and the reference public data about the PD (probability of default) of the respective bank.

The management currently monitors changes in the respective bank's rating in order to assess the presence of increased credit risk and for the purpose of ongoing management of incoming and outgoing cash flows and the allocation of cash in bank accounts and banks.

The majority of Group's cash and cash equivalents available on 31 December 2024 are in bank accounts with ratings A to BBB according to Fitch/ BCRA.

The Group conducts derivative transactions through Electrohold Trade EAD. In 2023 and 2024, the subsidiary was a party to standard short-term commodity swap contracts. They represent a formal exchange of electricity volumes with fixed and variable prices determined by average monthly levels of a recognized price index. The company uses these swaps to hedge the economic risk of price fluctuations of its electricity trade (purchases and sales). As at the end of the current and previous years Electrohold Trade EAD has no open positions under derivative contracts.

The Group invests its own funds mainly in bank deposits. In order to implement its investment policy, the Group uses professional services of investment intermediaries that have received permission to conduct transactions in the country and abroad.

- **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they become due. The policy in this area is aimed at ensuring that sufficient liquidity is available to service the obligations when they become due, including in extraordinary and unforeseen situations. The objective of the management is to maintain a constant balance between the continuity and flexibility of financial resources through the use of adequate forms of funding.

Liquidity risk management is the responsibility of the Group's management and includes maintaining sufficient cash, negotiating adequate credit lines, preparing analysis, and updating cash flow projections.

- **Operational risk**

Operational risk is the risk of direct and indirect losses for the Group, caused by various internal factors related to the Group's operations, personnel, technology and infrastructure, as well as external factors other than credit, market and liquidity risk and arising from legal requirements and generally accepted rules for corporate ethics.

The Group defines the operational risk as: the risk of loss or non-realization of profits, which is caused by non-functioning or not implemented internal control systems or by factors external to the Group, such as economic condition, changes in the insurance environment, technical progress and others. Legal risk is part of operational risk and arises as a result of non-compliance or misapplication of legal and contractual commitments that would have an adverse effect on operations. The definition does not include strategic risk and reputational risk.

The Group is exposed to operational risk inherent in its business activities, including risks of non-performance by third parties on whom the Subsidiaries rely on conducting their business, risks of direct and indirect losses arising from a wide range of internal causes related to the Subsidiaries' internal operations, personnel, organizational structure and internal processes. To manage and minimize these types of risks, the Group has established and validated internal procedures and operating rules. The content and implementation of these procedures are reviewed, revised and optimised where necessary. Compliance with these procedures and rules is monitored and enforced by management at the various levels of the Subsidiaries and they are held accountable for compliance.

The Group's goal is to manage operational risk in such a way as to prevent financial losses in the most effective way, while maintaining its good reputation and at the same time not hindering initiative and creativity in its actions.

Part of the operational risks is the security risk - the risk of loss due to intentional illegal actions by external parties or by employees of the Group. These risks are minimized by having specialized organizational units for ensuring the security of the Group's buildings and controlling the access provided to external individuals, and also by maintaining authorization matrix for access rights to various functions in the information systems.

- **Capital risk management**

With capital management, the Group aims to create and maintain opportunities for it to continue to operate as a going concern and to ensure the appropriate return on investment of shareholders and economic benefits of other stakeholders and participants in its business, as well as to maintain optimal capital structure.

The Group currently monitors the security and capital structure based on the debt ratio, namely the net debt capital to the total amount of capital.

Net debt includes all liabilities, loans, debenture, trade and other payables less the carrying amount of cash and cash equivalents. For capital risk calculation, subordinated debt instruments are treated as equity.

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

BGN'000	***31.12.2024***	***31.12.2023***
Equity (net assets)	**436 795**	**572 587**
Total liabilities	1 429 739	1 110 555
Cash and cash equivalents, and time deposits with banks	(168 054)	(203 687)
Net debt	**1 261 685**	**906 868**
Total equity and net debt	**1 698 480**	**1 479 455**
Indebtedness ratio % (Net debt to Equity and net debt)	**74%**	**61%**

The policy of the Group companies is to maintain stable levels of coverage of capital requirements, as well as to maintain the balance between high return and risk. Management is in the process of continuously analyzing the effect of the new regulatory framework on the Group's capital position and operations.

As at 31 December 2024 applied covenants for the Group from creditors according to Senior Facilities Agreement dated 03.06.2024 (SFA) are calculated on the basis of **"last twelve months"** data and presented as follows:

Operating companies as of 31.12.2024	**EBITDA** *BGN'000*	**EBITDA** *EUR'000*	**EBIT** *BGN'000*	**EBIT** *EUR'000*	**Cash** *BGN'000*	**Cash** *EUR'000*
EDG West	171 677	87 777	76 081	38 900	46 230	23 637
ELH Sales	62 519	31 965	62 324	31 866	87 966	44 976
ELH Trade	13 709	7 009	13 173	6 735	5 206	2 662
ELH ICT	7 967	4 073	3 326	1 701	4 620	2 362
ELH Bulgaria	5 980	3 058	2 625	1 342	20 704	10 586
FEPO	1 837	939	1 135	580	494	253
ELH EPC	1 101	563	667	341	1 062	543
BARA	(15)	(8)	(15)	(8)	227	116
EEEC	(3 645)	(1 864)	(3 650)	(1 866)	1 545	790
Eliminations	(1 757)	(898)	(7 879)	(4 028)	0	0
Upfront fees and transaction costs*	2 658	1 359	2 658	1 359	0	0
TOTAL	**262 031**	**133 973**	**150 445**	**76 922**	**168 054**	**85 925**

* The definitions within SFA imply exclusion of upfront fees and transaction costs from the calculations of covenants.

Covenants calculations**	***BGN'000***	***EUR'000***
Total Debt	950 314	485 888
CASH	168 054	85 925
Total NET DEBT	**782 260**	**399 963**
TOTAL EBITDA	**262 031**	**133 973**
TOTAL EBIT	**150 445**	**76 922**
TOTAL Interest	**(56 617)**	**(28 948)**

**SFA Definitions

Covenants	**Ratio**	**Reference value**
Leverage covenant	2,99	<4
Interest coverage covenant	2,66	>1,5

Leverage: Total Net Debt on the last day of the Relevant Period is EUR **399 963** thousand, Adjusted EBITDA is EUR **133 973** thousand therefore the ratio is **2,99.**

Interest Cover: Adjusted EBIT is EUR **76 922** thousand, Finance Charges is EUR **28 948** thousand therefore the ratio is **2,66**.

"Adjusted EBITDA" for the financial period ended 31 December 2024 is EUR **133 973** thousand.

"Basket Adjusted EBITDA" for the financial period ended 31 December 2024 is EUR **133 973** thousand.

<u>SFA Definitions:</u>**

- **“Interest Cover”** means the ratio of Adjusted EBIT to Finance Charges.

- **“Leverage”** means the ratio of Total Net Debt on the last day of that Relevant Period to Adjusted EBITDA in respect of that Relevant Period.

- **“Total Net Debt”** means, at any time, the aggregate amount of all obligations of members of the Company Group for or in respect of Borrowings at that time but:

(a) **excluding** any such obligations to any other member of the Company Group;
(b) **excluding** any such obligations in respect of the Parent Loans;
(c) **including**, in the case of Finance Leases only, their capitalised value;
(d) **deducting** the aggregate amount of Cash and Cash Equivalent Investments held by any member of the Company Group at that time,

and so that no amount shall be included or excluded more than once

- **“Relevant Period”** means each period of twelve months ending on or about the last day of the Financial Year and each period of twelve months ending on or about the last day of each Financial Quarter.

- **“EBIT”** means, in respect of any Relevant Period, the consolidated operating profit of the Company Group before taxation (excluding the results from discontinued operations):
  (a) before deducting any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments whether paid, payable or capitalised by any member of the Company Group (calculated on a consolidated basis) in respect of that Relevant Period;
  (b) not including any accrued interest owing to any member of the Company Group;
  (c) before taking into account any Exceptional Items;
  (d) before deducting any Acquisition Costs;
  (e) before deducting any Transaction Costs;
  (f) after deducting the amount of any profit (or adding back the amount of any loss) of any member of the Company Group which is attributable to minority interests;
  (g) after deducting the amount of any profit of any Non-Company Group Entity to the extent that the amount of the profit included in the financial statements of the Company Group exceeds the amount actually received in cash by members of the Company Group through distributions by the Non-Company Group Entity;
  (h) before taking into account any gain or loss arising from an upward or downward revaluation of any other asset at any time after 31 December 2023;
  (i) before taking into account any effect of any Parent Loan or any loan to any Unrestricted Subsidiary and any profit or gain arising there from; And
  (j) before taking into account any gain arising from any Debt Purchase Transaction entered into by a member of the Company Group, in each case, to the extent added, deducted or taken into account, as the case may be, for the purposes of determining operating profits of the Company Group before taxation.

  “EBITDA” means in respect of any Relevant Period, EBIT after adding back any amount attributable to the amortisation, depreciation or impairment of assets of members of the Company Group (and taking no account of the reversal of any previous impairment charge made in that Relevant Period).

- **“Adjusted EBIT”** means, in relation to a Relevant Period, EBIT for that Relevant Period adjusted by:

  (a) including the operating profit before interest and tax (calculated on the same basis as EBIT) of a member of the Company Group (or attributable to a business) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business or assets; and

(b) excluding the operating profit before interest and tax (calculated on the same basis as EBIT) attributable to any member of the Company Group (or to any business) disposed of during the Relevant Period for that part of the Relevant Period.

- **"Adjusted EBIT"** means, in relation to a Relevant Period, EBIT for that Relevant Period adjusted by:

  (a) including the operating profit before interest and tax (calculated on the same basis as EBIT) of a member of the Company Group (or attributable to a business) acquired during the Relevant Period for that part of the Relevant Period prior to it becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business or assets; and

  (b) excluding the operating profit before interest and tax (calculated on the same basis as EBIT) attributable to any member of the Company Group (or to any business) disposed of during the Relevant Period for that part of the Relevant Period.

- **"Adjusted EBITDA"** means, in relation to a Relevant Period, EBITDA for that Relevant Period adjusted by:

  (a) including the operating profit before interest, tax, depreciation, amortization and impairment charges (calculated on the same basis as EBITDA) of a member of the Company Group (or attributable to a business or assets) acquired during the Relevant Period for that part of the Relevant Period prior to its becoming a member of the Company Group or (as the case may be) prior to the acquisition of the business; and

  (b) excluding the operating profit before interest, tax, depreciation, amortization and impairment charges (calculated on the same basis as EBITDA) attributable to any member of the Company Group (or to any business or assets) disposed of during the Relevant Period for that part of the Relevant Period.

- **"Basket Adjusted EBITDA"** at any time means Adjusted EBITDA as set out in the most recent Quarterly Financial Statements and corresponding Compliance Certificate delivered to the Agent pursuant to Clause 21 (Information Undertakings).

Ratios - financial structure indicators

	2024	**2023**
Equity/Liabilities	0.31	0.52
Loans/Trade and other short-term liabilities	0.20	0.67
Cash and cash equivalents/Liabilities	0.12	0.18

The Group monitors its equity through the realized financial result for the reporting period, as follows:

	2024	**2023**
ROE	15.59%	20.87%

There are no external regulatory capital requirements imposed on the Group.

- **Risks related to Republic of Bulgaria**

  - **Political risks**

As at the date or preparation of this Annual Activity Report the country has a regular government which should end the political instability in the country during the past years. The state budget for 2025 was approved after a plenary session on 21.03.2025.

  - **Economic risks**

The table below presents information on the economic growth expectations of the Republic of Bulgaria

(Real GDP) according to the data of the International Monetary Fund (October 2024: https://www.imf.org/en/Publications/WEO/Issues/2024/10/22/world-economic-outlook-october-2024*)

	Historical data				Forecast	
	2020	**2021**	**2022**	**2023**	**2024**	**2025**
Economic growth of GDP	(4.00)%	7.70%	3.90%	1.80%	2.30%**	2.50%

*There is no data for Republic Bulgaria in the January,2025 release of the report.
**Past year, projection calculations.

The table below presents information on the expectations for economic growth (Real GDP) of the countries of the Eurozone (representing the main external market of the Republic of Bulgaria) according to the data of the International Monetary Fund, including forecast data from January 2025 (https://www.imf.org/en/Publications/WEO/Issues/2025/01/17/world-economic-outlook-update-january-2025):

	Historical data				Forecast	
	2021	**2022**	**2023**	**2024**	**2025**	**2026**
Economic growth of GDP	5.6%	3.4%	0.5%	0.8%***	1.0%	1.4%

*** Past year, projection calculations.

- **Risks related to the legal system's functioning**

Although criticised in some aspects, the Bulgarian legal system could be deemed as stably functioning.

- **Currency rates and currency board**

January 1, 2025, is announced to be Bulgaria's target date for entry into the Eurozone, which means that that will probably be the date for adopting the euro as an official currency in Bulgaria.

The new Law on the Bulgarian National Bank is published in the State Gazette № 13 from 13.02.2024, effective from the date indicated in the Decision of the Council of the European Union on the adoption of the euro by the Republic of Bulgaria. [4] After entering in force, the official currency in Bulgaria will be euro. No shocks are expected on the money market in the country due to the fixed rate at which the currencies would be translated.[5]

- **Taxation**

The corporate tax in Bulgaria is unchanged compared to the previous year (10%).

In December 2021, the Organisation for Economic Co-operation and Development (OECD) released the Pillar Two model rules to reform international corporate taxation. Pillar Two aims to ensure that applicable multinationals (global turnover exceeding €750 million) pay a minimum effective corporate tax rate of 15%.

The requirements of the Second Pillar of taxation have been transposed into Bulgarian legislation and entered into force on 1 January 2024. During the period, the Starcom Holding AD group, to which the component entities of the EEEC group belongs, has made an estimate of the applicable tax legislation in order to determine the potential exposure to tax liabilities under the Second Pillar.

[4] Source: https://www.bnb.bg/bnbweb/groups/public/documents/bnb_law/laws_bnb_new_bg.pdf. Note: only a Bulgarian version of the act is available as of now.
[5] Source: https://www.ecb.europa.eu/stats/policy_and_exchange_rates/euro_reference_exchange_rates/html/index.en.html

The entities are subject to Additional National Tax in accordance with Art. 260я of the Corporate Income Tax Act. The additional tax relates to the Group's operations in Bulgaria, where the statutory corporate tax rate is 10%. During the period, the EEEC group entities have recognised a current tax expense of BGN 4 866 thousand relating to the additional tax (2023: 0).

The Group has made this assessment based on the current available information regarding the activities of the companies of the Starcom Holding AD Group, as well as the applicable effective tax rates of the Group. The effective tax rate of the Group is below 15%, as a result of which the Companies of the Group have accrued additional tax under the Second Pillar.

- **Liberalisation**

Bulgaria is one of the few EU Member States that has not fully liberalised its electricity markets. The Bulgarian energy strategy is focused on ensuring a free choice of supplier by consumers, unhindered and equal access to the electricity and gas transmission networks, fair prices and cleaner energy. Increased liberalisation of the energy market in Bulgaria, including the widening of the open market, is expected to incentivise efficiency, and in turn, profitability. Amendments have been made to the Energy Law in recent years in order to promote liberalisation of the energy market in line with EU legislation. For example, in 2020, amendments were made obliging companies to choose an electricity supplier, rather than to buy electricity from the regulated market, with only households to then remain on the regulated market. The next principal step towards liberalisation of the market is currently scheduled January 2026, at which time all consumers (including households) will be required to purchase energy from the open market, although the timing of this full liberalisation is not certain.
The operation of sales market will be fundamentally different once full liberalisation has come into effect and will introduce competitive tension into the electricity generation and sales markets. Other electricity companies in Bulgaria will be able to compete with the Group for sales to end users, including on the basis of price, quality, reliability and terms of supply.

The management believes that full liberalisation of the energy market will provide opportunities for the Group to expand its operations and market share and that the group is well-positioned to benefit from the liberalisation of the market.

- **Risk of negative impact on the environment**

Electrohold group complies with applicable domestic and international legislation in the field of sustainable development, ecology, and environmental protection, in solidarity with the main objectives and principles of environmental law. Concrete actions are taken and policies regarding the sustainable development are followed. The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of Electrohold group, as well as its impact on climate change.

Risk associated with switching to a low carbon activity. For the most part, the risks associated with this stem from:

- Change in the policies and regulations as a result of the implementation of the European normative documents in the field of climate by the respective regulatory bodies in the Republic of Bulgaria.
- Change in the legislative framework in line with European climate documents and established policies;
- A change in the technologies concerning the distribution network needed to move to a carbon-neutral society.

What can we do to address climate change?

- Support the adopted stricter standards for CO2 emissions.
- Facilitate the transition to a low-carbon future so that we can fulfil our environmental and social responsibilities by spending resources wisely, collecting waste separately, periodically analysing and monitoring performance.
- To support environmentally friendly activities and green initiatives of society.

- **Reputational and regulatory risks**

As a Group with significant importance for the society, reputational and regulatory risks are extremely important for Electrohold group. The professional attitude and commitment of the management staff, as well as the active participation of specialists in public life – in forums, sectoral meetings, as well as regular communication with various bodies and stakeholders, helps to strengthen the trust and image of the Group as a reliable partner in socio-economic life.

- **Risk of conflict escalation between the Russian Federation and Republic Ukraine**

On 24 February 2022, Russian forces commenced an armed conflict against Ukraine, which, in conjunction with sanctions imposed by governments in response, has led to significant volatility and disruption in the global credit markets and the global economy. In particular, the ongoing conflict has resulted in increased energy prices globally, which have, in turn, impacted tariffs charged by the Group and the policy stance of the Government and EWRC.

The degree to which the conflict between Ukraine and Russia may ultimately continue to affect the Group is uncertain. The ongoing geopolitical tensions related to the war in Ukraine, as well as any escalations of the conflict and the potential imposition of further economic or other sanctions, could negatively affect global macroeconomic conditions and conditions in Bulgaria.
The Group's management considers the situation to be highly dynamic, with the possibility of a negative impact on the Group's operations, especially on the carrying amounts of the Group's assets, which in the financial statements have been determined under a number of judgements and assumptions, taking into account the most reliable information available, at the date of making them.

2.2. Specific risks by companies in Electrohold Group

2.2.1. <u>Electrodistribution Grid West EAD (EDG West EAD)</u>

- **Risk of negative impact on the environment**

Electrodistribution Grid West EAD has established itself as a leading company for the operation and management of the electricity distribution network in Bulgaria. The Company has an established investment program aimed at modernization and automation of the electricity distribution network, reduction of technological losses and technical outage times, and projects for environmental protection and reduction of the company's carbon footprint. Information about the European projects in which the Company participates is disclosed in Note 27 "Government Financing" to the company's financial statements.

The company complies with applicable domestic and international legislation in the field of sustainable development, ecology and environmental protection, and is committed to the main goals and principles of environmental law. Specific actions are taken, and policies are followed regarding the sustainable development of the Company. The management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of Electrodistribution Grid West EAD, as well as its impact on climate change.

In 2024, the company continues to reduce the percentage of technological costs and for 2024 it is 5.94% compared to the reported 6.15% in 2023. The Company's goal is to maintain the trend of reduction in the following periods. Technological costs are directly related to the amount of energy transferred to the end customer. In 2024, the Company invests in technologies to reduce the amount of energy related to technological costs. The Company has no direct influence on the value of energy for technological costs.

Structure of purchased energy for technological costs - The Company purchases the energy it needs to cover technological costs from the organized exchange market. The purchased energy can be a mix of energy produced from both renewable energy sources (RES) and energy from non-renewable sources (fossil fuels and nuclear energy), depending on the supply of the Independent Bulgarian Energy Exchange.

In connection with the company's corporate social responsibility, one of the criteria when selecting a company car supplier is that the provided cars meet a higher emission standard.

- **Market risk**

There is market risk associated with electricity consumption and the cost of purchasing energy for process costs in an organised exchange market due to economic, political, technological and climate change reasons, as well as the risk of liberalisation of the electricity market. These are risks that arise from causes external to the Company and the Company's ability to effectively influence the factors determining this risk is very limited.

- **Regulatory risk**

Regulatory risk relates to the regulatory framework and its change, as well as fines and penalties resulting from breaches of this framework. Electrodistribution Grid West EAD operates in a highly regulated business and its financial performance is subject to a number of regulations and decisions of the regulatory body, the Energy and Water Regulatory Commission. The Company is exposed to the risk that the regulator's determination of electricity prices may not take into account all costs necessary to operate the business, rising inflation, and future price trends in the electricity markets. In order to actively and effectively manage these risks, the Company analyses and participates in discussions to set the priorities of the regulatory and legislative framework, defends its corporate policy before the Regulator and other administrative bodies, maintains active communication with the Regulator in terms of future changes in the regulatory framework, as well as proposes a version of the changes, and promptly learns about and implements the changes in the regulatory environment that have entered into force. Where necessary, the Company takes corrective measures.

- **Operational risks**

The Company is exposed to operational risk inherent in its business activities, including risks of non-performance by third parties on whom the Company relies to conduct its business, risks of direct and indirect losses arising from a wide range of internal causes related to the Company's internal operations, personnel, organizational structure and internal processes. To manage and minimize these types of risks, the Company has established and validated internal procedures and operating rules. The content and implementation of these procedures are reviewed, revised and optimised where necessary. Compliance with these procedures and rules is monitored and enforced by managers at the various levels of the Company and they are held accountable for compliance.

An operational risk for the Company is the protection of personal data following the introduction of Regulation 2016/679 on 25.05.2018. In connection with its implementation, the Company has ensured compliance of its activities with the requirements of the Regulation. The position of Director of Personal Data Protection has been created at Electrohold Bulgaria EOOD. and has an approved privacy policy, which sets out the Company's rules regarding the personal data of its customers and partners processed. The information systems used by Electrodistribution Grid West EAD comply with all information security standards and robust technical and organisational measures are in place to ensure the security of processing, including the prevention of unauthorised access to the data of the company's customers and partners. The company also has a data breach response procedure in place. The Company has taken all necessary measures to minimise this risk.

Part of the operational risks is the risk related to security - the risk of loss due to intentional illegal actions by outsiders or employees of the Company. Electrodistribution Grid West EAD minimises these risks by having a specialised organisational unit responsible for the security of the Company's buildings and access to them by outsiders.

The activities of another organisational unit are aimed at detecting and preventing unauthorised use of electricity. Checks are carried out at various facilities on the network in order to identify points at which unlawful activities related to electricity consumption are taking place. In determining the locations to be checked, a number of methods are used to identify risk points where such illegal activities are possible.

As of March 31, 2018, the Company has been recertified to ISO 9001:2015. This in turn provides further assurance of the availability, quality and compliance with established internal procedures and operating rules.

2.2.2. Electrohold Sales EAD

- Risk of the Company's licenses revocation.
- Risk of imposing penalties by CPC and EWRC.
- Risk of imposing penalties by PDPC upon incorrect implementation of the requirements of Regulation (EU) 2016/679 of the European Parliament and the Council on protection on natural persons in relation to personal data processing and regarding the free movement of such data and on repeal of Directive 95/46/EC.
- Risk of impossibility the Company to cover all the operating expenses under the license of End Supplier as well as lack of regulatory changes allowing for their decrease.
- Risk of insufficient number of imbalances which the Company may reflect in the end sales prices of electricity.
- The activity of the Company may be adversely influenced by a decrease in electricity consumption due to economic, political, or technological reasons.
- The Company's business is exposed to climate change risks.
- The operations of the Company are exposed to a risk of increase in electricity prices as a result of an increase in the prices of primary energy resources and more strict CO2 emissions standards.
- Liberalization of the electricity market in Bulgaria and increased competition.
- The Company operates in a strongly regulated business environment and its financial results are dependent on a number of legislative acts and decisions of the regulatory body EWRC.
- The Company is subject to the risk that not all of its costs required to fulfil the license activities may be reflected in the prices approved by the Regulator.
- Risks related to interruptions of electricity supply.
- Risks related to legislation, regulation practices and the changes thereto.
- Risk of court disputes or other out-of-court procedures or actions may have adverse effects on the Company's business, its financial position or the outcomes of its activities.
- The Company may choose an inappropriate market strategy, especially in light of the extremely high prices on the open market in recent months.
- Risk from inability to retain or hire high-quality personnel.
- The Company is exposed to operational risk inherent to its business activities, including risks from default of third party, on which the Company relies for fulfilling its activities or failure of professional obligations by personnel.
- Strikes or other industrial action, as well as negotiations with trade unions may disrupt Company's activities or increase its operating costs.
- Risks related to the Company's obligations according to the Energy Efficiency Act.
- Credit risk.
- Risks exists, the Company to be unable to obtain the required for its activity's permissions and licenses.
- Risk resulting from the inability or restrictions to attract resources including substantial increase of financing price or change in interest rates.
- Risk of sanctions due to failure to fulfil EEA targets.

2.2.3. Electrohold Trade EAD

- **Legislative framework**

- Risks related to unpredictability of legislative changes and the potential adverse impact of these changes on the company's operations.
- Risks related to direct institutional interference (EWRC, CPC, NRA, FSC, ESSF and others) in the company's operations.
- Risks related to the behaviour of key market participants (NEP, NEC, ESO, TEC, ERP, IBEX) and the impact thereof on the energy market.
- Risks related to increasing financial requirements on the company in terms of mandatory guarantees and deposits by key market participants.

- Risks related to the organization, model, structure and vision for development of the free energy market.
- Risks related to the introduction of additional statutory direct and indirect obligations for producers, traders, clients and grid companies for the free energy market, incl. increase and/or imposing new fees, taxes, contributions, and energy efficiency obligations.
- Changes in the regulatory framework related to the imposition of new EU regulations on the open electricity market.

➢ **Market risk**

- Risks related to competition and supplier change on the open market.
- Risks related to changes in electricity prices on the wholesale market and their impact on the energy position and the trade margin of the Company.
- Risks resulting from the volatility and unpredictability of the wholesale market and the fundamental factors impacting it (prices of natural gas, fuels, CO2 emissions, RES, EU policy, market mergers, climate changes, etc.).
- Risks related to liquidity and adequate offering of energy products on the wholesale market, corresponding to the profile of consumption of the end customers of the Company.
- Risks arising from seasonal nature, climate changes, maintenance programs of producers, available transmission capacities, unexpected shutdowns of producers, and other unexpected events, which may lead to changes in the wholesale market of electricity.
- Risks related to inaccurate forecasting and/or abrupt change in the wholesale market and the Company's inability to adapt the portfolio of end customers to changes.
- Risks related to market infrastructure, the data exchange systems, balancing costs, security of information.
- Risks related to the behaviour of market participants, experience and code of ethics.
- Risks resulting from outstanding positions of other participants in the Company's balancing group.
- Risk of non-renewal of contracts with end-users due to internal and external factors.
- Risks of changes to the legislative framework, respectively – impossibility for full or partial transfer of purchase costs onto sales prices to end customers.
- Increased volatility of the prices of electricity, gas, fuels, carbon emissions.

2.2.4. Electrohold Bulgaria EOOD

➢ **Risk related to a change in the regulatory framework**

The change in the current legislation could affect the performance of the Company's main activity, as well as, respectively, in the provision of services in the Electrohold Group.

➢ **Risk related to climate change**

The company complies with the applicable domestic and international legislation in the field of sustainable development, ecology and environmental protection, being in solidarity with the main goals and principles of environmental law. Concrete actions are taken, and policies are followed regarding the sustainable development of the Company. Management is currently monitoring the emergence of risks and negative consequences of climate change on the activities of Electrohold Bulgaria EOOD, as well as its impact on climate change. Management analyses the possible effects of climate change on the Company's assets, liabilities and operations, as well as initial general response plans and solutions. At the current stage, no indicators have been identified that have affected specific assets and/or lead to the suspension or significant reduction of activities, nor are such measures planned, and no significant circumstances have been identified that would require such measures or actions on the part of the management of the Company.

➢ **Market risk**

Market risk exists when a company finds itself in unfavourable conditions due to increased market competition, reduced market demand or the inability to develop into new markets or position products, win targeted customers.

Market risk can be divided into two elements: sales volume risk and price risk. Sales volume risk refers to fluctuations in sales volume in markets, and price risk refers to fluctuations in price levels.

Electrohold Bulgaria EOOD carries a significant market risk in relation to its activity in the provision of services in the field of customer service, financial and accounting services, legal and other services. Although the Company has clients (companies from the Group), this does not guarantee a constant volume of services provided.

- **Operating risks**

The Company is exposed to operating risk inherent in its business activities, including risks of default by third parties on which the Company relies to conduct its business, risks of direct and indirect losses arising from a wide range of internal causes related to internal activities, personnel, the Company's organizational structure and internal processes. For the management and minimization of this type of risks, the Company has established and established internal procedures and work rules. The content and implementation of these procedures are checked, revised and optimized if necessary. Compliance with these procedures and rules is monitored and enforced by managers at individual levels in the company, and they are responsible for their compliance.

Part of the operating risks is the risk related to security - the risk of losses as a result of intentional illegal actions by outsiders or employees of the company. Electrohold Bulgaria EOOD minimizes these risks by having specialized organizational units for the security of the Company's buildings and the access of foreign persons, as well as by maintaining authorization matrices for access rights to the various functions in the information systems.

- **Financial risks**

Risks related to losses due to changes in exchange rates, interest rates or other financial instruments. The company minimizes interest rate risks through the use of financial instruments, both with fixed and floating interest rates. The risks related to changes in exchange rates are minimal, since the Company does not maintain cash in currencies other than the Bulgarian lev, with the exception of the euro, which has a fixed exchange rate to the Bulgarian lev. The risks related to the liquidity of the Company are minimized through the presence of a specialized Cash Operations unit, which prepares forecasts for the company's liquidity needs for different time horizons - on a daily, weekly, monthly and annual basis.

- **Quality related risk**

The company bears the risk regarding the quality and timely provision of services in the field of customer service, financial and accounting services, legal and other services. This risk is expressed in the accrual of penalties in case of non-fulfilment of the agreed quality parameters and/or in case of delay. Minimization of this risk is carried out through continuous monitoring of service parameters and management of service delivery resources.

2.2.5. Electrohold ICT EAD

- **Climate change risk**

The Company complies with applicable domestic and international legislation in the field of sustainable development, ecology and environmental protection, and is in solidarity with the main objectives and principles of environmental law. Specific actions are taken, and policies are followed regarding the sustainable development of the Company. The management continuously monitors the emergence of risks and negative effects of climate change on the operations of Electrohold ICT EAD and its impact on climate change. Management is analysing the possible effects of climate change on the Company's assets, liabilities and operations, as well as initial general response plans and solutions. At this stage, no indicators have been identified that have affected specific assets and/or lead to the cessation or significant reduction of activities, nor are any such measures planned, nor have any significant circumstances been identified that would require such measures or actions by the Company's management. However, all of the Company's tangible assets related to the services it provides are covered by all-risk insurance, including natural catastrophes.

- **Market Risk**

Market risk exists when a company finds itself at a disadvantage due to increased competition in the market, reduced demand in the market, or the inability to expand into new markets or position products to win targeted customers.
Market risk can be divided into two elements: sales volume risk and price risk. Sales volume risk refers to fluctuations in sales volumes in markets and price risk refers to fluctuations in price levels. Electrohold ICT EAD has significant market risk in respect of its ICT services business. Although the Company has customers (Group companies), Electrohold ICT has committed, for its own account, significant tangible and intangible assets exclusively in the business of providing ICT services in planned volume.

- **Operational Risks**

The Company is exposed to operational risks inherent in its business activities, including risks of non-performance by third parties on whom the Company relies to conduct its business, risks of direct and indirect losses arising from a wide range of internal causes related to the Company's internal operations, personnel, organizational structure and internal processes. To manage and minimize these types of risks, the Company has established and validated internal procedures and operating rules. The content and implementation of these procedures are reviewed, revised and optimised where necessary. Compliance with these procedures and rules is monitored and enforced by managers at the various levels of the Company, who are responsible for ensuring compliance.

Part of the operational risks is the security risk - the risk of loss due to deliberate illegal actions by outsiders or company employees. Electrohold ICT EAD minimizes these risks by having a specialized organizational unit for the security of the Company's buildings and the access of outsiders, as well as by maintaining authorization matrices for access rights to various functions in the information systems.

- **Quality risk**

The Company bears the risk regarding the quality and timely delivery of ICT Services. This risk consists in the charging of penalties in case of failure to meet the agreed quality parameters and/or in case of delay. The mitigation of this risk is done through continuous monitoring of service parameters and management of resources for service delivery.

2.2.6. <u>Electrohold EPC EOOD</u>

- **Risk related to a change in the regulatory framework**

The change in the current legislation could affect the performance of the subsidiary’s main activity, as well as in the provision of services in the Electrohold Group, respectively.

- **Market Risk**

Market risk exists when a company finds itself at a disadvantage due to increased market competition, reduced market demand, or the inability to develop into new markets or position products, win targeted customers.

Market risk can be divided into two elements: sales volume risk and price risk. Sales volume risk refers to fluctuations in sales volume in markets, and price risk refers to fluctuations in price levels. Electrohold EPC EOOD carries a significant market risk in relation to its activity of providing services in the field of implementation of investment projects. Although the subsidiary has clients (group companies), this does not guarantee a constant volume of services provided.

- **Operational risks**

The subsidiary is exposed to operational risk inherent in its business activities, including risks of default by third parties on whom the company relies on to conduct its business, risks of direct and indirect losses arising from a wide range of internal causes related to internal activities, personnel, organizational structure of the company and internal processes. For the management and minimization of this type of risks, the company has established and established internal procedures and work rules. The content and implementation of these procedures are checked, revised and optimized if necessary. Compliance with these procedures and rules is monitored and enforced by managers at individual levels in the company, and they are responsible for their compliance.

Part of the operational risks is the risk related to security - the risk of losses as a result of intentional illegal actions by outsiders or employees of the company. Electrohold EPC EOOD minimizes these risks by having specialized organizational units for the security of the Company's buildings and the access of outsiders, as well as by maintaining authorization matrices for access rights to the various functions in the information systems.

- **Risk related to quality**

The subsidiary bears the risk related to the quality and timely provision of services of the choice of contractors for the supply of goods and services. This risk is expressed in the accrual of penalties in case of non-fulfilment of the agreed quality parameters and/or in case of delay. The minimization of this risk is achieved through continuous monitoring of service parameters and management of service provision resources.

2.2.7. Free Energy Project Oreshets EOOD

- The Company's business is exposed to the risk of climate change.
- Risks related to regulations, regulatory practices, and changes in them.
- Risks related to ESO restrictions in the production of electricity.
- The Company is exposed to operational risk inherent in its business activities, including risks of non-performance by third parties on whom the Company relies on to carry out its activities.
- Credit risk - risks related to inability or restrictions to attract the necessary resources including a significant increase in the cost of financing or a change in interest rates.

3. Control environment

Ethical principles and rules related to the processes of accounting and reporting

The management at the various levels of the Group has introduced and constantly monitors the observance of ethical values such as integrity, independence and objectivity as the foundations of the professional conduct of all persons involved in the processes related to accounting and financial reporting in the Group. They are the framework against which the control environment is built, and which have influenced the effectiveness of model design, administration and ongoing monitoring of other components of internal control in the field of accounting and financial reporting. The ethical principles that guide professional conduct that should be followed by all persons directly or indirectly involved in accounting and financial reporting processes are objectivity; impartiality; independence; conservatism; transparency; methodological justification; consistency and use of independent experts. These principles are applied at all stages of financial reporting when: choosing an accounting policy; accounting closing; the preparation and application of accounting estimates and the preparation of public and management financial statements, other public reports and documents containing financial information.

Management bodies responsible for the individual components of the overall accounting and financial reporting process:

Governing bodies that have certain responsibilities and powers regarding the process of financial reporting and resp. others related to the process are Management Board, Audit Committee and etc. Their functions and responsibilities can be summarized as follows:

- The Management Bodies in the Group accepts and confirms: the accounting policy and the changes in it for each reporting period, the developed accounting estimates as of the date of each reporting period, incl. the applied methodology; financial statements and reports, and other public documents containing financial information; the functions, organization and responsibilities of all structural units and their heads, engaged in the processes of and related to financial reporting; the development, implementation and ongoing monitoring of the functioning of the individual components of the internal control system;
- The Audit Committees in some of the subsidiaries independently monitors the implementation of the financial reporting processes, the applied accounting policies and the effectiveness of the

internal control system of the respective company, incl. risk management, as well as the implementation and results of the audit;

- The compiler of the report organizes and manages the accounting activities of the respective company - controls and methodologically directs the current accounting, manages the preparation of financial and management reports; is responsible for the development and implementation of accounting methodologies and techniques; is responsible for the process of closing the accounts and preparing all accounting estimates, proposes and develops accounting policies and changes in them, monitors ongoing changes in IFRS. It is the direct contact with the used internal and external experts for the purposes of financial reporting;
- The controlling divisions and its head control the company's revenues by market segments, control the operating and investment costs incurred during the period.

The Group's Information System, including related business processes, essential for financial reporting and communication.

The Group uses modern information and communication systems for business process management, essential for financial reporting purposes, which actively use information technology. The information system covers procedures, data and documents for initiating, recording, processing and reporting the Group's operations (as well as events and conditions) and for maintaining responsibility for related assets, liabilities and equity. The quality of the systematically generated information from the various information systems affects the ability of management to make appropriate decisions in the management and control of the subsidiary's activities and to prepare reliable financial reports and statements.

The information system relevant to the objectives and process of financial reporting covers methods and documentation that:

- Identify and reflect all valid transactions.
- Describe transactions / transactions in a timely manner in sufficient detail to enable them to be properly classified for financial reporting purposes.
- Evaluate the value of transactions in a way that reflects their appropriate monetary value in the financial statements.
- Determine the time period during which the transactions / transactions have occurred in order to allow their recording in the appropriate accounting period.
- Present appropriately the transactions / transactions and related disclosures in the financial statements as required by the reporting framework.

Performance of the accounting function and key role in the financial reporting process

The performance of the accounting function is provided/performed by Electrohold Bulgaria EOOD, Financial and Accounting Directorate on the basis of a service level agreement concluded between the subsidiaries in the Group and Electrohold Bulgaria EOOD, provided the necessary qualified staff is provided to perform the accounting function in the Group, accounting control and preparation of financial statements. His responsibilities include the correct and consistent application of the developed accounting policies, the development and implementation of an internal chart of accounts; accounting methodologies, current accounting; the current accounting analysis of the reporting data and documentation; summarizing and classifying the reporting data for the purposes of the financial statements; preparation and / or processing of the input data for the accounting estimates together with the engaged experts, as well as reporting of identified deviations and discrepancies to the Management Bodies, as well as compliance with regulatory requirements in the field of accounting, taxes and other related areas.

All financial statements of the Group are prepared in accordance with the Accounting Act, the International Financial Reporting Statements, the International Accounting Standards, and other normative acts.

The preparation of the financial statements of the Group for public use is the result of a complete process of accounting closing of the reporting period. This process is formalized through documents and rules adopted by the management. They are related to the performance of certain actions and procedures, and resp. the preparation of certain documents by the responsible officials and these actions and procedures are aimed at: carrying out inventories; analysis of accounts; sending confirmation letters; determining best estimates such as depreciation, revaluation, impairment and accruals based on reasonable assumptions, consolidation and classification of accounting data; studies and analyses of certain legal documents (contracts, lawsuits, opinions of legal advisers); studies and evaluation of expert reports (appraisers, actuaries, internal auditors, other internal experts and officials); preparation of reports and financial packages for consolidation; preparation, analysis and discussion of draft financial statements.

4. Control activities

The control activities, which are envisaged in the developed and implemented internal controls by processes, include: reviews of the implementation and the results of the activity; information processing; physical controls and division of duties and responsibilities.

The current financial and accounting activity of the Group is a subject to periodic control and analysis by the Management of the Group. The Group has an established practice for periodic discussion and analysis of the current financial results of its activities, in order to ensure the implementation of business plans, budgets, forecasts and analyses compared to previous reporting periods. A precise analysis of the possibilities for implementation of future investment projects is being prepared. For the purposes of management, separate forms have been approved and approved, according to which the monthly reports are prepared. The reports contain actual and budget values, analysis of deviations. Comparison of current with previous period. They can usually also contain suggestions for optimization or revision of certain budgets.

The controls assigned to the information systems of the Group cover both the controls of the application programs and the general IT controls, which are policies and procedures that help to ensure the continuous proper functioning of the information systems.

The Group carries out physical controls in the field of: security through the presence of specialized organizational units for the security of the Group's buildings and the access of external persons; security of energy assets; detection and prevention of unregulated use of electricity, inspections of various facilities on the network are carried out in order to identify points where illegal actions related to electricity consumption are performed, a number of methods are used to determine the places of inspection at risk points where such illegal actions are possible; and other.

The Group carries out physical control through periodic inventories of assets - procedures for the organization and conduct of inventories through physical counting/weighing of stocks; sending letters for confirmation and comparison with the amounts reflected in the control inventories and accounting documents/registers. Procedures have been introduced for the timely analysis of the results of the inventories, development of solutions for their accounting and resp. approval by the Management Board.

5. Ongoing monitoring of controls

Ongoing monitoring of controls by management includes an assessment of whether they are operating as intended and whether they have been modified as appropriate and appropriate to changes in conditions. Ongoing monitoring of controls may include activities such as management review of whether internal management reports are being prepared in a timely manner and whether key data in them are in line with third party confirmation and its projections, assessment by internal auditors of compliance for management related to routine processes (sales and deliveries) by the staff employed in them, incl. the set internal controls, incl. and in comparison with the contracts with the counterparties, as well as supervision over the observance of the ethical norms or the policy for business practice by the legal department of the Subsidiaries. Ongoing monitoring is carried out to ensure that controls continue to be effective over time.

The Internal Audit Department also contributes to the ongoing monitoring of internal controls over the Subsidiary's processes through its assessments of individual controls. It usually periodically provides such information, in the course of its duties and functions, and its assessments of the functioning of certain internal controls, focusing considerable attention on assessing their effectiveness, communicating with relevant persons information on identified strengths and weaknesses of internal controls. And make recommendations for their improvement.

Also, in the implementation of ongoing monitoring activities, the management always takes into account the communication with the external auditors related to the internal control and the identified weaknesses and recommendations.

VI. RELATED PARTIES' TRANSACTIONS

Parent company:

The Group is a subsidiary of Eastern European Electric Company III B.V. which owns 100% of Eastern European Electric Company B.V.'s shares, respectively a 100% of the shares of all its sole owned subsidiaries: Electrodistribution Grid West EAD, Electrohold Sales EAD, Electrohold Trade EAD, Electrohold Bulgaria EOOD, Free Energy Project Oreshets EOOD, Bara Group EOOD.

On July 15, 2021 100% of Eastern European Electric Company B.V.'s shares were contributed by Eastern European Electric Company II B.V. to Eastern European Electric Company III B.V.

As of 31 December 2024, the sole shareholder of the Company is Eastern European Electric Company III B.V.

Economic group:

The Group is a part of the economic group of Eurohold Bulgaria and in this sense related parties are the following companies:

Insurance Sector
Company
Euroins Insurance Group AD (EIG AD)*
Indirect participation through EIG AD: Insurance Company Euroins AD, Bulgaria
Euroins Romania Asigurare-Reasigurare S.A., Romania - loss of control
Euroins Insurance AD, North Macedonia
Insurance Company Euroins Life EAD, Bulgaria
IC Phoenix Re AD, Bulgaria (previous name IC EIG Re AD, Bulgaria) - associated participation of EIG AD
Euroins Ukraine PrAT, Ukraine
ECLAIM Settlement Services Single Member P.C., Greece (pr.Euroins Claims M.I.K.E.) – until 12.09.2024
Insurance Company Euroins Georgia JCS, Georgia
European Travel Insurance PrAT, Ukraine
Phoenix MGA Services S.R.L., Romania – since 12.06.2023
Shardeni 2017 Ltd., Georgia - since 29.02.2023

**Eurohold's direct participation*

Finance Sector
EuroFinance AD, Bulgaria*

**Eurohold's direct participation*

Energy sector
Company
Eastern European Electric Company II B.V., Netherlands*
Eastern European Electric Company III B.V., Netherlands), through Eastern European Electric Company II B.V., Netherlands
Eastern European Electric Company B.V., Netherlands through Eastern European Electric Company III B.V.
Indirect participation through Eastern European Electric Company B.V.: Electrodistribution Grid West EAD and/or Electrorazpredelitelni mreji Zapad EAD, Bulgaria, owned by EEEC B.V., the Netherlands
Electrohold ICT EAD, Bulgaria through Electrodistribution Grid West EAD
Electrohold Sales EAD, Bulgaria owned by EEEC B.V., the Netherlands
Electrohold Trade EAD, Bulgaria owned by EEEC B.V., the Netherlands
Free Energy Project Oreshets EOOD, Bulgaria, owned by EEEC B.V., the Netherlands
Bara Group EOOD, Bulgaria, owned by EEEC B.V., the Netherlands
Electrohold Bulgaria EOOD, Bulgaria owned by EEEC B.V., the Netherlands
Electrohold EPC EOOD, Bulgaria through Electrohold Bulgaria EOOD
Electrohold Green EOOD, Bulgaria* - subsidiary of Eurohold Bulgaria AD

**Eurohold's direct participation*

Ultimate owner:

Eurohold Bulgaria AD is controlled by Starcom Holding AD – a joint stock company, established and existing in accordance with the laws of the Republic of Bulgaria, registered in The Commercial Register at the Registry Agency with UIC 121610851 with registered office and management address: Republic of Bulgaria, city of Sofia, Iskar Region, 43 Christopher Columbus Blvd.

Starcom Holding AD owns 52,13% of the capital of Eurohold Bulgaria AD as at the end of 2024 and as at the date of this financial report (2023: 50.08%).

The following tables provide the total amount of transactions for the relevant period by companies:

		Sales to related parties	*Purchases from related parties*	*Receivables from related parties*	*Payables to related parties*
		BGN'000	*BGN'000*	*BGN'000*	*BGN'000*
		31 December	*31 December*	*31 December*	*31 December*
Eastern European Electric Company II B.V.	2024	-	-	357	-
	2023	-	-	178	-
Eastern European Electric Company III B.V.	2024	-	-	81	-
	2023	-	-	-	-
Eurohold Bulgaria AD	2024	-	15	15	17
	2023	-	2	1	1 178
Euroins Bulgaria AD	2024	120	7 446	663	1 417
	2023	63	6 297	648	403
Euroins Life EAD	2024	-	44	2	4
	2023	-	33	4	6
Euro Finance AD	2024	-	140	-	-
	2023	-	106	-	-
Vedernik EAD-related party until 09. 2024	2024	19	-	-	-
	2023	-	-	-	-
Total	**2024**	**139**	**7 645**	**1 118**	**1 438**
	2023	**63**	**6 438**	**831**	**1 587**

Receivables from related parties

	31.12.2024	***31.12.2023***
	BGN’000	*BGN'000*
Sales receivables	7	7
Prepaid expenses	673	646
Other	438	178
	1 118	**831**

Payables to related parties

	31.12.2024	***31.12.2023***
	BGN'000	*BGN'000*
Sales	1 436	414
Other payables to related parties - short term	2	1 173
	1 438	**1 587**

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash, via bank transfers.

VII. SUBSEQUENT EVENTS

On 3 January 2025, Eastern European Electric Company B.V. distributed an amount of EUR 300 000 to Eastern European Electric Company III B.V. from the share premium reserve.

Milen Assenov Christov Digitally signed by Milen Assenov Christov Date: 2025.04.04 19:08:18 +03'00'	Yoan Hristov Ivanov Digitally signed by Yoan Hristov Ivanov Date: 2025.04.04 19:13:47 +03'00'
Milen Christov	**Yoan Ivanov**
Managing director	Managing director

Amsterdam, 04.04.2025

To: The shareholders of Eastern European Electric Company B.V.

Grant Thornton
Accountants en Adviseurs B.V.
Flemingweg 10
P.O. Box 2259
2400 CG Alphen aan den Rijn
The Netherlands

T 088 - 676 90 00
F 088 - 676 90 10
www.gt.nl

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the consolidated financial statements 2024 included in the annual report

Our opinion

We have audited the consolidated financial statements for the year ended 2024 of Eastern European Electric Company B.V. based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Eastern European Electric Company B.V. as at 31 December 2024 and of its result and its cash flows for 2024 in accordance with International Financial Reporting Standards as adopted by European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2024;
2. the consolidated profit or loss account and other comprehensive income, changes in equity and cash flows for 2024; and
3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the consolidated financial statements' section of our report.

We are independent of Eastern European Electric Company B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Scope of the Group Audit

Eastern European Electric Company B.V is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of Eastern European Electric Company B.V.

Our group audit mainly focused on significant group entities.

We have used the work of other auditors when auditing the subsidiaries of Eastern European Electric Company B.V. We have performed review procedures at these subsidiaries. By performing the procedures together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the consolidated financial statements.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Audit approach fraud risks

For the board's responsibilities regarding fraud, we refer to the following paragraph in the section 'responsibilities of management for the financial statements':

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In accordance with the objective in the Dutch Standards of Auditing, we have identified and assessed the risks at the level of the financial statements and assertions for material misstatement due to fraud. In doing so, we paid attention to the possibility of fraudulent financial reporting, the withdrawal of funds (assets) from the company and the possibility of bribery and corruption.

We obtained an understanding of the entity and its environment, and components of the internal control environment. We incorporated an element of unpredictability in our audit.

Below we describe the main fraud risks that required our (significant) attention and the related work performed by us.:

Fraud risk identified	Audit work performed
Risk of management override of controls	We have performed the following procedures: - Journal entry testing, such as user analysis and selection of journal entries based on risk assessment. - Assessed accounting estimates for biases that could result in material misstatement due to fraud. - Reviewed management’s process for estimations, including an assessment of whether the method(s) and assumptions chosen are appropriate. - We have requested information from individuals involved in the financial reporting process about possible inappropriate or unusual activities related to the processing of journal entries and other modifications.

Fraud risk identified	Audit work performed
Risk of overstatement of revenues	We have evaluated the design and implementation of relevant internal controls. We have performed the following substantive procedures: - Obtained pricing decisions from Bulgarian regulator – Energy and water regulatory commission (EWRC) and reconciled these to the revenue recorded. - Performed substantive analytical procedures on quantities delivered and quantities distributed and the prices approved from the EWRC. - Performed test of details on samples of revenue transactions and compared with source documents. - Cut-off procedures on revenues based on the approved methodology for delivered and distributed energy as per balance sheet date.
Misappropriation of assets (cash) due to the complex payment organization and large number of bank accounts	We have evaluated the design and implementation of relevant internal controls. We have performed the following procedures: - An assessment of the segregation of duties in the payment organization (accounts payable master data and payment rights). - Journal entry testing including unexpected entries to bank ledgers. - Test of details on selling, general and administrative expenses to determine the business purpose.
Risk that facilitation payments or bribery payments are made (risk of corruption and bribery)	We obtained an understanding of the entity level controls and the legal and regulatory framework of the company and executed procedures to confirm that they have been properly implemented. As the grid distribution operator EDG West EAD is a regulated party under the public procurement law, we have performed the following procedures: - Inquiry with management and investment controllers. - Review the design the investment process organized within the group implemented to prevent and/or detect bribery and corruption. - Review the reasonableness of projects implemented compared to the offers published in the Public Procurement Portal.

Fraud risk identified	Audit work performed
	- Performing substantive test of acquisition of distribution equipment. - Performing substantive test of details regarding cash payments.

Audit approach going concern

The financial statements have been prepared in accordance with the going concern assumption. The appropriateness of this assumption depends on management's estimate of future cash flows.

The Board of Directors has drawn up the financial statements based on the going concern assumption of all the activities for the period of from the date of the preparation of the annual accounts. Our work to evaluate the board's going concern assessment includes:

- consider whether the board's going concern assessment contains all relevant information of which we have knowledge as a result of our audit of and make inquiries with the board about the most important assumptions and considerations;
- verify that management has not identified any events or circumstances that may cast reasonable doubt on the entity's ability to continue as a going concern (hereinafter: going concern risks);
- analyze whether the current and the necessary financing for the continuation of the entire business activities is guaranteed, including compliance with relevant covenants;
- inquiries with the board about its knowledge of going concern risks after the period of the going concern assessment carried out by the board.

Our audit procedures have not provided any information contrary to the assumptions and considerations of the board on the going concern assumption used. However, future events or conditions may cause an entity to cease to continue as a going concern.

Consolidated financial statements as part of the complete financial statements

The financial statements include the consolidated financial statements and the company financial statements. The company financial statements have been included in a separate report. For a proper understanding of the financial position and result the consolidated financial statements must be considered in connection with the company financial statements. On 4 April 2025 we issued a separate auditor's report on the company financial statements.

Report on the other information included in the annual report

In addition to the financial statements and our auditors report thereon, the annual report contains other information, that consists of:

- the management boards report and
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the consolidated financial statements

Responsibilities of management for the Consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with EU-IFRS Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the consolidated financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.
Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the consolidated financial statement.

Our responsibilities for the audit of the consolidated financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- obtaining 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 entity's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 findings in internal control that we identify during our audit.

We 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, related safeguards.

Rotterdam, 4 April 2025

Grant Thornton Accountants en Adviseurs B.V.

ValidSigned door R. Lagendijk
op 04-04-2025

Digitally signed by R. Lagendijk MSc RA