

ENGINEERING EAD

ANNUAL MANAGEMENT REPORT

INDEPENDENT AUDITOR'S REPORT

ANNUAL FINANCIAL STATEMENTS

as of December 31, 2025

(Unofficial translation of the original in Bulgarian)

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ENGINEERING EAD

Registered Office: 92 Komatevsko shosse Str., Plovdiv, Unified Identification Code 115031764

ANNUAL REPORT ON THE ACTIVITY

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1. Company's Profile

ENGINEERING EAD (the Company) is a sole owner joint stock company, registered according to the list of the Plovdiv District Court under company file 2403/1996, initially as FILTECH EAD, and in 2007 by a decision № 10490/10.12.2007 it was re-registered as ENGINEERING EAD.

ENGINEERING EAD offers engineering services and performs overall activities – design, manufacturing, delivery, installation, and commissioning of complete electrical and automation projects, lines and facilities; designs and manufactures lighting fixtures, electrical LV-switchboards; complete distribution systems 24kV, concrete complete transformer substations (CCTS); builds substations 110kV and 400kV, cogeneration systems and others.

Clients and partners of ENGINEERING EAD are companies operating in the sphere of electricity generation, transmission and distribution, of the telecommunications sector, companies performing electrical installation, construction and trade activities, and others. Among those of particular importance are investors and general contractors of substantial and key projects, Bulgarian investors from small and medium-sized businesses, state companies and public associations.

The Company does not perform research and development activities and has no registered branches.

2. Share Capital of the Company

As of December 31, 2025 the registered share capital of the Company is at the total amount of BGN 100 000, distributed in 10 000 registered shares with a one-vote right, at a nominal value of BGN 10 per share. Sole shareholder of the Company is FILKAB AD, UIC 115328801.

3. Company Management Bodies Information

The Company management bodies are the General Meeting of Shareholders and the Board of Directors (BoD), which consists of four members:

1. Viktor Vasilev Asenov, Executive Director;
2. Petar Ivanov Danchev, Deputy Chairman of the BoD;
3. Atanas Ivanov Tanchev, Chairman of the BoD;
4. Marin Georgiev Balev, Member of the BoD.

The Board of Directors reports to the sole shareholder of the capital. The General Meeting of Shareholders decides on amendments to the articles of association, increase and decrease of the capital, transformation and termination of the company, election and dismissal of members of the BoD, appoints and dismisses auditors, approves the annual financial statements.

4. Company's Activity

The main activity of the Company is providing engineering services. Engineering EAD offers complete solutions in the field of energy; deliveries, maintenance services and competent consultations. The Company maintains trust with the customers, suppliers, investors and financial institutions.

Other than electrical installation activities, the Company also performs design and manufacturing of electrical LV-switchboards, complete distribution systems 24kV and concrete complete transformer substations (CCTS).

5. Financial Position

For the reporting period the financial result is positive. The profit after corporate tax is at the amount of BGN 1 136 thousand, and the equity is at the amount of BGN 8 002 thousand as of December 31, 2025.

The most significant share in the structure of operating expenses are the materials expenses (57%), personnel expenses are 22% and hired service expenses are 9%.

In 2025, machines, vehicles and computers were acquired at the amount of BGN 229 thousand.

As at December 31, 2025, trade and other receivables are at the amount of BGN 8 481 thousand, trade liabilities - BGN 10 562 thousand, and the excess of current assets over current liabilities is BGN 7 632 thousand

	December 31, 2025	December 31, 2024	Amendment
Net revenue from sales	23 513	32 619	(27.9)%
Profit for the period	1 136	3 416	(66.7)%
Amount of assets	22 586	19 893	13.5%
Amount of liabilities	14 584	13 027	12.0%
Equity	8 002	6 866	16.5%
Current assets	22 031	19 360	13.8%
Current liabilities	14 399	12 952	11.2%
Total liquidity	1.53	1.49	2.7%
Fast liquidity	1.05	0.85	23.5%
Use of capital	35%	35%	0.0%
Return on equity	14%	50%	(72)%
Financial autonomy ratio	0.35	0.35	0.0%
Financial debt ratio	2.82	2.90	(2.8)%
Asset turnover	104%	164%	(36.6)%
Net working capital	7 632	6 408	19.1%

6. Financial Risk Management

The Company's activities expose it to a variety of financial risks – market risk (comprising currency risk, interest rate risk and price risk); credit risk and liquidity risk. The Company does not use derivative financial instruments to manage financial risks.

Market risk

Currency risk

The Company does not perform transactions in foreign currency and is not exposed to currency risk.

Interest rate risk

As the Company has no significant interest bearing assets, the incomes and operating cash flows of the Company are independent from changes in market interest rates. Financial instruments that potentially expose the Company to interest rate risk are primarily the bank loans and finance lease contracts. As the contracted interest rate of the utilized loans is floating and equal to the interest rate of the bank creditor for the period of the contract, the Company is potentially exposed to cash flow risk.

Price risk

The Company does not own any assets, the prices of which are dependent on the international market prices, so it is not exposed to price risk.

Credit risk

Financial assets that potentially expose the Company to credit risk are primarily its trade receivables. Basically, the Company is exposed to credit risk, in case the clients do not meet their payment obligations. The Company's policy is directed to sales of goods, some of which are paid in advance by the customers, therefore the management considers that the credit risk is insignificant.

Liquidity risk

Liquidity risk is the risk that the Company may have difficulties in paying its financial obligations. To manage this risk the Company's management keeps an optimal level of quick liquid assets (cash and receivables). The Company strives to prepare accurate cash flow forecasts, which helps to effectively manage the liquidity risk.

7. Future Development Prospects

The Company's management plans the development projects to lead to a new quality of customer and market service, to new opportunities for Engineering EAD to participate more actively in the domestic and regional market through:

- Implementation of projects for production of electrical products, elements for renewable energy installations and others;
- Implementation of projects on joint production with local and foreign partners.
-

The main directions for development of the Company are:

1. Expansion of the project activity on complete electrical equipment and power supply of industrial enterprises, shopping centers, hotel complexes and business buildings;
2. Expansion of the activity on maintenance of electrical supply networks at ERP (Electricity Distribution Enterprises) Elektrorazpredelenie Yug EAD, Electrodistribution Grid West EAD, Electrodistribution North AD;
3. Locating of new potential clients in the country and abroad (Romania, Macedonia, Serbia). Creating new partnerships, as well as maintaining the existing ones;
4. Increasing the sales of substations, electrical switchboards and projects with optimization of the production costs, stocks and delivery prices;
5. Improving the organizational structure and increasing the efficiency of the entities processes by complete use of the capacity of the implemented ERP-system;
6. Development and implementation of a distinct web-site of Engineering EAD.

8. Environment Protection and Healthy and Safety Working Conditions

Engineering EAD has implemented an integrated system for management of quality, environment and healthy and safety working conditions for which the Company has the following certificates: ISO 9001:2008; ISO 14001:2004 and BS OHSAS 18001:2007, issued by the Bureau Veritas Certification.

9. Disclosure of information pursuant to the Commerce Act

In 2025 the Company has no contracts under Art. 240b of the Commerce Act.

As of December 31, 2025, the members of the Board of Directors do not hold shares of the Company, nor have they acquired or transferred such and do not have special rights to acquire shares or bonds of the Company.

As of December 31, 2025 Atanas Ivanov Tanchev, Chairman of the BoD of the Company has a share of more than 25% of the capital as well as participation in the management as a manager of the following companies Electro Ins Ltd., Ceramic Ltd., and also is a member of the BoD and Executive Director of Filkab AD.

The remunerations of the BoD members include only short-term incomes, which for 2025 are at the amount of BGN 581 thousand.

10. Events after the date of the financial statements

There are no events after the date of the reporting period, requiring adjustment or disclosure in the financial statements, that have occurred during the period from the reporting date to the date when these financial statements were approved for issuance.

11. Management Responsibilities

According to the Bulgarian legislation the management should prepare management report on the activity, as well as financial statements for each financial year, which give a true and fair view of the financial position of the Company as of the year-end, and its financial performance and cash flows in compliance with the applicable accounting framework.

The responsibility of the management of the Company includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The management of the Company is confident that it acted in conformity with its responsibilities, and that the financial statements as at December 31, 2025 are prepared in full compliance with the National Accounting Standards (NAS), applicable in Bulgaria. The management also confirms that in the preparation of the present annual report of the activity for 2025, it has presented truly and fairly the Company's development and results of the activity for the period, as well as its position and the main risks, which the Company may face. The management has approved for issuance the annual report of the activity and the financial statements for 2025.



Viktor Vasilev Asenov
Executive Director

April 14, 2026
Plovdiv

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

**To the Sole Shareholder of
Engineering EAD**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ENGINEERING EAD (the Company), which comprise the balance sheet as at 31 December 2025, and the income statement, equity statement and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information..

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with National Accounting Standards (NAS) applicable in Bulgaria.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants, including International Independence Standards (IESBA Code)* together with the ethical requirements of the Law of Independent Financial Audit and Assurance on Sustainability (IFAAS).

that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAAS and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the other information. The other information comprises the management report prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with NAS applicable in Bulgaria and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion in connection with Art. 37, paragraph 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

- a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Atanas Todorov - 0746
Registered Auditor
Managing Director
Ata Oditconsult Ltd

April 15, 2026
Plovdiv

ANNUAL FINANCIAL STATEMENTS
AS OF
DECEMBER 31, 2025

INCOME STATEMENT**for the year ended December 31, 2025***All amounts are in thousands of BGN, unless otherwise stated*

	Note №	December 31, 2025	December 31, 2024
Revenue			
Net revenue from sales	4	23 513	32 619
Other income	5	778	663
Total operating revenue		24 291	33 282
Expenses			
Change in finished goods and work in progress		(877)	(759)
Materials expenses	6	(13 085)	(18 353)
Hired services	7	(2 133)	(3 995)
Personnel expenses	8	(5 121)	(4 990)
Depreciation and amortization expenses	9	(194)	(175)
Cost of goods and materials sold	10	(966)	(423)
Other expenses	11	(442)	(586)
Total operating expenses		(22 818)	(29 281)
Finance costs, net	12	(208)	(204)
Total expenses		(23 026)	(29 485)
Accounting profit		1 265	3 797
Income tax expense	13	(129)	(381)
Profit for the period		1 136	3 416

Approved for issuance by the Management of Engineering EAD on April 14, 2026.


 Viktor Vasilev Asenov
 Executive Director


 Kalina Marinova Nikolova
 Compiler


 Atanas Todorov
 Registered Auditor
 Managing Director
 Ata Oditconsult Ltd

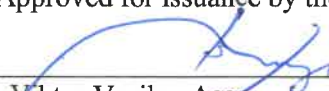
 April 15, 2026
 Plovdiv

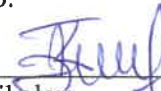
(The accompanying notes from page 17 to page 42 are an integral part of these financial statements)

BALANCE SHEET
as of December 31, 2025
All amounts are in thousands of BGN, unless otherwise stated

	<i>Note №</i>	December 31, 2025	December 31, 2024
ASSETS			
Non-current assets			
Property, plant and equipment	14	472	441
Intangible assets	14	54	67
Deferred tax assets, net	13	29	25
Total non-current assets		555	533
Current assets			
Inventories	15	6 903	8 387
Trade and other receivables	17	8 481	6 838
Cash	18	6 647	4 135
Total current assets		22 031	19 360
TOTAL ASSETS		22 586	19 893
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	24	100	100
Reserves	24	21	21
Retained earnings		6 745	3 329
Profit for the period		1 136	3 416
Total capital and reserves		8 002	6 866
Non-current liabilities			
Finance lease liabilities	22	102	-
Retirement benefits obligation	23	83	75
Total non-current liabilities		185	75
Current liabilities			
Trade and other payables	20	10 562	10 482
Bank loans	21	3 734	2 277
Income tax payable	19	73	193
Finance lease liabilities	22	30	-
Total current liabilities		14 399	12 952
TOTAL EQUITY AND LIABILITIES		22 586	19 893

Approved for issuance by the Management of Engineering EAD on April 14, 2026.


 Viktor Vasilev Asenov
 Executive Director


 Kalina Marinova Nikoleva
 Compiler


 Atanas Todorov
 Registered Auditor
 Managing Director
 Ata Oditconsult Ltd

April 15, 2026, Plovdiv

(The accompanying notes from page 17 to page 42 are an integral part of these financial statements)

STATEMENT OF CHANGES IN EQUITY
for the year ended December 31, 2024

All amounts are in thousands of BGN, unless otherwise stated

	Share capital	Legal reserves	Retained earnings	Total
Balance at January 1, 2024	100	21	1 268	1 389
<i>Changes in equity for 2024</i>				
Profit for the period	-	-	3 416	3 416
Dividends paid	-	-	-	-
Balance at December 31, 2024	100	21	6 745	6 866
<i>Changes in equity for 2025</i>				
Profit for the period	-	-	1 136	1 136
Balance at December 31, 2025	100	21	7 881	8 002

Approved for issuance by the Management of Engineering EAD on April 14, 2026.


 Viktor Vasilev Asenov
 Executive Director


 Kalina Marinova Nikolova
 Compiler


 Atanas Todorov
 Registered Auditor
 Managing Director
 Ata Oditconsult Ltd

April 15, 2026
 Plovdiv

(The accompanying notes from page 17 to page 42 are an integral part of these financial statements)

Financial Statements as of December 31, 2025

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This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian original is prevailing

CASH FLOW STATEMENT**for the year ended December 31, 2025***All amounts are in thousands of BGN, unless otherwise stated*

	December 31, 2025	December 31, 2024
Cash flows from operating activities		
Proceeds from customers and debtors	28 224	31 706
Cash paid to suppliers and creditors	(20 061)	(24 879)
Remuneration and related payments, net	(5 185)	(4 984)
Dividends paid	-	-
Taxes paid (less income taxes), net	(1 571)	(2 111)
Cash flows generated from/(used in) operating activities	1 407	(268)
Income tax paid	(253)	(355)
Net cash generated from/(used in) operating activities	1 154	(623)
Cash flows from investing activities		
Sale of property, plant and equipment	38	146
Purchase of property, plant and equipment and intangible assets	(37)	(98)
Net cash, used in investing activities	1	48
Cash flows from financing activities		
Bank loans received/(repaid), net	1 457	-
Finance lease liabilities paid	(41)	(38)
Interest paid, fees, commissions and others, net	(59)	(50)
Net cash (used in)/generated from financing activities	1 357	(88)
Net increase in cash for the period	2 512	(663)
Cash at the beginning of the period	4 135	4 798
Cash at the end of the period (note 18)	6 647	4 135

Approved for issuance by the Management of Engineering EAD on April 14, 2026.


 Viktor Vasilev Asenov
 Executive Director


 Kalina Marinova Nikolova
 Compiler


 Atanas Todorov
 Registered Auditor
 Managing Director
 Ata Oditconsult Ltd

 April 15, 2026
 Plovdiv

(The accompanying notes from page 17 to page 42 are an integral part of these financial statements)

Financial Statements as of December 31, 2025**16**

This document is a translation of the original in Bulgarian, in case of divergence the Bulgarian original is prevailing

**NOTES TO THE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2025**

NOTES TO THE FINANCIAL STATEMENTS**for the year ended December 31, 2025***All amounts are in thousands of BGN, unless otherwise stated***1. Legal status**

ENGINEERING EAD (the Company) is a joint stock company, entered in the Trade Register of the Registry Agency under Unified Identification Code 115031764. The seat and registered office of the Company is 92, Komatevsko shosse Str., Plovdiv. As of December 31, 2025 a sole shareholder of the capital is FILKAB AD (see also note 24).

The main activity of the Company is production and trade in electrical machines and apparatus, complex medium, low and high voltage switchgear, electrical installation materials, cables and wires, cable equipment, autonomous power sources, automation and telecommunication systems, lighting equipment, installation of low, medium and high voltage electrical systems and installations, automation and telecommunication systems, computer networks and systems, complete construction of industrial and civil facilities, as well as any other activities not prohibited by law.

The average number of employees of the Company as of December 31, 2025 and 2024 is 102 and 109 people, respectively.

These financial statements have been approved for issuance by the management of the Company on April 14, 2026.

2. Basis for preparation of the financial statements and accounting principles**2.1. General**

The Company keeps its accounting records and prepares its financial statements in accordance with the requirements of the Bulgarian trade and accounting legislation. Since the beginning of 2005 National Standards for Financial Reporting of Small and Medium-sized Enterprises are enforceable in Bulgaria, enacted by Ordinance of the Council of Ministers № 46 dated March 21, 2005, amended and supplemented in October, 2007. By Ordinance № 394 from December 30, 2015, adopted are changes in the name of the standards, the wording "Standards for Financial Reporting of Small and Medium-sized Enterprises" is replaced with "Accounting Standards". By the ordinance introduced are the provisions of Directive 2013/34/EU dated June 26, 2013 of the European Parliament and the Council regarding annual financial statements, consolidated financial statements and related reports of certain types of companies and regarding amendments to Directive 2006/43/EC of the European Parliament and the Council repealing Directives 78/660/EEC and 83/349/EEC. The National Accounting Standards (NAS) are enforceable from January 1, 2016. Subsequently the NAS have been amended by decrees of the Council of Ministers, published in the State Gazette issue № 3 from 2016 and № 15 from 2019.

These financial statements are prepared in accordance with NAS, applicable as of the balance sheet date.

Some items names, as well as the order of presentation of items in the balance sheet and the income statement have been changed in order to better the presentation of the Company's activity and operating results.

These financial statements are prepared on the historical cost basis.

These financial statements are prepared for a general purpose and provide information for the financial position, results and cash flows, generated by the Company for the year ended December 31, 2025

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2024**All amounts are in thousands of BGN, unless otherwise stated***2. Basis for preparation of the financial statements and accounting principles (continued)****2.2. Presentation currency**

The Company keeps its records and prepares its financial statements in the national currency of the Republic of Bulgaria - the Bulgarian Lev. This is the currency, adopted as functional in the primary economic environment of the Company's operating activity. Since January 1, 1999 the Bulgarian Lev is fixed to the EUR at the rate of 1.95583 BGN/EUR.

These financial statements are presented in thousand Bulgarian Levs (BGN'000).

2.3. Foreign currency transactions

Transactions in foreign currency are initially recorded at the official rate of exchange of the Bulgarian National Bank (BNB) as of the date of the transaction. The foreign exchange rate differences, arising upon the settlement of these monetary positions or at restatement of these positions at rates, different from those when initially recorded, are reported in profit or loss for the respective period.

The monetary positions denominated in foreign currency as at December 31, 2025 and 2024 are stated at the closing exchange rate of the BNB. Since 1999 the Bulgarian Lev is pegged to the EURO at the rate of 1.95583 BGN/EUR.

2.4. Accounting estimates and reasonable assumptions

The application of the accounting standards requires management to make certain accounting estimates and reasonable assumptions to assess the value of some of the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on the best estimates of management, taking into account historical experience and analysis of all factors of significance in the circumstances as of the date of the financial statements. The actual results could differ from those estimates, presented in these financial statements (see also note 3.13).

3. Definition and valuation of the financial statements items**3.1. Property, plant and equipment and intangible assets**

Property, plant and equipment are identifiable non-financial resources, acquired and owned by the Company, which:

- have physical substance;
- are held for use in the production and/or supply/sale of goods or services, for rental to others, or for administrative or other purposes;
- are expected to be used during more than one period;
- have value that is over the materiality value threshold at the amount of BGN 700, defined by the Company.

The value of property, plant and equipment is based on their acquisition price, which is the purchase price along with all costs incurred in bringing the asset in use less accumulated depreciation and subsequent impairment loss (if any).

Intangible assets are identifiable non-monetary assets without physical substance. Intangible assets are initially measured at cost. After initial recognition they are measured at cost less accumulated amortization and impairment loss, if any (see also note 3.2).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.1. Property, plant and equipment and intangible assets (continued)**

Any subsequent expenditure incurred is capitalized only if it increases the economic benefits of the respective asset. All other subsequent costs are reported as current expenses in the income statement.

Depreciation is charged by the Company over the estimated useful life of the assets, which is set by the management of the Company for each group of assets. The Company has approved an accounting depreciation schedule upon individual depreciation rates, in accordance with the enforceable Bulgarian legislation.

Depreciation is charged from the beginning of the month, following the month of putting the asset into operation. The Company has adopted the straight-line method of depreciation.

The useful life of an asset is defined in terms of the asset's expected utility to the Company, and is a matter of judgment based on the experience with similar assets. The useful life of property, plant and equipment and intangibles is estimated as follows:

Useful life	2025	2024
Machines and equipment	4-8 years	4-8 years
Computers and software	2 years	2 years
Transport vehicles	4-10 years	4-10 years
Office equipment	7 years	7 years
Intangible assets	2-7 years	2-7 years

Depreciation of an asset begins in the month, following the month in which the asset is available for use and ceases at the end of the month when the asset is derecognized.

The depreciation method applied to an asset and its estimated useful life are reviewed at least at each financial year-end, and changes are made to reflect the future usage of the asset or the expected pattern of consumption of the future economic benefits embodied in the asset. Such changes, if any, in the depreciation method and assets' useful life, are accounted for prospectively as a change in the accounting estimates in accordance with *AS 8 Net gains or losses for the period, fundamental errors and changes in accounting policies*.

Depreciation is not charged for land, assets under construction, fully depreciated assets and fixed assets which are temporarily out of use.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.2. Impairment of property, plant and equipment and intangible assets**

As of the date of preparation of the financial statements, the management of the Company reviews its property, plant and equipment and intangible assets to determine whether there is any indication for impairment of these assets. If any such indication exists, the recoverable amount of the respective asset is estimated. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit, to which the asset belongs.

The recoverable amount is the higher of the asset's fair value less costs to sell the asset and its value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. Impairment loss is recognized in profit or loss immediately. After depreciation, the amortized amount of the asset is adjusted for future periods, so that the new carrying amount of the asset can be allocated to the asset for the remainder of its useful life after deducting the residual value, if any.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the respective asset in prior periods. A reversal of an impairment loss is recognized in profit or loss immediately.

3.3. Inventories

Inventories are assets held for sale in the ordinary course of business of the Company, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are stated at the lower of cost and net realizable value. Cost comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories in their present location and condition— transportation, customs duties and other similar costs.

Net realizable value represents the estimated selling price less all estimated costs to be incurred in completing the production and selling.

The costs on conversion of inventories include costs directly attributable to the units of production. They also include a systematic allocation of fixed and variable production overheads that are incurred in converting materials into finished goods. The costs of conversion of each product, which are not separately identifiable, are allocated between the products on a rational and consistent basis.

Upon consumption, the cost of inventories is defined by application of the weighted average cost method.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.4. Financial instruments**

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and liabilities are recognized in the balance sheet only when the Company becomes a party to the contractual provisions of the instrument.

Financial assets/liabilities are classified according the purpose of acquisition/ purpose when received, and when financial assets/liabilities are part of a portfolio, they are classified according the purpose that the Company has set to achieve the portfolio.

The Company classifies the financial assets and liabilities in the current and prior reporting periods into the following categories: loans and receivables granted by the Company (trade and other receivables) and loans and liabilities, initially originating in the Company (interest bearing loans, trade and other liabilities, and liabilities under lease contracts). The classification depends on the purpose and term of the respective contract.

On initial recognition financial assets and liabilities are measured at fair value of the investment made or received for it plus transaction costs for dealing with financial instruments.

The subsequent measurement of the financial assets and liabilities is disclosed in the notes for the separate financial instruments below.

The Company derecognises all or part of its financial instruments (including those arising from collaterals) only when the contractual rights or obligations on them are repaid. Repayment (completely or partially) of contractual rights or obligations, arising from a financial instrument exists on:

- realization of the rights or settlement of the obligations;
- denial of rights or cancellation of obligations;
- expiration of the period for realization of the rights or settlement of the obligations.

The effective interest method is a method of calculating the amortized cost of a financial asset or a liability (or group of financial assets/liabilities) and of allocating the interest expense or interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

3.4.1. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are originated when the Company provides cash, goods or services, having no intention to trade the receivable incurred. These receivables are stated at their amortized cost, calculated based on the effective interest rate method. For current receivables, which are expected to be settled within normal credit terms, the amortized cost is approximately equal to their nominal value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.4. Financial instruments (continued)****3.4.2. Cash**

For the purposes of cash flow presentation, cash represents cash on hand and cash in bank accounts of the Company and other high-liquidity investments, that could be converted in certain cash amount and are subject to insignificant changes in value. For the purposes of cash flow presentation, cash comprises unrestricted cash funds. Cash receipts from customers and cash payments to suppliers are presented in the cash flow statement as their gross amounts, including value added tax (VAT). Cash receipts and payments on revolving bank loans, overdrafts and factoring are presented net.

3.4.3. Impairment of financial assets

As of the date of preparation of the financial statements the Company's management assesses whether there is any objective evidence for impairment of the financial assets, reported at amortized cost. A financial asset is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset, resulting in a decrease of the estimated future cash flows. It may not be possible to identify a single, discrete event, rather than a combined effect of several events that may have caused the impairment.

Trade and other receivables

The Company recognizes impairment of trade receivables, whether there is objective evidence, that the Company would not be able to collect all amounts due at their maturity date. The Company considers as indications for potential impairment significant financial problems of the debtor, the probability that the debtor will be a subject to a bankruptcy procedure or non-fulfillment of the contract terms, as well as payment delay. If any of these indications for impairment occurs, the impairment loss is calculated as a difference between the carrying amount and the present value of the expected future cash flows, discounted by the original effective interest rate for similar assets.

Current receivables are not discounted if the discounting effect is immaterial. Impairment is recorded by using a separate impairment account, which is shown as a reduction to receivables in the balance sheet and the impairment expenses are stated as Other expenses in the income statement. If a receivable is non-collectable and there is a recognized impairment loss for it, the receivable is written off by decrease of the respective allowance account. The recovery of the loss from impairment of trade receivables is reported as a decrease of the item, in which the impairment has been previously recorded.

3.4.4. Trade and other payables

Trade and other payables incurred as a result of purchases of goods and services, which are not classified as financial liabilities measured at fair value through profit or loss, are stated in the balance sheet at amortized cost, calculated based on the effective interest rate. For current payables, which will be settled within normal credit terms, the amortized cost is approximately equal to their nominal value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.4. Financial instruments (continued)****3.4.5. Borrowings**

Loans are initially recorded at the fair value of the proceeds received, net of transaction costs. After initial recognition, loans are measured at amortized cost, and any difference between the initial cost and maturity cost is recognized in the profit or loss over the loan period, using the effective interest rate method. If no transaction costs have been incurred in negotiating an interest bearing loan, the loan is reported at nominal value, which is equal to its amortized cost. This also applies to bank overdrafts, where the borrower is entitled to multiple utilizations or repayments of the borrowed funds within a pre-determined overdraft limit.

Finance costs, including direct issue costs are expensed, using the effective interest rate method, except for transaction costs on bank overdrafts, which are recognized as expense on a straight line basis over the overdraft period (see also note 3.10).

Loans are classified as current liabilities, unless the Company has an unconditional right to defer repayment of the liability for at least twelve months after the end of the reporting period.

3.4.6. Factoring

The Company performs transactions for assignment of trade receivables to a third party, which is a specialized factoring company (factor). Essentially these transactions are factoring of trade receivables with right of recourse.

The Company does not derecognise these financial assets until the cash flows from the end customer are not received, as not all risks and rewards, related to the trade receivables are transferred along with the transfer of the financial assets. Under the terms of the contract with the factor, the Company also recognizes financial liabilities, related to the fees and commissions. These liabilities are recognized at their fair value, as they are not subject to subsequent revaluation due to their short-term nature.

Upon receipt of the cash flows by the factor, the cash flows received are recorded as a current liability. Upon receipt of the cash flows related to trade receivable from the factor, the trade receivable is written off against the financial commitment to factor.

Trade receivables, that are a subject of the factoring agreement, are subsequently measured at their amortized cost.

3.4.7. Share capital

The share capital of the Company is presented at historical cost as of the date of its registration.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.5. Deferred income and prepaid expenses**

In the balance sheet of the Company deferred income and prepaid expenses comprise income and expenses that are prepaid in this period, but refer to future reporting periods - guarantees, insurances, subscriptions and rents.

3.6. Income tax

Income tax expense comprises of current income tax and deferred tax.

The tax currently payable is based on the taxable profit (tax loss) for the period, by the application of the effective tax rate according to the tax legislation as of the date of the financial statements. Deferred tax is the income tax expected to be payable (recoverable) on taxable (deductible) temporary differences. Temporary difference is the difference between the carrying amount of an asset or liability and the corresponding tax basis.

Deferred income taxes are calculated using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences, whereas deferred tax assets are recognized for deductible temporary differences, only to the extent that it is probable that sufficient taxable profit will be generated by the Company against which the deductible temporary difference can be utilized.

Deferred tax assets/liabilities are calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized, based on the information available at the date of preparation of the financial statements. Deferred tax is recognized in profit or loss, except when it relates to items reported directly in equity, in which case the deferred tax is also reported in equity.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are reported net when they are subject to a uniform tax regime.

In accordance with the tax legislation enforceable for 2025 and 2024, the tax rate applied for the calculation of the current tax liabilities of the Company is 10%. The enforceable for 2026 tax rate of 10% is applied in the calculation of the amount of deferred tax assets and liabilities as of December 31, 2025.

At the end of 2023, amendments to the Corporate Income Tax Law were adopted, which introduced a global minimum corporate tax of 15% for multinational and large national groups of enterprises, according to the conditions specified in the law, effective from January 1, 2024. These amendments implement the Pillar Two model rules published by the Organization for Economic Cooperation and Development (OECD) in accordance with the agreement at global and European level, started with the BEPS initiative (Base Erosion and Profit Shifting) of the OECD, to address the tax challenges that have arisen as a result of the digitalization of the economy. The economic group to which the Company belongs, is not in the scope of persons, liable to additional corporate tax.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.7. Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised at the lower of the present value of the minimum lease payments and their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet of the Company as a finance lease obligation amounting to the total amount of the lease payments, and the difference between the value at which the assets are recognized and the total amount of the lease payments, as prepaid financial expenses.

Lease payments are allocated between principal and interest, so as to achieve a constant interest rate over the remaining liability on the principal. Interest is recognized in profit or loss.

For assets acquired under finance leases depreciation expense is recognized as the Company's policy regarding depreciation of assets acquired under leases, is no different from the policy for other depreciable assets, owned by the Company.

Leases, whereas a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Rental costs under operating lease contracts, net of any incentives received by the lessor, are recognized in profit or loss on a straight line basis over the term of the respective lease contract.

3.8. Employee benefits***Defined contributions plans***

The Government of Bulgaria is responsible for the security of pensions under defined benefit plans. The expenses regarding the responsibility of the Company to pay defined social security are recognized in profit or loss at the time of their incurrence.

Unused paid annual leaves accruals

As of the end of each reporting period the Company recognizes as a liability the undiscounted amount of the estimated expenses for unused paid annual leaves, expected to be paid to employees in future reporting periods with respect of their past service.

Retirement benefits

According to the requirements of the Labour Code, upon termination of an employee labour contract at retirement, the Company is liable to indemnify the respective employee to the amount of two gross salaries, if the employee's experience in the Company is less than ten years, or six gross salaries, if the employee's experience in the Company is over ten consecutive years.

Additionally, on early retirement due to disability, the employees are entitled to benefits amounting to two gross monthly salaries, provided that their length of service is at least five years, and they have received no other such benefits during the last five years of service.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.8. Employee benefits (continued)*****Retirement benefits (continued)***

In accordance with the requirements of *AS 19 Employee benefits*, the Company recognizes a retirement benefits liability, which is determined estimated by a licensed actuary using the Projected Unit Credit Method.

The current service costs and the interest on the obligation and the actuarial gains and losses from adjustments based on experience and changes in the actuarial assumptions are recognized in profit or loss.

The past service costs are recognized as an expense on a straight line basis over the average period, until the benefits become vested. To the extent that the benefits are already vested, immediately following the implementation of or after changes in the retirement benefits plan, the Company recognizes the past service cost immediately. The amount of the retirement benefits obligation, reported in the balance sheet represents the present value of the defined benefits obligation of the Company.

3.9. Provisions

Provisions are recognized in the balance sheets when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits to be required to settle the obligation. Provisions are discounted when the effect of the time value of money is material, using the pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.10. Revenue and expenses recognition

Revenues and expenses are accrued when they arise, regardless of the cash receipts and payments. They are reported in compliance with the matching concept.

Revenues are carried at the fair value of the consideration received or receivable, less any discounts allowed by the entity.

Revenue is recognized when the amount of the revenue can be reliably measured and it is probable that future economic benefits will flow to the entity as a result of the transaction, and when all specific criteria for revenue recognition are met. It is considered that the amount of the revenue is not reliably measured until all contingencies related to the contract are dealt. The Company shall exercise judgment regarding the criteria for recognition of revenue based on its previous experience and the substance of each transaction and the class of each client.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.10. Revenue and expenses recognition (continued)*****Sales of goods***

The revenue from sales of goods is recognized when the following conditions have been met:

- The significant risks and rewards of the ownership over the goods are transferred to the buyer;
- The Company has not retained a continuing involvement and effective control over the management of the goods, which usually relates to the ownership of the goods;
- It is possible in the event of the transaction, the Company to receive economic benefits;
- The income and expenses directly attributable to the transaction can be reliably measured

Income from services

Revenue, associated with a transaction involving the rendering of services, is recognized by reference to the stage of completion of the transaction at the end of the reporting period. Revenue recognition by reference to the stage of completion of the transaction is called the percentage of completion method, whereby revenue is recognized in the accounting period in which the services are rendered. In case the outcome of the transaction cannot be reliably measured, revenue is recognized to the extent the expenses incurred are recoverable.

Interest income

Interest income is accrued by application of the effective interest rate method over the outstanding principal.

Expenses

Expenses are recognized in the profit or loss, when a decrease of future economic benefits arise, regarding decrease of an asset or increase of a liability, which can be reliably measured.

When the economic benefits are expected to incur during more than one financial period and the corresponding revenue cannot be measured precisely but only indirectly, the expenses shall be recognized based on procedures for rational and systematic allocation.

Borrowing costs

The borrowing costs are recognized in profit or loss in the period in which they are incurred and are determined on the basis of the outstanding principal and the applicable effective interest rate, which is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount of the liability.

Other income/expenses

Profit/(loss) from sale of property, plant and equipment is presented as other income/(expenses). Compensations from third parties regarding impairment or loss of property, plant and equipment, are recognized in profit or loss, when such compensations become payable.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
for the year ended December 31, 2025

All amounts are in thousands of BGN, unless otherwise stated

3. Definition and valuation of the financial statements items (continued)**3.11. Financial instruments and financial risk assessment and management****3.11.1. Financial risk factors**

The Company's activities expose it to a variety of financial risks – market risk (comprising currency risk, interest rate risk and price risk); credit risk and liquidity risk. The Company does not use derivative financial instruments to manage financial risks.

3.11.2. Market risk**Currency risk**

The Company performs transactions denominated in foreign currency primarily originated in EUR. As the EUR is fixed to the Bulgarian Lev, the Company is not exposed to currency risk.

Interest rate risk

As the Company has no significant interest bearing assets, the incomes and operating cash flows of the Company are independent from changes in market interest rates. Financial instruments that potentially expose the Company to interest rate risk are primarily the bank loans and finance lease contracts. As the contracted interest rate of the utilized loans is floating and equal to the interest rate of the bank creditor for the period of the contract, the Company is potentially exposed to cash flow risk.

Price risk

The Company does not own any assets, the prices of which are dependent on the international market prices, so it is not exposed to price risk.

3.11.3. Credit risk

Financial assets that potentially expose the Company to credit risk are primarily its trade receivables. Basically, the Company is exposed to credit risk, in case the clients do not meet their payment obligations. The Company's policy is directed to sales of goods, some of which are paid in advance by the customers, therefore the management considers that the credit risk is insignificant.

3.11.4. Liquidity risk

Liquidity risk is the risk that the Company may have difficulties in paying its financial obligations. To manage this risk the Company's management keeps an optimal level of quick liquid assets (cash and receivables), as well as the potential opportunity to demand additional credit line.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.11. Financial instruments and financial risk assessment and management (continued)****3.11.4. Liquidity risk (continued)**

The Company's financial liabilities as at the end of the reporting period, are stated in the table below, classified according their contracted maturity. The amounts reported are the contracted non-discounted cash flows. The amounts due within twelve months after the end of the reporting period are approximately equal to their carrying amount, as the discounting effect for them is insignificant.

	Up to 1 year	From 2 till 5 years	Total
December 31, 2025			
Trade and other payables (note 20)	9 637	-	9 637
Bank loans (note 21)	3 734	-	3 734
Finance lease liabilities (note 22)	30	102	132
Total	13 401	102	13 503
December 31, 2024			
Trade and other payables (note 20)	9 920	-	9 920
Bank loans (note 21)	2 277	-	2 277
Finance lease liabilities (note 22)	-	-	-
Total	12 197	-	12 197

3.12. Capital risk management

The primary goal of the management of the Company in capital risk management is to maintain the share capital level in such limits, so that the Company could maintain its normal activities on a going concern basis, as well as to provide returns to its owners. In order to accomplish those goals the management aims to maintain an optimal capital structure, so as to reduce the cost of capital.

The capital structure is measured by the gearing ratio, which is a ratio between the net debt and equity. The net debt is calculated as the difference between interest bearing loans and finance lease obligations on one side and cash and cash equivalents on the other side

The gearing ratio shows the extent to which the Company finances its activities with equity or with borrowings.

	December 31, 2025	December 31, 2024
Bank loans (note 21)	3 734	2 277
Finance lease liabilities (note 22)	132	-
Cash and cash equivalents (note 18)	(6 647)	(4 135)
Net debt	(2 781)	(1 858)
Equity	8 002	6 866
Gearing ratio	(0.35)	(0.27)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***3. Definition and valuation of the financial statements items (continued)****3.13. Critical accounting judgments and sources of estimation uncertainty**

The application of the adopted accounting policy requires the Company's management to apply certain accounting estimates and assumptions, which have significant effect on the financial statements. Such judgments rarely are equal to the actual results. Due to their nature the estimations are permanently reviewed and updated taking into account historical experience and analysis of all factors of significance, including expected future events, which the management believes are appropriate given the factual circumstances.

Corporate income tax

For its activities the Company is subject to tax audits by the Bulgarian tax authorities. The Company recognizes liabilities for expected tax obligations from future tax audits on the basis of assessment of management whether additional taxes would be due for payment. When the finally payable taxes resulting from such events are different from the preliminary recorded taxes, these differences will be reported as short-term corporate income taxes payable and will affect the deferred taxes for the period in which this difference has occurred.

Useful lives of property, plant and equipment, and intangible assets

Financial reporting of property, plant and equipment, and intangible assets involves the use of estimates of their expected useful life and residual values, that are based on judgments by the management of the Company.

Retirement benefits obligation

Retirement benefits obligation is determined on the basis of actuarial valuation about discount rates, future salary increases, staff turnover and mortality rates. . Due to the long term nature of the personnel benefits on retirement, these assumptions are subject to considerable uncertainty.

Impairment of receivables

Allowance for impairment of trade receivables is recognized, whether there is objective evidence, that it would not be able to collect all amounts due at their maturity date. Significant financial problems of the debtor, the probability that the debtor will be subject to a bankruptcy procedure or financial reorganization, or non-fulfillment of the contract terms are considered by the management, by the determination and classification of individual amount for impairment.

Assessment of the estimated loss from doubtful and uncollectable receivables is performed on an individual basis at the end of each financial year, depending on the overdue period. All doubtful receivables, not collected as at the date of the financial statements and for which indications for impairment existed, are impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***4. Revenue**

	December 31, 2025	December 31, 2024
Revenue from sale of projects and finished goods	16 365	23 700
Revenue from rendering of services	6 652	8 816
Revenue from sale of goods	496	103
Total	23 513	32 619

5. Other income

	December 31, 2025	December 31, 2024
Income from sale of materials	601	417
Rental income	63	-
Income from sale of scrap	41	91
Income from sale of property, plant and equipment and intangibles	23	38
Other income	12	11
Income from grants	38	106
Total	778	663

Income from grants represent a government compensation, according to Decisions of the Council of Ministers, regarding adopted program for compensating industrial end customers of electricity in order to protect and assist all industrial end users in dealing with the consequences of the significant and adverse fluctuations in the electricity prices.

6. Materials expenses

	December 31, 2025	December 31, 2024
Materials for production and construction works	12 737	17 984
Fuels	119	127
Electricity	105	99
Consumables for the production process	63	81
Materials for transport vehicles	26	22
Safety and protective equipment	18	10
Fixtures and fittings	11	22
Office materials and consumables	3	3
Water consumption	3	3
Maintenance materials and internal needs	-	2
Total	13 085	18 353

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***7. Hired services**

	December 31, 2025	December 31, 2024
Rents	990	905
Services from subcontractors	247	1 801
Transport services	207	339
Fees	160	127
Services production operations	121	354
Mechanization services	100	116
Design, technical, software expenses	75	43
Insurances	70	80
Repairs and maintenance	42	56
Notary and legal advisory services	18	18
Communication	17	23
Advertizing and promotion	12	56
Other	74	77
Total	2 133	3 995

8. Personnel expenses

	December 31, 2025	December 31, 2024
Remunerations	4 442	4 301
Social security expenses	673	675
Retirement benefits obligation (note 23)	6	14
Total	5 121	4 990

9. Depreciaition and amortization expenses

	December 31, 2025	December 31, 2024
Depreciation of fixed assets (Note 14)	181	153
Amortization of intangible assets (note 14)	13	22
Total	194	175

10. Cost of goods sold and materials

	December 31, 2025	December 31, 2024
Cost of goods sold	459	88
Cost of materials sold	507	335
Total	966	423

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***11. Other expenses**

	December 31, 2025	December 31, 2024
Social expenses (vouchers)	251	266
Business trips	96	112
Representation	46	25
Taxes and fees	30	26
Penalties	17	143
Other expenses	2	14
Total	442	586

12. Finance expenses, net

	December 31, 2025	December 31, 2024
<i>Interest expenses on bank loans</i>	35	34
<i>Interest expenses on a finance lease</i>	2	-
<i>Interest expenses on retirement benefits provisions</i>	3	2
<i>Interest and penalty expenses on commercial loans</i>	144	151
Interest expenses	184	187
Exchange rate differences, net	2	-
Bank charges, commissions and other expenses, net	22	17
Total	208	204

13. Income tax

Income tax expense comprises current income tax expense and deferred income tax expense in accordance with *AS 12 Income Taxes*.

	December 31, 2025	December 31, 2024
Current income tax	133	392
Deferred tax	(4)	(11)
Total tax expense	129	381

The reconciliation of the tax expense to the accounting profit, and a recalculation of the effective tax rate as at December 31, 2025 and 2024 are provided in the table below:

	December 31, 2025	December 31, 2024
Accounting profit	1 265	3 797
Applicable tax rate	10%	10%
Income tax at the applicable tax rate	(127)	(380)
Tax effect from permanent differences	(2)	(1)
Total income tax expense	(129)	(381)
Effective tax rate	10.20%	10.03%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated*

Deferred tax assets, originate from the tax effects on taxable and deductible temporary differences, as follows:

	December 31, 2025	December 31, 2024
Depreciation of property, plant and equipment and intangible assets	(2)	(5)
Retirement benefits provision	9	8
Personnel benefits provision	20	19
Unutilized paid annual leaves provision	2	3
Total deferred tax assets/(liabilities)	29	25

14. Property, plant and equipment

	Machines, equipment and others	Transport vehicles	Computers	Assets under construction	Intangible assets	Total
Balance at January 1, 2024	1 066	516	158	90	273	2 103
Additions	162	1	23	21	-	207
Transfers	-	-	-	(111)	-	(111)
Disposals	(6)	(161)	-	-	-	(167)
Balance at December 31, 2024	1 222	356	181	-	273	2 032
Additions	44	166	19	166	-	395
Transfers	-	-	-	(166)	-	(166)
Disposals	(2)	(98)	(2)	-	-	(102)
Balance at December 31, 2025	1 264	424	198	-	273	2 159
Depreciation						
Balance at January 1, 2024	754	318	152	-	184	1 408
Depreciation	105	38	10	-	22	175
On disposals	(4)	(55)	-	-	-	(59)
Balance at December 31, 2024	855	301	162	-	206	1 524
Depreciation	116	50	15	-	13	194
On disposals	(2)	(83)	-	-	-	(85)
Balance at December 31, 2025	969	268	177	-	219	1 633
Carrying amount						
At January 1, 2024	312	198	6	90	89	695
At December 31, 2024	367	55	19	-	67	508
At December 31, 2025	295	156	21	-	54	526

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**for the year ended December 31, 2025***All amounts are in thousands of BGN, unless otherwise stated*

As at December 31, 2025 fixed assets at a carrying amount of BGN 961 thousand (2024: BGN 928 thousand) are fully depreciated.

15. Inventory

	December 31, 2025	December 31, 2024
Materials	4 092	4 855
Goods	1 274	1 118
Work in progress	938	1 232
Production	599	1 182
Total	6 903	8 387

16. Financial instruments classification by category

As at December 31, 2025 and 2024 the Company has no financial instruments that are reported through profit or loss.

Financial assets

	December 31, 2025	December 31, 2024
Trade and other receivables (note 17)	8 354	6 660
Cash and cash equivalents (note 18)	6 647	4 135
Total	15 001	10 795

Financial liabilities

	December 31, 2025	December 31, 2024
Trade and other payables (note 20)	9 637	9 920
Bank loans (note 21)	3 734	2 277
Financial lease liabilities (note 22)	132	-
Total	13 503	12 197

17. Trade and other receivables

	December 31, 2025	December 31, 2024
Trade receivables	6 448	5 184
Receivables from related parties (note 25)	998	1 059
Advances to suppliers	908	417
Prepaid expenses	80	82
Court receivables	10	10
Guarantees	-	-
Other receivables	37	86
Total	8 481	6 838

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**for the year ended December 31, 2025***All amounts are in thousands of BGN, unless otherwise stated*

The Company's policy regarding the receivables monitoring and impairment indications is disclosed in note 3.4.3. For 2025 and 2024 no impairment of trade receivables has been accrued.

As of December 31, 2025, the Company does not have the obligation under the factoring contract, as no part of the financing has been utilized (see also Note 21).

The receivables from related parties are disclosed in note 25.

18. Cash

	December 31, 2025	December 31, 2024
Cash in bank accounts	6 647	4 132
Cash on hand	-	3
Total	6 647	4 135

Cash in bank accounts at the amount of BGN 6 647 thousand (2024: BGN 4 132 thousand) are pledged as a collateral under a bank loan (see also note 21).

19. Income tax liabilities

	December 31, 2025	December 31, 2024
Tax due at the beginning of the period	193	155
Tax paid during the period	(253)	(354)
Income tax accrued (note 13)	133	392
Taxes due at the end of the period	73	193

20. Trade and other payables

	December 31, 2025	December 31, 2024
Payables to suppliers	3 626	5 372
Payables to related parties (note 25)	3 551	2 315
Advances received from customers	2 460	2 233
Payables to employees and social securities payable	466	125
Taxes payable	413	424
Other	46	13
Total	10 562	10 482

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***21. Bank loans**

	December 31, 2025	December 31, 2024
Bank loans	3 734	2 277
Total	3 734	2 277

In July 2025, the Company entered into a bank loan - an overdraft with a Bulgarian bank in the amount of up to BGN 2 million for working capital purposes, secured by a pledge of inventories.

All bank loans received have a floating interest rate and a fixed premium. The interest rate is tied to the reference interest rate of the creditor banks, therefore the interest rates are updated on an ongoing basis. The terms of the bank loans may be renegotiated after one year from their granting, after a relevant financial analysis by the creditor bank.

The bank loans provided to the Company are secured by a mortgage on land and a building owned by the sole owner of the Company's capital, by a pledge on receivables with the right of use on receivables on all accounts of the Company opened and opened in the creditor bank (see also note 18) and by a pledge on inventories.

22. Finance lease liabilities

	December 31, 2025	December 31, 2024
Finance lease liabilities		
Up to one year	30	-
Between two and five years	102	-
Total	132	-

As at December 31, 2025 the Company has liabilities under finance lease contracts for acquisition of transport vehicles, machinery and computers.

23. Retirement benefits obligation

Movement of the retirement benefits obligation, recognized in the balance sheet is, as follows:

	December 31, 2025	December 31, 2024
Present value of the retirement benefits obligation	75	59
Expenses on current length of service	13	15
Interest expenses	3	2
Retirement benefits paid during the period	(7)	(15)
Actuarial loss/(gain)	(1)	14
Balance at the end of the period	83	75

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**for the year ended December 31, 2025***All amounts are in thousands of BGN, unless otherwise stated*

The amounts, recognized in the income statement, regarding retirement benefits obligation are, as follows:

	December 31, 2025	December 31, 2024
Expenses on current length of service	13	15
Interest expenses	3	2
Retirement benefits paid during the period	(7)	(15)
Actuarial loss/(gain)	(1)	14
Total	8	16

Provision is accrued upon adoption of the following basic financial assumptions:

	December 31, 2025	December 31, 2024
Discount rate	3.50%	3.25%
Future remunerations increase for the following three years	4.00%	4.00%
Future remunerations increase after the third year	3.00%	3.00%

The demographic actuarial assumptions used are based on the following:

- data for the personnel turnover for the Company for the last three years;
- mortality rate data for the overall mortality of the population of Bulgaria, according to data of the National Statistical Institute for the period from 2021 to 2024;

Under the provisions of the present Collective Labour Contract and pursuant to the Labour Code, the employees are entitled to retirement benefits amounting to two gross monthly salaries on attainment of retirement age or six gross monthly salaries if the length of service is in companies from the group for the last 10 consecutive years.

Defined benefit plan exposes the Company to the following actuarial risks:

Investment risk	The present value of the defined benefit plan liability is calculated using a discount rate of Bulgarian government securities, denominated in BGN, with maturity up to 10 years, and the data for the following periods is received by data interpolating.
Interest risk	A decrease in the interest rate of the Bulgarian government securities will increase the defined benefit plan liability.
Longevity risk	The present value of the defined benefit liability is calculated by reference to the best estimate of the mortality of plan participants
Salary risk	The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. An increase in the salary of the plan participants will increase the plan's liability

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated*

A sensitivity analysis based on reasonably possible changes in the respective assumptions, at the end of the reporting period, assuming all other assumptions held constant is, as follows:

	Less 1 %	Assumptions and results used	Plus 1 %
Discount rate	2.50%	3.50%	4.50%
Amount of the liability (BGN)	88 187.44	83 473.10	79 159.25
Difference (BGN)	4 714.34	-	(4 313.85)
Difference (%)	6%	-	(5%)
Salary growth	3.00%	4.00%	5.00%
Amount of the liability (BGN)	79 179.17	83 473.10	88 074.30
Difference (BGN)	(4 293.93)	-	4 601.20
Difference (%)	(5%)	-	6%
Mortality assumption	-1 година	Таблица за смъртност	+ 1 година
Amount of the liability (BGN)	84 159.10	83 473.10	82 681.24
Difference (BGN)	686	-	(791.86)
Difference (%)	1%	-	(1%)
Probability of early retirement	9.96%	10.77%	11.57%
Amount of the liability (BGN)	88 469.72	83 473.10	78 842.07
Difference (BGN)	4 996.62	-	(4 631.03)
Difference (%)	6%	-	(6%)

The sensitive analysis presented above may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. In presenting the above calculations the projected unit credit method is used, the same as that applied in calculating the retirement benefit obligation liability, recognized in the balance sheet.

24. Share capital and reserves

The share capital of the Company is presented at nominal value, according to the court decision for registration. The fully paid in share capital at the amount of BGN 100 thousand is distributed into 10 thousand shares with a nominal value of BGN 10 each.

In accordance with the Bulgarian Commerce Act requirements, the Company is obliged to set up a legal reserves (reserve fund). The sources of financing the reserve fund are:

- at least one tenth of the profit which is set aside until the fund's assets reach one tenth or more of the Company's share capital or such other larger portion as the Company's statute may provide;
- the proceeds obtained in excess of the nominal value of shares and debentures upon their issuing;
- the total of the additional payments made by the shareholders for preferences given them with shares;
- other sources provided for by the Company's statute or by a general meeting resolution.

Disbursements from the reserve fund may be made only for covering losses. When the amount of the reserve fund exceeds one-tenth of the Company's share capital, the excess amount may be used for increase of the share capital.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)*for the year ended December 31, 2025**All amounts are in thousands of BGN, unless otherwise stated***25. Related parties transactions**

In 2025 and 2024 the Company has the following related parties:

Related party	Nature of relationship
Filkab AD	Sole shareholder
Filkab-Engineering Partnership	Partnership between Filkab AD and the Company
Filkab MIG D.O.O, Serbia	Subsidiary company of Sole shareholder
Filkab Solar Ltd.	Subsidiary company of Sole shareholder
Filkab Solar HU Kft, Hungary	Subsidiary company of Sole shareholder
MakKab DOO, North Macedonia	Subsidiary company of Sole shareholder
Management of the Company	Key management personnel

Related parties transactions relate mainly to:

- Purchase-sale of goods;
- Remunerations paid;
- Dividends paid.

During 2025 and 2024 the Company's transactions with related parties are, as follows:

Групи свързани лица	Sale of goods and services		Purchase of goods and services	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Filkab AD	809	94	2 023	3 860
Filkab-Engineering Partnership	83	-	-	-
MakKab DOO, North Macedonia	3 912	5 297	25	-
Filkab Solar HU Kft, Hungary	-	-	-	-
Filkab MIG D.O.O., Serbia	-	-	-	-
Filkab Solar Ltd.	236	1 487	8	-
Filkab Invest Ltd	59	-	-	-

As of December 31, 2025 and 2024 the outstanding balances with related parties are, as follows:

Групи свързани лица	Receivables		Payables	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Filkab-Engineering Partnership	-	-	-	-
Filkab AD	-	-	3 616	5 363
Filkab Solar HU Kft, Hungary	-	-	-	-
MakKab DOO, North Macedonia	907	1 059	-	-
Filkab MIG D.O.O., Serbia	-	-	9	9
Filkab Solar Ltd.	90	-	-	-
Total	997	1 059	3 625	5 372

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**for the year ended December 31, 2025***All amounts are in thousands of BGN, unless otherwise stated*

In 2025, according to agreements, trade receivables of the Company at the amount of BGN 970 thousand were offset against its trade liabilities to Filkab AD (2024: BGN 94 thousand).

The remunerations of the key management personnel include only short-term income, which for 2025 and 2024 are at the amount of BGN 581 thousand and BGN 548 thousand, respectively. As at December 31, 2025 and 2024 the outstanding liabilities to key management personnel are at the amount of BGN 47 thousand and BGN 43 thousand, respectively.

26. Events after the date of the financial statements

There are no events after the date of the reporting period, requiring adjustment or disclosure in the financial statements, that have occurred during the period from the reporting date to the date when these financial statements were approved for issuance.