



Annual Separate Activity Report
Audit Report
Separate Financial Statements

NPP KOZLODUY EAD

31 December 2015



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“NPP Kozloduy” EAD
Annual Activity Report
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GENERAL INFORMATION

The Board of Directors, as at the date on which the Financial Statements were authorized for issue

Zhaklen Koen – Chairman of the Board of Directors;

Dimitar Angelov – Member of the Board of Directors and Executive Director;

Ivan Yonchev – Member of the Board of Directors;

Address

Kozloduy, 3321, Vratsa District

Bulgaria

Servicing banks

C.B. DSK Bank, Kozloduy branch

Citibank PLC

C.B. Allianz Bank Bulgaria AD

C.B. UBB

C.B. Municipal Bank

Alpha Bank Bulgaria

C.B. FIB

C.B. Cibank

C.B. UniCredit Bulbank

C.B. Eurobank EFG Bulgaria

Auditors

HLB Bulgaria LTD

“NPP Kozloduy” EAD
Annual Activity Report
31 December 2015

Activity Report

The present Activity Report of the Entity presents commentary on and analysis of the Financial Statements, and other significant information on the financial position and the operating results of the Entity. The Activity Report covers the period beginning on 1 January 2015 and ending on 31 December 2015.

The Report is prepared in accordance with the requirements of Art. 33, para. 3 of the Accountancy Act, and Art. 187 and Art. 247 of the Commercial Law.

1. General information

Corporate name NPP Kozloduy EAD

UIC 106513772

Address Kozloduy, 3321,
Vratsa District
Bulgaria

Principal activities

- Using nuclear power for generating electric and thermal energy. These activities are executed in the presence and maintenance of: Valid licence to generate electric and thermal energy. This activities are to be performed by the defined, under the licence, electric power production facility; Valid licence, issued by the Nuclear Regulatory Agency, to operate nuclear power plants, as per the meaning of the Act on the Safe Use of Nuclear Power (SUNP) (valid permit, issued by the Committee for Peaceful Use of Atomic Energy, to engage in generation activities, executed by the defined under the permit production facility);
- Import and export of fresh and processed nuclear power;
- Investment activities, related with the activities of the entity, as defined under its principal activities;
- Construction, installation and repair activities, in the fields of electric and thermal energy generation;
- Sales of electric power, at high and medium voltage, and sales of thermal power;
- Operation of the facilities for radioactive waste management, given that there is a valid licence, in accordance with the Act on the Safe Use of Nuclear Power (ASUNP).

Directors As at 31 December 2015, the Entity is managed by the Board of Directors,

Management

consisting of:

Zhaklen Koen – Chairman of the Board of Directors;

Dimitar Angelov – Member of the Board of Directors and Executive Director;

Ivan Yonchev – Member of the Board of Directors;

“NPP Kozloduy” EAD is a joint stock company, established pursuant to Decision № 582, dated 2000, of the Vratsa District Court. The Entity is domiciled in Kozloduy, Vratsa District, Bulgaria. Pursuant to its demerge from the “Natsionalna Elektricheska Kompania” (National Electric Company) EAD (NEK EAD), “NPP Kozloduy” EAD was established, on 28 April 2000, as a joint stock company, with the Republic of Bulgaria being its single shareholder (sole capital owner). The Entity is the legal successor of the respective portion of the assets and liabilities of NEK EAD, Sofia, as disclosed under the Separation Protocol of the “Npp Kozloduy” branch and the GMP “Atomenergoinvest”, Kozloduy, compiled based on the accounting records, dated 28 April 2000.

As at 31 December 2015, sole capital owner of the Entity’s equity is “Bulgarian Energy Holding” EAD. The Republic of Bulgaria, represented by the Ministry of Energy, is the end owner of the Entity.

The Entity has one level management system and it is managed by the Board of Directors, comprised of three members.

As at 31 December 2015, the Entity’s share capital amounts to BGN 196,492,860, distributed among 19,649,286 ordinary, non-bearer, voting shares, at nominal value of BGN 10 each. All ordinary shares are fully paid.

Licences

The Entity is awarded the following licences:

– Licence to operate nuclear power facilities, issued by the NRA – Registration № 03000, dated 02 October 2009. The licence relates to the operation of Unit 5, of “NPP Kozloduy” EAD. The licence is valid until 05.11.2017;

– Licence to operate nuclear power facilities, issued by the NRA – Registration № 03001, dated 02 October 2009. The licence relates to the operation of Unit 6, of “NPP Kozloduy” EAD. The licence is valid until 02.10.2019;

– Licence to generate electric power and thermal power № L-049-03/11.12.2000, valid for thirty years – until 11.12.2030;

– Licence to transmit thermal energy № 050-05/11.12.2000, valid for thirty years – until 11.12.2030;

– Licence, issued by the NRA, Series I-11024, Registration № 04358, dated 01 April 2014, by virtue of which the Licence to use SIR for commercial purposes (performing non-destructive testing with radiation methods on site: Educational Degree under the “Diagnostics and Control” Testing Centre), Series I-11024, Registration № 02599 is renewed. The licence is valid for a period of ten years – until 31.03.2024;

– Licence, issued by the NRA, Series I-1708, Registration № 04366, dated 08 April 2014, by virtue of which the Licence to use SIR for commercial purposes (performing radiochemical control, radiation monitoring of the environment and meteorological control), Series I-1708, Registration № 02610 is renewed. The licence is valid for a period of ten years – until 07.04.2024;

– Licence to transmit radioactive substances, issued by the NRA, Series T-14002, Registration № 04435, and dated 30 June 2014, by virtue of which Licence, Series T-14002, Registration № 02823 is renewed. The licence is effective as of 12.07.2014 and it is valid for a period of ten years – until 11.07.2024;

– Licence for electric power trading, № L-216-15/18.12.2006. The licence is valid for a period of ten years – until 18.12.2016;

– Licence, issued by the NRA, for engaging in specialized training, carried out by the “Personnel and Educational – Training Centre” Management, Series SO, Registration № 03803, dated 05.10.2011. The licence is valid for a period of five years – until 05.10.2016;

– Licence, issued by the NRA, to operate the SFS, Series “E”, Registration № 04441, dated 25.06.2014, by virtue of which Licence, Series “E”, Registration № 01032/24.06.2004. The licence is valid for a period of ten years – until 25.06.2024.

Auditor

HLB Bulgaria LTD

**Basis of preparation
of the Financial
Statements**

– The Financial Statements have been prepared on a historical cost basis.

– The Financial Statements are presented in Bulgarian Levs (BGN) and, unless otherwise stated, all disclosed numerical data is rounded up to the closest thousands of BGN.

– The Entity prepares its Financial Statements in accordance with the requirements of the International Financial Reporting Standards, endorsed by the European Union Commission. The Entity prepares its Financial Statements and publishes them no later than 31 March of the year, following the year to which they refer.

– In compliance with the requirements of Art. 37 of the Accountancy Act, the Entity prepares and Consolidated Financial Statements and publishes them no later than 30 June of the year, following the year to which they refer.

– “NPP Kozloduy” EAD executes its activities in conformance with the enacting Bulgarian legislation.

1.1. Management’s responsibility

The Management confirms that it has applied an adequate accounting policy in preparing the Annual Separate Financial Statements as at 31 December 2015 and that the Separate Financial Statements are prepared on a going concern basis.

The Management is responsible for keeping proper accounting records, for the expedient asset management and for undertaking all requisite actions to prevent and detect possible fraud and other irregularities.

1.2. Information, required pursuant to Art. 187 (d) and Art. 247 of the Commercial Law (CL)

➤ Information, required pursuant to Art. 187 (d) of the Commercial Law (CL)

In accordance with Art. 187(d) of the CL, in the Activity Report, the Entity must provide information on:

a) The number and nominal value of the acquired and transferred within the year treasury shares, the portion of the capital, which they represent, as well as the price at which the acquisition, or transfer, was concluded;

b) The grounds on which the acquisitions, within the year, were concluded.

The Entity has not acquired and / or transferred any treasury shares in 2015.

c) The nominal value of the held by the Entity treasury shares and the portion of capital, which they represent.

The Entity does not hold any treasury shares.

➤ **Information, required pursuant to Art. 247, para. 2 of the Commercial Law (CL)**

a) Information on the remunerations of the Board of Directors of “NPP Kozloduy” EAD and its subsidiaries, as disclosed under the signed management and control contracts.

In thousands of BGN	Statements	Statements
	As at 31.12.2015	As at 31.12.2014
Salaries and wages, including bonuses	117	130
Expenses, incurred in respect of social security contributions	19	18
Social costs	22	27
Compensations		1
Total short-term remunerations	158	176

b) Information on the Entity’s shares, acquired and held by the Members of the Board of Directors

The Members of the Board of Directors do not hold any shares of the Entity. No privileges or exclusive rights, to acquire shares or bonds, are provided to the Members of the Board of Directors.

c) Information on the participation of the Members of the Board of Directors in commercial entities as general partners, the ownership of over 25 percent of the capital of another entity, as well as their participation in the management of other entities, or cooperative, as Procurement, Managers or Members of the Board of Directors (in accordance with the requirements of Art. 247, para. 2, pt. 4 of the CL).

d) Zhaklen Koen – Executive Director of BEH EAD, as at 31.12.2015.

e) Information on the concluded within the year contracts, under Art. 240 (b) of the Commercial Law:

- No shares or bond of the Entity were acquired, or transferred, by the Members of the Board of Directors.

- No contracts were concluded by and between the Members of the BoD, or the related with them parties, within the year, which go beyond the Entity’s activities or which significantly deviate from the market conditions.

1.3. Personnel

As at 31 December 2015, 3,681 employees were employed in the Entity, under labour contracts.

Total personnel, employed by the Entity, including:	Statements as at 31.12.2015	Statements as at 31.12.2014	% change
Managers	450	451	-0.2%
Specialists	963	972	-0.9%
Technical and Applied Specialists	870	882	-1.4%
Administrative Assistant Personnel	269	270	-0.4%
Personnel, engaged with services for the population, trade and security	84	83	1.2%
Qualified workers and employees, and the associated with them professionals	805	797	1.0%
Machine operators and installers	168	155	8.4%
Professions, which do not require special qualifications	72	67	7.5%
TOTAL	3 681	3 677	0.1%

1.4. Legal and arbitral proceedings

“NPP Kozloduy” EAD is not a party under any legal, administrative or arbitral proceedings, associated with liabilities or receivables of the Entities, with financial interest, amounting to least 10 percent of equity.

1.5. Research and Development activities

During the reporting period, no surveys were conducted, and no projects were realized, under Research and Development activities.

1.6. Related parties

“NPP Kozloduy” EAD is owner of the following entities:

➤ **“HPP Kozloduy”**

“HPP Kozloduy” EAD is the sole shareholder (100%) of “HPP Kozloduy” EAD, comprised of 1,082 ordinary, non-bearer, available, voting shares, at nominal value of 1 000 BGN each.

“HPP Kozloduy” EAD is registered in the Vratsa District Court, under Company file № 495, dated 2004 with the purpose to build a Hydro Power Plant, to generate and distribute electric power, via the Electric Power Plant “Malka Vodno”, in order to utilize the remaining, of the processed by “NPP Kozloduy” EAD water, resources.

Pursuant to a decision of BEH EAD, dated 7 November 2008, a contract № 880080, dated 07.11.2008, was signed by and between the entity and “HPP Kozloduy” EAD, for the provision of a credit line, amounting to 20,000 thousand BGN. The credit line’s maturity is 2020. With Decision pt. II.15.1, dated 12.07.2012, the Board of Directors of BEH EAD has granted permission to “NPP Kozloduy” EAD to re-negotiate the contracted terms and conditions, under Contract Agreement for Credit line № 880080, dated 07.11.2008 and Annex №810000003, dated 06.11.2011. An Annex to the Contract Agreement was signed on 26.09.2012 for the additional granting of funds, namely 2 000 thousand BGN more. The maturity of the

latter is 2021, while the loan repayment shall start on 15.01.2013. With Decision pt. II.3.1, dated 29.03.2013, the Board of Directors of BEH EAD has granted permission to sign Annex №3. The Annex was signed by and between “HPP Kozloduy” EAD and “NPP Kozloduy” EAD. By virtue of the Annex, contracted clauses are amended as follows: extension of the deadline to utilize – until putting in operations the site HPP “Kozloduy”, WC-1, but not later than 30.06.2013; maturity – until 15.07.2021; time frames of the repayment instalments, with the repayment beginning on 15.07.2013; due interest on the borrowed funds – increase of the BIR + 2.5 % margin. With Decision pt. II.6.1, dated 12.01.2015, the Board of Directors of BEH EAD has granted permission to sign Annex № 4. The Annex was signed by and between “HPP Kozloduy” EAD and “NPP Kozloduy” EAD. By virtue of the Annex, contracted clauses are amended as follows: extending the deadline to repay – until 15.01.2024; increasing the number of the repayment instalments – 22 instalments; maturity and amount of the instalments.

➤ **“AEC Kozloduy – Novi Moshtnosti” EAD**

“HPP Kozloduy” EAD is the sole shareholder (100%) of “AEC Kozloduy – Novi Moshtnosti” EAD, comprised of 1,400,000.00 ordinary, non-bearer shares, at nominal value of 10 BGN each.

“AEC Kozloduy – Novi Moshtnosti” EAD is a single-shareholder joint stock company, registered on 09.05.2012 in the Commercial Registry of the Registration Agency, with UIC 202058513. The Entity is domiciled and has registered office at: NPP site, Kozloduy, Kozloduy Municipality, Vratsa District. The Entity’s registered capital amounts to BGN 14,000.

Pursuant to Decision № 28, dated 09.06.2016 and № 36, dated 07.07.2015, of the Entity’s Board of Directors it was decided to simultaneously decrease the capital of “AEC Kozloduy – Novi Moshtnosti” EAD by enervation of 135 100 ordinary, non-bearer, voting shares at nominal value of BGN 10 each, and increase of the capital with 1,351,000 BGN by registering 135,100 new, ordinary, non-bearer, voting shares, at total nominal value of 1,351,000 BGN by a cash instalment.

➤ **“Interpriborservice” OOD**

The entity has controlling interest of 63.96% in “Interpriborservice” OOD, Kozloduy, holding seventy one shares of its capital, which is comprised of 111 shares, each at nominal value of BGN 100 each, in total. The investment is carried at acquisition cost – total of 79 thousand BGN. Forty one shares are acquired for 4 thousand BGN, while in 2001 additionally 30 shares were purchased by DZU Stara Zagora for 75 thousand BGN. The transactions with the entity relate to the supply of assets, supplies under assets’ modernization and reconstruction, as well as and purchases of inventory and hired services.

“Interpriborservice” OOD is established pursuant to a Decision № 55, dated 13.04.1988, of the Council of Ministers, as a specialised entity for installation, commissioning, repair works and technical servicing of automated systems for management of technical processes, supply of appliances, equipment and spare parts for NPP, TPP and others. Russian and Ukrainian entities, operating in the fields of energy, are partners in the established entity.

➤ **IJSC “Energy”;**

The entity has interest in IJSC “Energy”. The Entity’s share in IJSC “Energy” amounts to 1.12%, while the investment sums up to 232 thousand BGN.

1.7. Branches of the Entity

The Entity does not have any branches.

2. Activity Overview

“NPP Kozloduy” EAD ended 2015 with very good production results and economic indicators.

The safe operations of the nuclear power units, the implementation of the investment projects, related with the extension of the nuclear power units’ operation and increase of their power, were financially secured by the Entity’s own funds. No external financing was utilized in the execution of these activities.

The following changes in the regulatory environment, which directly affect the operating results of the Entity, occurred within the past financial reporting year:

➤ **Regulatory framework (new regulatory period, effective as of 01.08.2015):**

- Pursuant to Decision C-27/31.07.2015 of the EWRC, the prices of electric power (energy) and of available capacities, for the regulatory period 01.08.2015 – 30.06.2016, remain unchanged. Namely the price of electric power (energy) is quoted at 15.30 BGN / MWh and the price of available capacities - at 13.73 BGN / MWh.

- Pursuant to Decision TE-025/31.07.2015 of the EWRC, the total quota, for the regulatory period 01.08.2015 – 30.06.2016, of “NPP Kozloduy” EAD were defined at 5,000 MWh. This total quota refers to the quota of “NPP Kozloduy” EAD for regulated market and for covering the technological costs in the electric power transmission grid and the electric power distribution network. The total quota for the regulatory period 01.08.2015 – 30.06.2016 is with 653,706 MWh less than the quota, defined for the prior regulatory period.

- Pursuant to Decision C-25/30.06.2015 of the EWRC, the price of thermal power for the regulatory period 01.07.2015 – 30.06.2016 is changed, namely – the price of thermal power is quoted at 39.95 BGN / MWh. This is by 1.45 BGN / MWh higher than the price of thermal power in the prior regulatory period.

- Increase in the network charges (transmission and access to the BH network) – by 0.58 BGN / MWh;

- Increase in the public obligation fees, payable by the market’s end-clients (by 19 BGN / MWh).

➤ **Legal framework (amendments in the Energy Act (EA) and the Energy from Renewable Sources Act (ERSA), effective as of March and July 2015):**

- Establishment of an “EPS Security” Fund, introducing a compulsory contribution in it. The contribution is in the amount of 5% of the income from sales of electric power to the producers.

- Limiting the quantities of energy, obtained from renewable energy resources (RES) and from highly-efficient cogeneration (HEC), which are subject to compulsorily purchase at preferential prices. The

residual quantities can be sold at free prices or when sold to the Public Provider (PP) – at the surplus price, defined in the balancing market;

- Removing the PP’s option to limit the quantities, purchased from RES and HEC, by adjusting the commercial schedules.

Generation of electric power and Realization of electric power

In 2015, “NPP Kozloduy” EAD generated 15,379,097 MWh (gross) electric power. This is 487,555 MWh less (or -3.1%) than the electric power, generated in 2014. The main reason for the decreased, in 2015, production, lies in the further extended period of stay for PAO, in the 6th energy unit – for realization of the activities, under the program to extend its operational life and increase its thermal power – replacement of the turbine generator’s stator.

The delivered net active energy in the country’s EPS amounts to 14,528,018 MWh. A 485,973 MWh (or -3.2%) decrease is recorded, compared to the electric energy, realized during the same period in the prior reporting period.

As a result of the aforementioned variations, the actual provided available capacity of the production facilities is below the recorded in 2014 levels.

The electric power generation, the gross available capacities and the generated electric power and realised sales income, for the financial reporting 2015, compared to the same in the prior reporting period, are summarized in the table here below:

Indicator	Statements as at 31.12.2015	Statements as at 31.12.2014	% change
Total MWh			
Gross production	15 379 097	15 866 652	-3.1
CH	851 080	852 661	-0.2
Net energy,	14 528 018	15 013 991	-3.2
Gross available capacities,	15 166 672	15 706 155	-3.4
Sales of electric power at regulated prices, MWh			
Net energy, MWh	4 843 216	5 968 431	-18.9
Gross available capacities, MWh	5 118 141	6 302 403	-18.8
Sales of electric power at freely-negotiated prices, MWh			
Net energy	9 679 156	9 009 844	7.4
Balancing market, MWh	5 645	35 716	-84.2
Surplus	34 289	37 625	-8.9
Shortage	-28 644	-1 909	1400.7
Sales of electric power, in thousands of BGN			
At regulated prices	144 373	205 542	-29.8
At freely negotiated prices	685 528	624 601	9.8
Balance of Balancing market	-4 720	-173	2628.3
Total Income from Sales of electric power	825 181	829 970	-0.6

The realized electric power at regulated prices is determined, under the defined by the EWRC quotas and by the Orders, placed by the Public Provider.

Due to the non-purchased contracted and order quantities of quotas in the prior regulatory period (until 30 June 2015), in the spring (second quarter), as a result of surplus of electric power under long-term contracts and given the smaller quotas for the next regulatory period, in 2015, the supplies of NEK to the PP were 19% less, compared to the 2014 supplies.

In light of the smaller volume of supplies at regulated prices, the realized, in 2015, supplies at freely negotiated prices have increased, compared to the same in 2014, by 7.4%.

Deviations between the contracted supply quantities and the actually generated net energy, under the Market Rules, are settled in the balancing market, launched in June 2014. The amount of energy, exceeding the agreed schedules in the commercial net positions (surplus) in 2015 is less compared to 2014. Nonetheless significant shortage is registered for the duration of unplanned events that led to short partial or complete interruption of production NEB №5, 6 in the period from January to February. The negative balance of imbalances (4.7 million) conveys the importance of market risk from the shutdown out of a large unit capacity such as NEB in NPP “Kozloduy”.

Indicator	Statements as at 31.12.2015	Statements as at 31.12.2014	% change
Sales – Client at freely negotiated rates, MWh			
Total quantity	9 679 156	9 009 844	7.4
End-consumers	432 372	766 612	-43.6
Traders	9 246 784	8 243 233	12.2
Share consumers, %	4.5	8.5	-4.0
Share traders, %	95.5	91.5	4.0

Two regular deliveries of fresh nuclear fuel were performed in 2015, in compliance with the contracted terms. The scheduled shipment of PNF, from VVER-440 to Russia, for storage and processing, was not executed. The reasons are complex – technical, regulatory and others (i.e. adverse weather conditions, for the most part of the year).

Generation of thermal power and Realization of thermal power

In 2015, the Entity generated 176,421 MWh thermal power. The total volume of thermal power, realized on the site and in Kozloduy, amounts to 85,881 MWh, which is with 8,937 MWh (or 11.6%) more than the thermal power, generated in the prior year.

The amount of own consumption (CH) is relatively constant. The consumed thermal power has increased with 11.6%, compared to the thermal power, consumed in 2014, mainly due to the increased thermal power consumption on the site (sites of SE PAO). The trends for the thermal power consumption in the town of Kozloduy retain relatively constant levels.

The actually accrued thermal power quantities, in accordance with the amendments in the Decree for Thermal power supply, dated 01.06.2014, of 83,732 MWh, consumed by the consumers in the town of Kozloduy, are with 5,772 MWh (or 7.4%) more than those accrued in 2014.

The Income, generated in 2015 from sales of thermal power, amount to 2.03 million BGN.

The Program to maintain and enhance safety

Maintaining and enhancing the safety of operations, is of major importance for “NPP Kozloduy” EAD. The activities, for maintenance and enhancing the safety in the Entity, are performed on the following: nuclear safety, operational experience, radioactive security, activities in the fields of readiness in emergency circumstance, activities in the fields of PAO management, radio ecological monitoring, non-radiation monitoring and environmental protection.

The nuclear facilities in “NPP Kozloduy” EAD operate in accordance with the terms and conditions of the issued by the NRA licenses of operation of Energy Units 5 and 6 and of HOG. The Entity maintains licenses to use ionizing radiation sources, licences to transport of radioactive substances and licences to conduct specialized training. An application to obtain license to operate a Facility for Dry Storage of the consumed, in the reactors VVER-440, nuclear fuel was submitted on 18.02.2015. With Order №AA-04-138, dated 06.11.2015, the Chairman of the NRA amends the License, of Series SO, with № 03803, dated 05.10.2011. The Licence, of Series SO, with №03803, dated 05.10.2011, relates to conducting specialized training on activities in nuclear facilities, and on activities with sources of ionizing radiation, which affect the safety, and to the issuance of licenses to persons, who are professionally engaged in activities in nuclear facilities, and in activities with sources of ionizing radiation.

The power plant is operated in compliance with the principals for radiation safety, defined under OHRZ-2004 and BSS -115 of MAAE, as well as the ALARA principal (loading the personnel as less as possible, but as much as it can reasonably be achieved).

In 2015, seven operational events were registered in “NPP Kozloduy”. These were reported before the NRA, under the criteria, set under the “Decree for the conditions and order to inform he agency for nuclear regulation of events in the Nuclear Power Plants and the sites and facilities, using SIR ”.

The radiation monitoring of the environment is regulated under the long-term program of “NPP Kozloduy” EAD for radiation monitoring of the environment. The achieved in 2015 results convey that the power of the equivalent dose of gamma radiation, varies within the range of the natural background radiation (0, 05 ÷ 0, 17) µSv/h. The values, measured within the industrial site and the values, measured the settlements, within 100 kilometres from the site, are fully comparable.

“NPP Kozloduy” EAD works actively to protect the environment, in all its aspects. The plant, as an operating organization, holds 11 permits, issued by the Ministry of Environment and Water of the Republic of Bulgaria and its bodies. The annual report on greenhouse gas (GHG) emissions is prepared and submitted before the Executive Environment Agency in pursuance of the permit for greenhouse gases (GHG) emissions. The due allowances for GHG emissions (356 t CO₂) were purchased.

Implementation of the investment program

The planned annual outages (PAO) to recharge the reactors in Energy Unit 5 and 6 were conducted, in 2015, for 37 and 53 calendar days, respectively.

All necessary actions (technical servicing, maintenance, repair, specialized control and inspection of main and auxiliary equipment of the safety systems, systems that are important for the safety and the production in accordance with the factory, regulatory and licensing requirements) were implemented, within planned downtime in 2015, to ensure efficiency, equipment reliability and safe operation of nuclear facilities. Furthermore, all activities for the modernization and reconstruction of the energy units, planned under the program for the extension of the energy units’ operational life and power increase, were conducted. During the PAO on the Energy Unit 6, one of the most demanding projects of the program – the replacement of the turbine generator’s stator – was implemented).

The following core activities, provided under the repair and maintenance program, in conformance with the license obligations of the Entity to operate nuclear facilities, we executed in 2015:

- Technical servicing (TS), repair, maintenance and preventative repair works on components, systems and constructions (CSC)

- Technical servicing (TS), repair, maintenance, review and supervision, and preventative repair works on core and ancillary equipment (CSC of the safety systems; the systems that are important for the safety and the production) of NEU № 5 and 6.

- Amending repair - arisen defects in equipment and components, identified during operation, periodic inspections and tests, benefits, periodic review and others are removed in a timely manner, in accordance with the technological conditions and restrictions.

- Repair of General Plant Facilities – the planned volumes of preventive maintenance and technical servicing of the general plant equipment in the workshop “Repository of the Consumed Fuel”, workshop “Open switchgear”, workshop “bank pump station”, workshop “Hydraulic equipment and building structures” and workshop “Thermal power supply” were carried out according to the approved in different divisions schedules.

The activities, executed under the repair program of “NPP Kozloduy” EAD in 2015, amount to 59 million BGN, including 8 million BGN for repairs of investment nature (major repairs, replacement of major / significant spares).

Execution of the investment program

The reported in 2015 investment costs amount to 110.5 million BGN. These are distributed by type of activity, as follows:

- for Building and construction works	– 19.1 millions of BGN;
- for Machines and equipment (MiS)	– 70.6 millions of BGN;
- for project related research (PR)	– 20.8 millions of BGN;
- Other costs	– 0.039 millions of BGN.

The implemented, during the reporting period, investment activities were aimed at realizing the strategic objectives to extend the operation of Units 5 and 6 and increase their production capacity at 104%. In accordance with the requirements of ASUNE and the operating licenses, a number of activities were performed to maintain and enhance safety in the “NPP Kozloduy” EAD, including events of the program to implement recommendations from the "stress tests" on nuclear facilities.

The following, investment projects, regarded as significant, were implemented during the reporting period:

- Extending the term of the operations, of Energy Unit 5 and Energy Unit 6

The implementation of the measures, taken under this project, form the basis for the renewal of licenses to operate Units 5 and 6 in 2017 and 2019, and their long-term operation – namely for the next 30 years. This will ensure the Entity and end-users with electric power and economic benefits for an extended period of time.

Stages:

Stage 1: Complex review and comprehensive assessment of the residual resource of the equipment and facilities in Energy Units 5 and 6 of “NPP Kozloduy” - completed.

Stage 2: Based on the results achieved, and recommendations derived to, in the first stage. The realization of the project’s stage 2 – development, approval and coordination with the Nuclear Regulatory Agency (NRA) the Preparation program to extend the operation of Energy Unit 5 and Energy Unit 6 of “NPP Kozloduy”; the development, approval and coordination with NRA the Implementation programs to extend the operational life of Energy Unit 5 and Energy Unit 6 of NPP “Kozloduy”; implementation of the planned Program’s measures – organizational, technical and methodological activities to extend the operation of Energy Units 5 and 6, justifying the deadlines of their long-term operation.

The costs, incurred in 2015, amounted to 30.2 million BGN. Among the most-significant project events are: supply and replacement of check valves for WB, CBA and CNB; extending the operational life of the existing hydro shock absorbers; Delivery of assemblies internal reactor detectors / SVRD / and loops for the thermal reactor in Energy Units 5 and 6; Design, supply and installation of power supply cabinets 0.4kV, replacing assemblies of type RTZO of safety systems, Energy Units 5 and 6, and assemblies in common plant sites; Modernization and spare parts for GTSN; Equipping the SFS / workshops and baskets for CNF from VVER 1000 /; Modernization of systems for control and management of CK-3 and others.

- Increasing the thermal power capacity of the reactor to 104%.

The recorded resources, consumed in the project’s execution, amount to 25.6 million BGN.

According to the updated complex concept, the transition and the activities to utilize and operate the increased power capacity are split into stages, including short and long-term activities. The implementation of the short-term activities will allow the conduct of comprehensive tests of the increased

power capacity, while the long-term activities – the operations at increased power capacity. The implementation of the activities under the contracts, related with the implementation of the relevant project’s stages continues.

- Design and development of additional analysis, justifying the safe operations of the Energy Units, at increased capacity;

- The implementation of measures to create conditions for performance of complex test at increased capacity, include changes in the construction, the systems and the components (CSC);

- Long-term activities, related to modifications of CSC on basic equipment.

- Events, arising from the stress tests and the National Action Plan (NAP)

Comprised of activities in the fields that are subject to reevaluation during the conducted stress tests, as well as additional activities, conducted in compliance with the NAP. The program to implement the recommendations from the conducted “stress tests” on the nuclear facilities in “NPP Kozloduy” EAD contains all undertaken corrective measures and planned improvements. The assigned pursuant to these events investments are worth 1.9 million BGN.

- Licencing conditions, requirements under the regulatory documentation and activities, targeting to increase the safety

The goal is the realization of activities, guaranteeing to ensure nuclear safety, radiation protection and environmental protection in the operation of energy units and in the management of radioactive materials in NPP “Kozloduy”.

The invested in this field fund in 2015 amount to 17.2 million BGN. The implemented events, incurring the most significant costs include: further equipment of the SFS, the modernization and update of the management of radiation monitoring arches RTM860TS.

- Investment activities in respect of the current (ongoing) maintenance of Energy Units and auxiliary equipment and infrastructure

Activities, related to the maintenance of main and auxiliary facilities and activities to ensure the normal operation of the general plant facilities, assisting the production activity are being performed. The recognized under such activities costs amount to 35.5 million BGN.

Financial Results for the financial reporting 2015

As at the 2015 year-end, the Entity records an improved net financial result of 82 million BGN, compared to the 78 million BGN, realized in 2014.

Over the past year, the operating income of the Entity amounted to 851 million BGN. Income from sales of electric power amounts to 825 million BGN (and form 97% in revenues). The insignificant decrease of the amounts was recorded in 2015, compared to the amounts, recorded in 2014, namely a decrease of 4.8 million BGN (or -0.6%), arising from the purchase of electric power shortages, amounting to

5 million BGN, and from the sale of electric power surplus to cover EPS imbalances, amounting to 0.3 million, related with the participation of “NPP Kozloduy” EAD on the balancing market.

The operating expenses of the Entity (continuing operations), amount to 727 million BGN in 2015, and have increased by 26 million BGN (or 4%), compared to the same, reported in 2014. The most significant deviations are observed in:

- hired services – increase of 23 million BGN (25 %) as a result of the reported growths in hired services with regards to the execution of a contract, related with extension in the operational term of EU 5.

- other costs are at carrying amount of 116 million BGN and record a 15 million BGN (or 15%) increase, compared to the other costs, accounted in the financial reporting 2014. Costs, incurred in contributions to the RAW Fund, the DNF Fund and SES Fund, amount to 104 million BGN and form the largest portion of other costs – 90%. The accounted increase arise from the new liability, imposed on “NPP Kozloduy” EAD to monthly pay instalments to the SES Fund, in the amount of 5 percent of Income from sales of electric power, as required under the amended Energy Act, effective as of 24.07.2015.

Loss from discontinued for 2015 operations amount to 30 million BGN and arise as a result of the accrued provision for management of the CNF, in execution of the Strategy to Manage consumed nuclear fuel and radioactive waste, until 2030, and the contractual arrangements of the Entity to transport CNG from VVER-440 to Russia, for storage and processing.

During the reporting period, the Entity has paid, on time, the requisite, under the contracts for the supply of nuclear fuel compulsory insurance contributions to RAW Fund, the DNF Fund and SES Fund, the salaries and wages, the social security contributions, the obligations, under commercial contracts, signed in the implementation of the maintenance and investment programs. The priority activities, related to the safe operation of nuclear facilities and the implementation of investment projects for the extension of the operational life of NEU 5 and 6, and for increasing their thermal capacity, were financially secured. “NPP Kozloduy” EAD settled its obligations, under a long-term loan, obtained from the European Atomic Energy Community (EURATOM), under the Program for modernization of Energy Units 5 and 6, within the contracted time terms and amounts, disclosed under the clauses of the Loan Agreement, dated 29.05.2000.

The cash and cash equivalents of “NPP Kozloduy” EAD have increased by 71 million BGN as at 31.12.2015, compared to the prior reporting period. This increase results from the increased proceeds, from sales of electric power at freely negotiated prices and the additionally realized proceeds from guarantee deposits and collaterals, pledged under tender procedures.

Over the past year, the practice of conducting constant monitoring and control of the lawful, appropriate and efficient use of the Entity’s financial resources continued. This monitoring and control is performed by preliminary control when undertaking commitments, subsequent monitoring and control of the budget’s implementation, by avoiding any excess of the financial framework, under the established programs.

The table hereafter present selected key indicators that reflect the achieved operational results and evaluation of the Entity’s position and operations in 2015, compared to the prior reporting period:

№	Thousands of BGN	Statements as at 31.12.2015	Statements as at 31.12.2014	Change 2015/2014 (%)
k.1	k.2	k.3	k.4	k.5=(k.3/k.4)-1
1	Total Operating Income	851 105	850 413	0.08%
2	Total Operating Expense	(727 166)	(701 162)	3.71%
3	EBITDA ¹⁾	284 148	302 590	-6.09%
4	EBIT ²⁾	123 939	149 251	-16.96%
5	EBT ³⁾	121 909	145 364	-16.14%
6	EBIT margin	14.6%	17.6%	-17.03%
7	EBITDA margin	33.4%	35.6%	-6.17%
8	Total Assets	3 424 589	2 380 591	43.85%
9	Non-current Tangible Assets ⁴⁾	2 836 880	1 791 039	58.39%
10	Working Capital ⁵⁾	329 552	331 464	-0.58%
11	Cash and Cash equivalents	89 851	18 920	374.90%
12	Equity	2 657 738	1 678 821	58.31%
13	Return on Equity	4.59%	8.66%	-47.02%
14	Return on Assets	3.56%	6.11%	-41.70%

1) EBITDA – profit, before interest, tax and depreciation (and amortization), from continuing operations;;

2) EBIT – profit, before interest and tax, from continuing operations;

3) EBT – profit before tax, from continuing operations;

4) -current Tangible Assets – Non-current Tangible Assets + Costs to acquire Non-current Tangible Assets;

5) Working capital – Current Assets less Current Liabilities

3. Risk Factors

The Entity is exposed to different risks, inherent to its financial instruments. The most significant financial risks, to which the Entity is exposed, are presented here below:

➤ Market risk

As a result of the use of financial instruments, the Entity is exposed to market risk, and more specifically the risk of changes in the foreign exchange rates, to interest risk, as well as the risk of changes in specific prices, resulting from the operating and investment activities of the Entities.

➤ Currency risk

The majority of the foreign exchange cash payments to suppliers for goods and services, for the acquisition of non-current tangible and intangible assets, and for the settlement of the long-term loan, obtained from EURATOM, are mainly denominated in Euros. The currency risk, related to losses, arising

from the revaluation of the Entity’s costs, from reduction in the price of the Bulgarian Levs, is minimal, as the exchange rate BGN / Euro is fixed.

A significant portion of the Entity’s foreign exchange transactions (purchase of materials and services) are denominated in US Dollars. This exposes the Entity to significant risk in terms of changes in the US Dollar exchange rate to the Bulgarian Levs.

➤ Interest risk

The Entity’s policy is focused on minimizing the interest risk in long-term funding.

As at 31.12.2015, the Entity’s cash flows are exposed to interest risk, arising due to changes in the market interest rates of the seven tranches, under the Loan Agreement, denominated in Euros, with EURATOM, dated 29.05.2000, at contracted floating interest rates, equal to six month EURIBOR + a margin, in the range between 0.079% to 0.13%

In terms of the contracted at fixed interest % first tranche, under the Loan agreement with EURATOM, the Entity is not exposed to any risk, arising from fluctuations in the interest rates of the BIR and EURIBOR.

The Entity is exposed to potential interest risk with regards to the credit, granted to the subsidiary “HPP Kozloduy” EAD, under floating interest rate conditions, namely – interest rates, based on the BIR plus a margin of 2.5%.

All other financial assets and financial liabilities of the Entity are with fixed interest rates.

➤ Liquidity risk

Liquidity risk refers to the adverse situation where the Entity is not in a position to unconditionally settle its obligations, upon their maturity. In order to manage the liquidity risk, the Entity collects its receivables, controls its cash outflows and thus ensures sufficient working capital.

In order to diversify and reduce the risk of fund’s concentration in the held by “NPP Kozloduy” EAD deposit accounts and in the current accounts in bank institutions, in compliance with the Rules and Regulations for deconcentration under Decree №127 / 27.05.2013, the Entity’s cash management requires the net exposures in one financial institution to not exceed 25 percent of the total cash.

➤ Credit risk

Credit risk refers to the risk that a counterparty will fail to discharge its obligations, under a financial instrument, or a client contract, causing financial losses for the Entity. The fact that the Entity’s receivables are concentrated in the related party NEK EAD (related party, controlled by BEH EAD), arising from sales of electric power at regulated prices, in its capacity of Public Provider, which as at 31.12.2015 amount to 97 thousand BGN, has a negative impact on the credit risk.

4. Events, after the Balance Sheet date

As of 19.01.2016, “NPP Kozloduy” EAD is an active participant in the “day ahead” platform, operated by the BNEB. The parameters of the submitted offers must comply with the Agreement to ensure liquidity on the exchange – the offered electric power volumes, defined for NPP “Kozloduy” are based on the regulated, under the Agreement, principle of “solidarity participation of the entities, within BEH EAD, in the “day ahead” market.

5. Future opportunities and Development in 2016

The planned economic policy of the Entity for 2016 is in compliance with the approved by Decision II.4.1./22.01.2016 of the BoD of BEH EAD five years Business Program, for the Period 2016 – 2020.

The priorities in the development of “NPP Kozloduy” are: constant safe, flawless and cost-effective operation of the plant, and successful, efficient and timely completion of the project “Extension of the operational life of the NEU 5 and 6”, along with an increase in their production capacity.

Along with these strategic projects, the implementation of all reconstructions and modernizations of basic facilities, the need of which arises in the course of their operation or as a result of the analysis of the operational experience, shall be ensured.

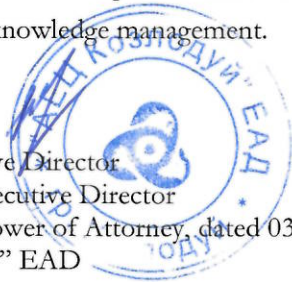
A main priority of the ongoing financial policy, in the medium term, remains the pursuit to preserve the financial stability of the Entity. In order to achieve this goal, significant cash flows are necessary to be accumulated from several sources: collection of the receivables, which the Entity holds, or their sale to third parties.

The transition to a new market model, and a fully liberalized market, is expected to create significant difficulties in the adaptation process of all players on the energy market, including and “NPP Kozloduy” EAD. In this respect, the commercial activities of the Entity for 2016 shall be directed to ensure maximum realization of the generated electric power, stable market presence and maintenance of competitive prices. The Entity’s pricing policy for free offerings shall be oriented towards providing safe, adequate and rhythmic sales income, complying with the market conditions.

Maintaining sufficient number of qualified, competent and motivated personnel remains a top priority of the Management in its activities and management of the Entity. The main focus shall be the effective operation of the personnel’s education and training system, and the construction and development of a system for knowledge management.

Ivan Andreev

Deputy Executive Director
Proxy to the Executive Director
By virtue of a Power of Attorney, dated 03.12.2014
“NPP Kozloduy” EAD
Kozloduy



INDEPENDENT AUDITOR'S REPORT**TO THE SOLE SHAREHOLDER OF
NPP KOZLODUY EAD***Report on the separate financial statements*

We have audited the accompanying separate financial statements of “**NPP KOZLODUY**” EAD (the **Company**), as at 31 December 2015, which comprise the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements, in accordance with International Financial Reporting Standards, adopted by the European Commission, and for such an internal control system as the Management determines as necessary for the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these separate financial statements, based on our audit. We conducted our audit in accordance with the professional requirements of the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about the amounts and disclosures, presented in the separate financial statements. The selected procedures depended on the auditor's professional judgement, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considered the internal control relevant to the entity's preparation and fair presentation of the separate financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the entity's internal control. The audit also includes evaluating the appropriateness of the used accounting policies and the reasonableness of the accounting estimates, made by Management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Global in Reach, Local in Touch

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Basis for Qualified Audit Opinion

1. As is disclosed in the separate financial statements Note 4.24.8 “Provisions”, out of Company activity arises the necessity to provide for future expenses for the decommissioning of nuclear facilities. According to the legislation currently in force and other international agreements, the Company has the right to receive reimbursement for a portion of these costs from national and international funds. In accordance with the requirements of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, the Company should recognise provisions for decommissioning of nuclear facilities and a separate asset for its right to receive reimbursements in the event the asset’s value can be reliably determined. We were not presented with an assessment of these future expenses and any related reimbursement. Consequently, we were not able to obtain reasonable assurance about provisions’ assessment and the related reimbursement assets as at 31 December 2015.

2. The statement of financial position includes non-current receivables from Corporate Commercial Bank AD - in insolvency with gross value as at 31 December 2015 amounting to BGN 4,537 thousand and recognized impairment for the period BGN 907 thousand. In the creditors’ receivables list approved by the administrators in insolvency the total amount is registered. The Company management considered that there exists many uncertainties related to determining recoverable amount of this receivable and estimated as reasonable to recognize partial impairment loss for the period (Note 10 „Other non-current receivables”). We were unable to obtain sufficient audit evidence even by applying alternative procedures to become convinced with reasonable assurance about the submitted value for this receivable in separate financial statements and to determine whether the amendments in the amount of this receivable are necessary.

3. As at 31 December 2015 the Company recognises bank loans liabilities, which are guaranteed by the Government of the Republic of Bulgaria (Note 19 “Loans”). In accordance with the requirements of IAS 39 “Financial Instruments: Recognition and Measurement”, the loan should have been initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method. The Company has not measured the loan, under this method and this represents a violation of the provisions of IAS 39 “Financial Instruments: Recognition and Measurement”. As a result, the Company retained earnings, and respectively the liabilities as at 31 December 2015 are understated by approximately BGN 9,327 thousand.

Qualified opinion

In our opinion, except for the possible effect of the matters 1 and 2 and the effect of the matter 3, described in “Basis for Qualified Opinion” section, the accompanying separate financial statements present fairly, in all material respects the financial position of “NPP KOZLODUY” EAD as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, adopted by European Commission.

An Emphasis of Matter Paragraph

We draw attention to Note 6 "Property, plant and equipment" from the separate financial statements as at 31 December 2015, where it is disclosed that as at 30 June 2015 revaluation is carried out of the major part from the Company property, plant and equipment using independent licensed appraiser. As of the date of revaluation was carried out the Company was in the process of extending its licenses for exploitation terms of Energy block 5 and 6 up to 2037 and 2041 respectively. The specifics of the Company's assets and the dynamic economic environment in the energy sector could lead to variations in the assumptions and estimates used in determining the fair value.

Our opinion is not qualified in relation to this issue.

Other matters

The Company separate financial statements as at 31 December 2014 were audited by other auditor that issued qualified audit report with an emphasis of matter paragraph dated 14 April 2015.

Report on other Legal and Regulatory Requirements – Separate Activity Report as at 31.12.2015

We have reviewed the separate activity report as at 31 December 2015 of "NPP KOZLODUY" EAD, which is not part of the separate financial statements as at 31 December 2015. The historic financial information, presented in the separate activity report, prepared by the Management, corresponds, in all material aspects, to the financial information in the separate financial statements as at 31 December 2015, prepared in accordance with the International Financial Reporting Standards, adopted by the European Commission. The Management is responsible for the preparation of the separate activity report.

Specialized Auditing Company**"HLB Bulgaria" Ltd.****Representing the Auditing Company:****Milena Hristova****Registered Auditor (CPA) responsible for the audit:****Vaska Gelina****11.04.2016**

Statement of Financial Position

Assets	Note	31 December 2015 Thousands of BGN	31 December 2014 Thousands of BGN
Non-current Assets			
Property, plant and equipment	6	2 836 880	1 791 039
Intangible assets	7	5 573	7 118
Investment property	8	3 034	-
Investments in subsidiaries	9	15 161	15 161
Loans, granted to related parties	32.2	17 090	18 990
Other Non-current receivables	10	3 630	4 618
Available-for-sale financial assets	11	232	232
Non-current Assets		2 881 600	1 837 158
Current Assets			
Nuclear fuel	13	235 901	247 184
Inventory	14	59 156	59 324
Trade and other receivables	15	56 133	45 497
Loans, granted to related parties	32.2	2 860	2 367
Receivables from related parties	32.1	98 471	170 141
Receivables under Income tax		617	-
Cash and cash equivalents	16	89 851	18 920
Current Assets		542 989	543 433
Total Assets		3 424 589	2 380 591

Compiled by: 
 /Margarita Mankova/

Deputy Executive Director: 
 /Ivan Andreev/
 Proxy of the Executive Directors
 By virtue of Power of Attorney, dated 03.12.2014

Date of preparation: 29 March 2016

The Financial Statements were authorized for issue by Decision of the Board of Directors, dated 6 April 2016.

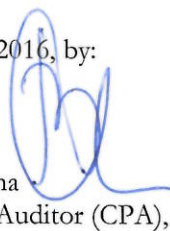
The explanatory notes, pages 7 to 58 are an integral part of the Separate Financial Statements.

Audited, in accordance with the Audit Report, dated 11 April 2016, by:
 Auditing Company “HLB Bulgaria” Ltd.

Milena Hristova
 Manager




Vaska Gelina
 Registered Auditor (CPA), Audit Engagement Partner



Statement of Financial Position (continued)

	Note	31 December 2015 Thousands of BGN	31 December 2014 Thousands of BGN
Equity and Liabilities			
Equity			
Share capital	18.1	196 493	165 607
Statutory reserves	18.2	16 561	15 385
Revaluation reserve of non-financial assets	18.3	1 385 905	429 303
Revaluation reserve of defined benefit plans		(19 883)	(5 961)
Other reserves	18.4	984 126	984 126
Retained earnings		94 536	90 361
Total Equity		2 657 738	1 678 821
Liabilities			
Non-current Liabilities			
Loans	19	147 788	192 038
Retentions under construction contracts	20	1 471	1 393
Financing	21	190 689	190 737
Liabilities for retirement benefits	22	24 375	16 062
Deferred tax liabilities		189 091	89 571
Non-current liabilities		553 414	489 801
Current Liabilities			
Trade and other liabilities	23	103 853	142 961
Liabilities to related parties	32.1	11 377	2 265
Loans	19	46 058	46 491
Financing	21	1 047	1 456
Retentions under construction contracts	20	5 776	5 742
Liabilities for retirement benefits	22	15 384	12 029
Income tax expense		-	1 025
Provisions for CNF		29 942	-
Current liabilities		213 437	211 969
Total Liabilities		766 851	701 770
Total Equity and Liabilities		3 424 589	2 380 591

Compiled by: 
 /Margarita Mankova/

Deputy Executive Director: 
 /Ivan Andreev/

Proxy of the Executive Directors
 By virtue of Power of Attorney, dated 03.12.2014

Date of preparation: 29 March 2016

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 Auditing Company “HLB Bulgaria” Ltd.

Milena Hristova
 Manager


Vaska Gelina
 Registered Auditor (CPA), Audit Engagement Partner



Statement of Profit and Loss, and Other Comprehensive Income, for the year ending 31 December

	Note	2015	2014
		Thousands of BGN	Thousands of BGN
Income from sales of electric power		825 181	829 970
Income from sales of thermal energy		2 026	2 037
Income from sales of goods	24	827 207	832 007
Income from financing		1 006	1 213
Income from sales of services, goods and other sales	25	22 892	17 193
Cost of materials	26	(159 156)	(154 579)
Hired services	27	(117 141)	(93 712)
Personnel expenses	28	(184 463)	(187 882)
Depreciation costs	6, 7	(160 209)	(153 339)
Other costs	29	(115 674)	(101 105)
Change in work in progress and others		8 935	(10 856)
Cost of acquisition of property, plant and equipment		542	311
Profit from operating activities		123 939	149 251
Finance costs	30	(4 562)	(5 983)
Financial income	30	2 532	2 096
Profit before tax		121 909	145 364
Income tax expense	31	(9 518)	(9 108)
Profit for the year, from continuing operations		112 391	136 256
Loss for the year, from discontinued operations	17	(29 957)	(58 532)
Profit for the year		82 434	77 724
Other comprehensive income:			
Components that are not reclassified in profit or loss:			
Revaluation of liabilities under defined benefit plans	22	(15 467)	513
Revaluation of non-financial assets	6	1 063 034	-
Income tax, relating to components that are not reclassified in profit or loss	12	(104 756)	(51)
Other comprehensive income, net of tax		942 811	462
Total comprehensive income for the year		1 025 245	78 186

Compiled by: 
 /Margarita Mankova/

Deputy Executive Director: 
 /Ivan Andreev/

Proxy of the Executive Directors
 By virtue of Power of Attorney, dated 03.12.2014

Date of preparation: 29 March 2016

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Audited, in accordance with the Audit Report, dated 11 April 2016, by:
 Auditing Company “HLB Bulgaria” Ltd.

Milena Hristova
 Manager



Vaska Gelina
 Registered Auditor (CPA), Audit Engagement Partner

Statement of Changes in Equity, for the year ending 31 December

All disclosed amounts are in thousands of BGN	Share capital	Statutory reserves	Revaluation reserve of non-financial assets	Revaluation reserve of defined benefit plans	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2015 (revalued)	165 607	15 385	429 303	(5 961)	984 126	90 361	1 678 821
Dividend	-	-	-	-	-	(46 330)	(46 330)
Transactions with the owner							
Profit for the year	-	-	-	-	-	82 434	82 434
Other comprehensive income, net of tax	-	-	956 731	(13 920)	-	-	942 811
Total comprehensive income for the year	-	-	956 731	(13 920)	-	82 434	1 025 245
Increase in capital, decrease in retained earnings	30 886	-	-	-	-	(30 886)	-
Increase in reserves, decrease in retained earnings	-	1 175	-	-	-	(1 175)	-
Transfer of revaluation reserve of non-financial assets to retained earnings	-	-	(130)	-	-	130	-
Other changes in equity	-	1	1	(2)	-	2	2
Balance as at 31 December 2015	196 493	16 561	1 385 905	(19 883)	984 126	94 536	2 657 738

Compiled by:  /Margarita Mankova/

Deputy Executive Director:

/Ivan Andreev/

Proxy of the Executive Director

By virtue of Power of Attorney, dated 03.12.2014

Date of preparation: 29 March 2016

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The explanatory notes, pages 7 to 58 are an integral part of the Separate Financial Statements.

Audited, in accordance with the Audit Report, dated 11 April 2016, by:
Auditing Company “HLB Bulgaria” Ltd.

Milena Hristova
Manager




Vaska Gelina
Registered Auditor (CPA), Audit Engagement Partner

Statement of Changes in Equity, for the year ending 31 December (continued)

All disclosed amounts are in thousands of BGN	Share capital	Statutory reserves	Revaluation reserve of non-financial assets	Revaluation reserve of defined benefit plans	Other reserves	Retained earnings	Total Equity
Balance as at 1 January 2014	153 855	12 454	432 750	(6 423)	984 126	51 292	1 628 054
Dividend	-	-	-	-	-	(27 419)	(27 419)
Transactions with the owner	-	-	-	-	-	(27 419)	(27 419)
Profit for the year	-	-	-	-	-	77 724	77 724
Other comprehensive income, net of tax	-	-	-	462	-	-	462
Total comprehensive income, net of tax	-	-	-	462	-	77 724	78 186
Increase in capital, decrease in retained earnings	11 752	-	-	-	-	(11 752)	-
Increase in reserves, decrease in retained earnings	-	2 931	-	-	-	(2 931)	-
Transfer of revaluation reserve of non-financial assets to retained earnings	-	-	(3 447)	-	-	3 447	-
Balance as at 31 December 2014	165 607	15 385	429 303	(5 961)	984 126	90 361	1 678 821

Compiled by:  /Margarita Mankova/

Deputy Executive Director:  /Ivan Andreev/

Proxy of the Executive Director

By virtue of Power of Attorney, dated 03.12.2014

Date of preparation: 29 March 2016

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The explanatory notes, pages 7 to 58 are an integral part of the Separate Financial Statements.

Audited, in accordance with the Audit Report, dated 11 April 2016, by:
 Auditing Company “НПБ България” Ltd.

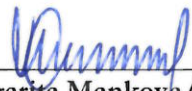
Milena Hristova
 Manager

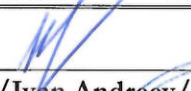
Vaska Gelina
 Registered Auditor (CPA), Audit Engagement Partner



Statement of Cash Flows, for the year ending 31 December

	Note	2015	2014
		Thousands of BGN	Thousands of BGN
Operating activities			
Cash proceeds from clients		941 056	917 405
Cash payments to suppliers		(295 914)	(251 493)
Cash payments to the personnel (employee benefits) and to the social security institutions		(183 654)	(169 843)
Cash payments of fees, commissions and other similar		(192)	(51)
Cash payment to the “Radioactive Waste” Fund and to the “Decommissioning of Nuclear Facilities” Fund		(100 556)	(85 939)
(Cash payments in respect of) / Cash proceeds, related with Income Tax		(16 394)	(9 901)
Cash flows, associated with other taxes and payments to the State Budget		(101 821)	(129 060)
Cash flows, associated with insurance		(10 706)	(9 901)
Other cash receipts from operating activities		54 665	(7 986)
Net cash flow from continuing operations		286 484	253 231
Net cash flow from discontinued operations	17	(15)	(28 812)
Net cash flows from operating activities		286 469	224 419
Investing activities			
Acquisitions of property, plant and equipment		(173 474)	(157 272)
Cash proceeds from sales property, plant and equipment		3 200	18
Cash proceeds under granted loans	32.2	1 372	754
Cash proceeds from interests	32.2	531	266
Dividends, received	11	712	255
Net cash flows from investing activities		(167 659)	(155 979)
Financing activities			
Cash payments under received loans		(44 251)	(44 251)
Cash payments of interests		(3 628)	(5 449)
Cash payments of dividends	18.5	-	(45 142)
Net cash flows from financing activities		(47 879)	(94 842)
Reclassification in other non-current receivables	10	-	(4 618)
Net change in cash and cash equivalents		70 931	(26 402)
Cash and cash equivalents in the beginning of the year		18 920	45 322
Cash and cash equivalents as at year-end	16	89 851	18 920

Compiled by: 
 /Margarita Mankova/

Deputy Executive Director: 
 /Ivan Andreev/

Proxy of the Executive Directors
 By virtue of Power of Attorney, dated 03.12.2014

Date of preparation: 29 March 2016

The Financial Statements were authorized for issue by Decision of the Board of Directors, dated 6 April 2016.

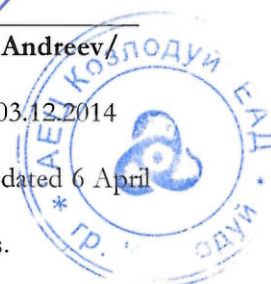
The explanatory notes, pages 7 to 58 are an integral part of the Separate Financial Statements.

Audited, in accordance with the Audit Report, dated 11 April 2016, by:
 Auditing Company “HLB Bulgaria” Ltd.

Milena Hristova
 Manager



Vaska Gelina
 Registered Auditor (CPA), Audit Engagement Partner



Explanatory notes to the Separate Financial Statements

1. Principal activities

“NPP Kozloduy” EAD is a joint stock company, established by virtue of Decision № 582, dated 2000, in the Vratsa District Court. The entity is domiciled and has registered address in the town of Kozloduy, Vratsa District, P.O. Code 3321, Bulgaria. Pursuant to its demerger from the “Natsionalna Elektricheska Kompania” EAD (“National Electric Company” EAD) (NEK EAD), the entity was established on 28 April 2000, as a joint stock company with a single shareholder – the Republic of Bulgaria. The entity is legal successor of the respective assets and liabilities of “NEK” EAD, Sofia, in accordance to the Separation Protocol of the “NPP Kozloduy” branch and the GMP “Atomenergoinvest”, Kozloduy, compiled based on the available accounting records, dated 28 April 2000. The rights of the single shareholder are exercised by the Ministry of Energy, and as of 18.09.2008 by the established “Bulgarian Energy Holding” EAD.

The financial reporting period of the Entity ends 31 December.

The principal activities of the Entity include the use of nuclear power for generating electric and thermal power.

As at 31 December 2015, “Bulgarian Energy Holding” EAD is the single owner of the Entity. The end owner of the Entity is the Republic of Bulgaria, represented by the Ministry of Energy.

The Entity has a single-level management system and as at 31 December 2015 it is managed by the Board of Directors, comprised of:

- Zhaklen Koen
- Dimitar Angelov
- Ivan Yonchev

As at 31 December 2015, the Entity is represented by the Executive Director – Dimitar Angelov.

As at 31 December 2015, 3,681 employees were employed in the Entity, under labour contracts (31 December 2014: 3,677).

2. Basis of Preparation of the Separate Financial Statements

The Separate Financial Statements of the Entity have been prepared in compliance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and endorsed by the European Union Committee (Committee).

The Separate Financial Statements are compiled in the functional currency of the Entity – the Bulgarian Levs (BGN). Unless stated otherwise, all presented amounts (including and the comparative information for the financial reporting 2014) are in thousands of Bulgarian Levs (BGN'000).

This set of Financial Statements are the Separate Financial Statements of the Entity. The Entity prepares and Consolidated Financial Statements in compliance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and endorsed by the European Union Committee (Committee). In conformance with IFRS 10 “Consolidated Financial Statements”, Investments in subsidiaries are accounted and disclosed in the Consolidated Financial Statements, prepared by the Entity.

The Separate Financial Statements are prepared on a going concern basis.

As at the date of preparation of the current Separate Financial Statements, the Management has evaluated the Entity's ability to continued to act as a going concern, taking into account the available information regarding the foreseeable future.

As a result of the conducted activities' review, the Management anticipates that the Entity will have sufficient resources to continue its operating activities in the foreseeable future and believes that the going concern principle is appropriate for the preparation of the Separate Financial Statements.

3. Changes in the Accounting Policies

The Entity performs its current bookkeeping and prepares its Financial Statements in compliance with the International Financial Reporting Standards (IFRS), comprised of: the International Financial Reporting Standards and Interpretations, developed by the IFRS Interpretations Committee (formerly IFRIC), approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and the Interpretations, developed by the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Committee (IASC), effective as at 01.01.2015, and endorsed by the European Union Committee (Committee).

The Entity has adopted all new and / or revised Standards and Interpretations to existing IFRS, developed and published by the International Accounting Standards Board (IASB), and endorsed by the European Union that are appropriate for its activities. The Entity has not conducted any changes in the accounting policies applied with regards to the adoption of all new and / or revised IFRS, effective for the current reporting period, beginning on 01.01.2015, as they either do not refer to its activities and the ordinary composition, and characteristics, of its assets and liabilities, or due to the fact that during the period, there have not been any items or transaction, which to have been affected by the revisions and amendments of the IFRS. The effect of the changes in the IFRS on the Entity relate only to the introduction of new, or broadening of the existing disclosures, and presentations of the Financial Statements, without this having effect over the amounts, reflected in the later. As at the date on which the current Financial Statements were authorized for issue, the following amendments and revisions of the enacting Standards have come in effect:

3.1. Standards and Interpretations, effective as of 1 January 2015

Amendments to different Standards “Improvements to IFRS (2011 – 2013 cycle)”, resulting from the Annual Improvements to IFRS projects (IFRS 1, IFRS 3, IFRS 13 and IAS 40), mainly targeting to eliminate discrepancies and provide clarifications of wording – endorsed by the EU on 18.12.2014 (the amendments will be applied for annual periods beginning on or after 01.01.2015),

Amendments to different Standards “Improvements to IFRS (2010 – 2012 cycle)”, resulting from the Annual Improvements to IFRS project (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38, mainly targeting to eliminate discrepancies and provide clarifications of wording – endorsed by the EU on 17.12.2014 (the amendments will be applied for annual periods beginning on or after 01.02.2015),

Amendments to IAS 19 “Employee Benefits” – Defined Benefit Plans: Instalments by employees – endorsed by the EU on 17.12.2014 (effective for annual periods beginning on or after 01.02.2015).

3.2. Standards and Interpretations, published by IASB and endorsed by the EU, which have not yet come in effect

As at the date on which these Separate Financial Statements were authorized for issue, the following Standards and Interpretations to existing Standards, and Interpretations have been published by the International Accounting Standards Board (IASB), and endorsed by the EU, but have not yet come in effect:

Amendments to IFRS 11 “Joint Agreements” – Accounting for Acquisition of Interests in Joint Operations – adopted by the EU on 24.11.2015 (effective for annual periods beginning on or after 01.01.2016),

Amendments to IAS 1 “Presentation of Financial Statements” – Disclosure Initiative – adopted by the EU on 18.12.2015 (effective for annual periods beginning on or after 01.01.2016),

Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” – Clarification of the Acceptable Methods of Depreciation and Amortization – adopted by the EU on 02.12.2015 (effective for annual periods beginning on or after 01.01.2016),

Amendment to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” – Agriculture: Bearer Plants – adopted by the EU on 23.11.2015 (effective for annual periods beginning on or after 01.01.2016),

Amendment to IAS 27 “Separate Financial Statements” – Equity Method in Separate Financial Statements – adopted by the EU on 18.12.2015 (effective for annual periods beginning on or after 01.01.2016),

Amendments to various Standards “Improvements to IFRSs (2012-2014 cycle)”, resulting from the Annual Improvement to IFRS project (IFRS 5, IFRS 7, IAS 19 and IAS 34), targeting mainly to eliminate any discrepancies and to provide clarifications of the wording – adopted by EU on 15.12.2015 (the amendments will be applied for annual periods beginning on or after 01.01.2016).

3.3. Standards and Interpretations, published by the IASB that are not yet endorsed by the EU

The Management believes that it is appropriate to disclose the following new or revised Standards, new Interpretations and amendments to existing Standards, which as at the reporting date, have been issued by the International Accounting Standards Board (IASB), but have not yet been approved for adoption by the European Commission, and therefore have not been taken into account in the preparation of these Financial Statements. The effective dates shall depend on the decisions, of approval for implementation, of the European Commission.

The Entity’s Management anticipates that the adoption of these Standards, amendments to existing Standards and Interpretations will not have a material / significant impact on the Separate Financial Statements of the entity, for the period of their initial adoption.

IFRS 9 “Financial Instruments” – (effective for annual periods beginning on or after 01.01.2018),

IFRS 14 “Regulatory Deferral Accounts” – (effective for annual periods beginning on or after 01.01.2016),

IFRS 15 “Revenue from Contracts with Customers” – (effective for annual periods beginning on or after 01.01.2018),

IFRS 16 “Leases” – (effective for annual periods beginning on or after 01.01.2019),

Amendments in IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sales or contributions of assets between an investor and its associate or joint venture – (postponed indefinitely),

Amendments in IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” – Investment Entities: Applying the Consolidation Exceptions – (effective for annual periods beginning on or after 01.01.2016),

Amendments to IAS 12 “Income Taxes”: Recognition of Deferred Tax Assets for Unrealised Losses – (effective for annual periods beginning on or after 01.01.2017).

4. Accounting Policies

4.1. General Terms

The most significant accounting policies, employed in the preparation of these Separate Financial Statements, are presented hereafter.

The Separate Financial Statements are prepared in conformance with the measurement basis, specified by the IFRS, for each type of assets, liabilities, income and expense. The measurement basis and valuation principles are disclosed in detail, in the accounting policies here below.

It should be noted that accounting estimates and valuations are used in the preparation of the presented Separate Financial Statements. Despite the fact that such are based on information, available to the Management as at the date of preparation of the Separate Financial Statements, the actual results could differ from these accounting estimates and valuations.

4.2. Presentation of the Separate Financial Statements

The Separate Financial Statements are presented in conformance with IAS 1 “Presentation of Financial Statements” (revised in 2007). The Entity has adopted the policy to present the Statement of Profit and Loss, and Other Comprehensive Income together, in one Statement.

Two comparative periods are presented in the Statement of Financial Position, when the Entity:

- a) applies accounting policies retrospectively;
- b) restates, retrospectively, items in the Financial Statements, or
- c) reclassifies items in the Financial Statements.

and this has a material effect on the information, disclosed in the Statement of Financial Position as at the beginning of the prior reporting period.

4.3. Foreign currency transactions

Foreign currency transactions are recorded in the functional currency of the Entity, by applying to the foreign currency amount of the spot exchange rate between the Bulgarian Levs (BGN) and the foreign currency (as issued by the Bulgarian National Bank (BNB) at the transaction date). Foreign exchange gains and losses, arising in the settlement of such transactions and in the translation of the cash items, denominated in foreign currencies, as at year-end, are recognized in profit or loss.

Non-monetary items, measured at historic cost and denominated in foreign currencies, are recorded at the spot exchange rate at the date of the transaction. Non-monetary items, measured at fair value and denominated in foreign currencies, are recorded at the spot exchange rate at the date on which their fair value is determined.

4.4. Revenue

Revenue is recognized to the extent that it is probable that economic benefits will flow in the Entity and the amount of the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received, or the consideration payable, based on the contracted term of payment, less all discount, rebates and other taxes and duties.

The Entity analyses its sales agreements, based on specific criteria, in order to determine whether to act as a principal or as an agent.

The Entity has concluded that it shall act as a principal in all such agreement. Before recognizing revenue, the following specific recognition criteria must be satisfied:

Sales of electric power

Revenue, generated from electric power supplies to clients, whose facilities are connected to the electrical transmission grid – the Public Provider, end clients and proprietors, acting on the electric power market, is recognised in the Statement of Profit and Loss, and Other Comprehensive Income. Sales income are recognised based on the electric power consumption data, measured on a monthly basis by commercial meters, or based on the registered schedules.

The generated in the period electric power are realized at rates, regulated by the Energy and Water Regulation Commission (EWRC), and at freely negotiated with clients (proprietors and consumers), rates. The electric power for own use, in Unit 5 and Unit 6, is included in their cost.

Rendering of services

Revenue, generated from the services rendered, is recognized by reference to the stage of completion of the transaction, as at the reporting date. When the result of the transaction (contract) cannot be reliably measured, revenue is recognized only to the extent to which the incurred expenses are recoverable.

Interest income

Interest Income is recognized, using the effective interest rate method – i.e. the interest rate that accurately discounts the estimated future cash flows, over the expected useful life of the financial instrument, or shorter period when appropriate, to the book value of the financial asset. Interest income is included in the Statement of Profit and Loss, and Other Comprehensive Income, under “Financial income”. Interest income, generated under overdue receivables, are included in the Interest Income.

Dividend Income

Dividend income is recognized when the right to receive dividends is established.

Income, generated under Government grants

When there is sufficient assurance that government grants, associated with the acquisition of non-current assets, shall be obtained and that the Entity is in a position to execute all related with those requirements, the government grants are initially recognized as deferred financing, in the Statement of Financial Position. Income, generated from financing, associated with non-current assets, are recognized, on a systematic basis, over the respective asset’s useful life, in profit or loss for the period.

Government grants, associated with financing of current operations, are recognized on a systematic basis, in profit or loss, for the periods in which the respective expenses, subject to compensation by the obtained grants, are incurred.

4.5. Operating expense

Operating expenses are recognized in profit or loss, when the services are consumed or at the date of their incurrence.

Cost of electric power

In accordance with the “Ordinance on regulating the prices of electric power”, issued by the Energy and Water Regulation Commission (EWRC), production costs, directly related with the generated production, are included in the cost of electric power.

Costs, incurred for nuclear fuel, are carried in accordance with the established by the Entity methodology. The cost of nuclear fuel, of the generated electric power, is computed by multiplying the fuel component, calculated as per the methodology, and the estimated gross amount of the electric power, generated by the Energy Units (per Energy Unit).

Expenses, incurred in respect of the “Decommissioning of Nuclear Facilities” (RNFU) Fund, the “Radioactive Waste” (RW) Fund and the “Energy Security System” (ESS) Fund are computed in accordance to the provisions and decrees of the Council of Ministries, and are recognized as other expense, in accordance with the Decree for pricing electric power and the Energy Act.

Cost of available capacities

Cost of available capacities are formed from the contingent, fixed operating expenses, including:

- Cost of materials, different from nuclear power, reagents and diesel;
- Hired services;
- Salaries and social security contributions (Employee benefits);
- Depreciation cost;
- Other expenses, excluding expense for the “RNFU”, the “RW” and the “ESS” Funds;
- (Own) Transport cost;

- Allocated indirect costs, based on the Delivery Protocols for works performed by other auxiliary activities.

Cost of generating and transmitting thermal power

Direct thermal power cost are formed from the cost to generate and transmit thermal power. The costs to generate and transmit thermal power, include the contingent – fixed and variable (nuclear fuel) costs of Electric power generation – 2, multiplied by a reduction coefficient. The reduction coefficient refers to the relative share which the electric power in progress bears to the gross electric power, generated by Electric power generation – 2 (EP-2). The work in progress is computed on a monthly basis, by the “Engineering Insurance” Division. The reduced expenses, decrease the electric power generation costs and the cost of available capacities at EP – 2. These costs are included in the cost of the generated thermal power and the expenses, provided to the different on-site divisions for generating thermal power.

With regards to the activities, relating to “Generating and transmitting thermal power”:

- The contingent – fixed and variable costs of Electric power generation – 2, are included in the cost of the generated thermal power;
- All variable and contingent – fixed costs of the “Thermal Power Plant” industrial unit, are included in the transmission cost of thermal power.

Thermal power, consumed by the owned by “NPP Kozloduy” sites, is recognized currently, over the year, as cost, at the selling price of thermal power to consumers, and it is balanced with the actual cost as at year-end.

Cost, incurred under auxiliary and additional activities

Costs, incurred under auxiliary and additional activities are carried in separate accounting record groups, including direct and indirect costs. The allocation basis of the indirect technologic costs, is as follows:

- For Repair works, performed on:
 - External sites – labour hour input per sites and orders;
 - Sites within the territory of the NPP– material inputs per sites and order;
- For Auto transport –fuel consumed;
- For the Principal activities – generating electric power, as follows:

The social expenses are allocated under the coefficient method, based on the number of personnel, engaged in the activities “Generating electric power” and “Electric power transmission”.

Administrative costs are carried as current costs. The accrued “tax on expenses”, as per the meaning of the Corporate Income Tax Law, is carried as administrative costs.

The Municipal taxes and fees, as per the meaning of the Municipal Taxes and Fees Law, are included in the Statement Profit and Loss, and Other Comprehensive Income, under “Hired services”.

4.6. Interest expense and Borrowing costs

Interest expense is recognised currently, using the effective interest rate method.

Borrowing costs are mainly comprised of interest on the bank loans, obtained by the Entity. All borrowing costs, directly attributable to the acquisition, production or construction of a qualifying asset, are capitalised in the period in which the asset is expected to be completed, or ready for use, or sold, by applying a capitalization rate to the expenses on that asset. The capitalisation rate is the weighted average of the borrowing costs, attributable to the loans of the Entity, which are unsettled during the period, excluding loans, obtained exclusively for the purpose of acquiring a qualifying asset.

All other borrowing costs are recognised as an expense, in the period when incurred, in the Statement of Profit and Loss, and Other Comprehensive Income, under “Finance costs”.

4.7. Profit or loss from discontinued operations

Discontinued operations are components of the Entity that either have been disposed, or were classified as “held-for-sale”, or as held for distribution to the owners, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single, co-ordinated plan to dispose a separate major line of business or geographical area of operations; or
- Is a subsidiary, acquired exclusively with the intention to re-sale.

Profits or losses, related to discontinued operations, as well as components of profit or loss from prior periods are presented in Statement of Profit and Loss, and Other Comprehensive Income, as one (total) amount. This is further analysed in the Note 18.

Disclosures of discontinued operations relate to all the activities that have been discontinued, as at the date of the Financial Statements, for the latest presented reporting period. In case that activities, presented as discontinued in a prior reporting period, are renewed in the current year, the relevant disclosure for the prior reporting period should be adjusted in order to reflect this.

4.8. Intangible Assets

Separately acquired Intangible assets are measured initially at cost, comprised of its purchased price, including import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use. The capitalized costs are then amortized on the straight-line method, over the defined period of the assets’ useful life, as it is regarded to be finite.

Intangible assets are subsequently measured at their purchase price, less all accumulated amortization and accumulated impairment losses. The conducted impairments are reported as expenses and are recognised in the Statement of Profit and Loss, and Other Comprehensive Income for the respective period.

Intangible assets with finite useful life are amortised over their useful life and are reviewed for impairment, when there are indications that their value may be impaired. The amortisation period, and amortisation method, of intangible assets with a finite useful life, is reviewed at least at the end of each financial reporting period. Changes in the expected useful life, or in the pattern of consumption of future economic benefits, embodied in the asset, are accounted for by changing the amortisation period, or the amortization method, and are treated as changes in accounting estimates.

Subsequent costs, incurred in respect of intangible assets, after their initial recognition, are recognised in the Statement of Profit and Loss, and Other Comprehensive Income for the period, when such are incurred, except of the cases when, because of these subsequently incurred costs, the intangible asset can generate more than the initially estimated future economic benefits, and when such costs can be reliably measured, and attributed to the asset. If these conditions are satisfied, the incurred expenses are added to the cost of the asset.

At the end of each financial reporting year, the Management estimates the residual value and useful life of intangible assets.

Intangible assets are amortized on the straight-line method, over the assets’ useful life. The useful life of intangible assets is defined as finite, as follows:

Software	2 years – 10 years
Licences	The validity period of the licence
Others	3 years – 10 years
Development products	5 years – 20 years

Amortization costs are included in the Statement of Profit and Loss, and Other Comprehensive Income, under “Depreciation costs”.

Gains or losses, arising from the derecognition of intangible assets, representing the difference between the net disposal proceeds and the carrying amount of the asset, are included in the Statement of Profit and Loss, and Other Comprehensive Income, when the asset is disposed.

The intangible assets created, under the Entity’s development activities to serve the purpose of intergroup users, are recognised by the appointed, by the Entity’s Management, expertise commission, depending on the intangible assets’ completion stage, if the below conditions are satisfied:

- The Entity has the technical ability to complete the asset;
- The Entity intends to complete the asset;
- The asset can be used or sold, and there is a market for the asset, or the asset is useful for intergroup use;
- The expenses, incurred in the development of the asset, can be measured;

Research and Development activities

Research and Development costs, incurred in obtaining new scientific or technical knowledge, are recognised in profit or loss, when incurred.

Research and Development costs, incurred in respect of external orders, under signed contracts with clients, are recognised as assets for sale.

Indirect technological production costs are allocated based on labour. The cost of a created asset is comprised of the direct cost and the indirect technological production costs.

Development activities

Development activities include a production plan, or project, for the creation of new, or significantly improved, products and processes. Development costs are capitalised only if these expenses can be reliably measured, the product or the process is technically and commercially possible, future economic benefits are probable and the Entity intends to and has sufficient resources to complete the development, and to use or sell the asset. The capitalised costs include materials, labour, production overheads, directly attributable to the asset’s preparation for its intended future use, and the capitalised interest expense. Other development costs are recognised in profit or loss, when incurred. The capitalised development costs are measured at cost, less the accumulated amortization and accumulated impairment losses.

Costs, incurred in the development of intangible assets that do not satisfy the criteria for capitalization, are recognised when incurred.

The selected materiality threshold in respect of the Entity’s intangible assets amounts to BGN 700.00.

4.9. Property, plant and equipment

Property, plant and equipment (PPE) are initially measured at acquisition cost, comprised of the purchase price and all directly attributable costs of bringing the asset to a working condition for its intended use.

After initial recognition(subsequent measurement), PPE are carried at models, applied to entire classes of identical assets, namely as follows:

No	PPE class	Subsequent Measurement – model
1	Lands	Revaluation model
2	Improvements on lands and terrains	Revaluation model
3	Buildings and constructions	
	• Solid	Revaluation model
	• Hollow	Cost (acquisition cost) model
4	Machinery, plant and equipment	Revaluation model
5	Computer systems	Cost (acquisition cost) model
6	Transport vehicles	
	• Freight vehicles	Revaluation model
	• Automobiles	Cost (acquisition cost) model
	• Specialised motor vehicles	Revaluation model
7	Furniture, Fixtures and Fittings	Cost (acquisition cost) model
8	Spare parts, carried at PPE	Revaluation model
9	Other PPE	Cost (acquisition cost) model

Property, plant and equipment, subsequently measured under the revaluation model, are carried at revalued amount, which being their fair value at date of revaluation, less any subsequently accumulated depreciation and impairment losses. The conducted revaluations are recognised in the Statement of Profit and Loss, and Other Comprehensive Income, and are accumulated in equity (revaluation reserve), if there are no already accrued expenses, associated with such. When the revalued asset is retired or disposed, the remaining revaluation reserve is transferred to retained earnings.

Revaluations are carried out according to the following frequency of revaluation:

- When the fair value of the assets changes insignificantly, the assets are revalued every three years;
- When the fair value of PPE frequently changes significantly, property, plant and equipment are revalued in shorter intervals, so that the carrying amount of the respective asset does not differ materially from its fair value.

When applying the revaluation model, the frequency of subsequent revaluations of PPE depends on whether the carrying amount of a revalued assets differs materially from its fair value as at year-end.

In this regards, during the annual inventory count at year-end (at the end of the financial reporting period), the Entity reviews PPE on whether there are any indications that their carrying amounts differ materially from their fair values.

Any differences, of more than 5%, in the carrying amounts of property, plant and equipment from their fair value as at the date of preparation of the Financial Statements, are regarded as material. Differences (between the carrying values of assets and their fair value) of less than 5%, are regarded as material too, if the cumulative value of the PPE is essential for the preparation of the Separate Financial Statements.

Property, plant and equipment, which are not subsequently measured by applying the revaluation model, are carried at cost (acquisition cost), less the accumulated depreciation and any accumulated impairment losses. Impairment losses are treated as expenses and are included in the Statement of Profit and Loss, and Other Comprehensive Income, for the respective period.

Subsequent costs related to an item of property, plant and equipment are added to the carrying amount of the asset when it is probable that future economic benefits, exceeding the originally assessed standard of performance of the existing asset, will flow to the Entity. All other subsequent costs are recognised as an expense in the period in which they are incurred.

The residual value and useful life of property, plant and equipment are estimated by the Management as at each year-end.

Depreciation of property, plant and equipment is calculated using the straight-line method, over the estimated useful lives of the separate groups of assets, as follows:

Buildings	25-70 years
Machinery, plant and equipment	5-55 years
Mobile telephones	3-5 years
Lifting equipment	22-55 years
Portable tools	5-19 years
KIP and A systems	5-40 years
Automobiles	9-42 years
Transport vehicles	5-40 years
Computers	2-28 years
Furniture	3-35 years

Gains or losses, arising from the derecognition of property, plant and equipment, are determined as the difference between the disposal proceeds and the carrying amount of the asset.

The selected materiality threshold in respect of the Entity's property, plant and equipment, amounts to BGN 700.00.

4.10. Investment property

An Investment property is recognized as such, if it satisfies the following conditions:

- It satisfies the conditions to be classified as an investment property;
- It is probable that future economic benefits, associated with the assets lease / rental, will flow in the Entity; and
- Its cost can be reliably measured.

Investment property is initially recognized at cost (acquisition cost). The cost of an investment property depends on how it was acquired.

In subsequent measurement of investment property, the Entity applies the fair value model.

Fair value is the price at which the property may be exchanged between informed and willing parties, in a fair transaction between them. Fair value reflects the market conditions as at the preparation date of the Financial Statements.

Gains / Losses, arising from changes in the fair value of an investment property, are included in the net profit or loss for the period, in which the gains / losses incurred.

Transfers of assets to, or from, the investment property group are performed when, and only when, there is a change in their use, evidenced by:

- commencement of owner-occupation by the Entity – for transfers from Investment property to owner-occupied property;

- commencement of development with a view to sale – for transfers from Investment property to Inventories;
- end of owner-occupation by the Entity and leasing to third parties – for transfers from owner-occupied property to Investment property;
- commencement of an operating lease, of an asset, presented as inventory, to another party – for transfers from Inventories to Investment property.

When the use of an investment property changes so as it is reclassified in PPE, its fair value as at the reclassification date becomes its acquisition cost, used for subsequent measurement.

When an asset used by the Entity property becomes investment property, carried at fair value, all differences between the carrying amount of the property, in accordance with IAS 16, and its fair value as at the date of the change in its use, are carried as revaluation, in accordance with IAS 16.

The book value of an investment property is derecognized on sale, when entering in a finance lease, or when no future economic benefits are expected to flow from the property's use.

Gains or losses arising from the retirement or disposal of investment property, are determined as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the Statement of Comprehensive Income (unless IAS 17 requires otherwise on a sale or leaseback).

4.11. Investments in subsidiaries

Subsidiaries are all entities, controlled by the Entity. The Entity's control over subsidiaries is expressed as its ability to manage and determine the financial and operating policy of the subsidiaries, so that benefits can be obtained from the activities of these subsidiaries. Investments in subsidiaries are carried at cost (acquisition cost) in the Separate Financial Statements of the Entity.

The Entity recognises dividends from subsidiaries in profit or loss, in its Separate Financial Statements, when the Entity's right to obtain those dividends is established.

4.12. Impairment tests on intangible assets, investment property and property, plant and equipment

When estimating the amount of impairment, the Entity defines the smallest identifiable group of assets, for which individual cash flows can be determined (cash-generating unit). As a result, some assets are subject to impairment tests on an individual basis, while others – based on the cash-generating unit.

All assets and cash-generating units are tested for impairment at least once per annum. All other separate assets, or cash-generating units, are tested for impairment when events, or changes in the circumstances, indicate that their carrying amount cannot be recovered.

The amount by which the carrying amount of an asset, or of a cash-generating unit, exceeds the recoverable amount of the same, the latter being higher than the respective fair value, net of all cost of disposal of the asset and its value in use, is recognized as impairment losses. When determining the value in use, the Entity's Management calculates the expected future cash flows for each cash-generating unit, and determines appropriate discounting factor, in order to compute the present value of these cash flows. The data, used in the impairment testing, are based on the latest approved budget for the Entity, adjusted, when needed, as to eliminate the effect of future reorganizations and significant improvements in the assets. The discounting factors are determined for each cash-generating unit, reflecting their assessed by the Entity's Management risk profile.

Impairment losses from a cash-generating unit, are recognised as by a decrease of the carrying amount of the assets, from that unit. The Entity's Management subsequently assesses whether there are indications that the impairment loss of all assets, recognized in prior period, may no longer exist or may have decreased. Impairment, recognized in a prior period, is reversed, if the recoverable amount of a cash-generating unit exceeds its carrying amount.

4.13. Reporting leases – the entity as a lessor

Lessors present the assets, subject to operating lease, in their Statements of Financial Position, in accordance with the asset's nature.

Rentals, generated under operating leases, are recognized as income on the straight-line basis, over the lease's term, unless another systematic basis is more representative of the time pattern, in the use of which the benefit, derived from the leased asset is dismissed. The initial direct costs, incurred by the lessor with regards to the negotiation and settlement of the operating lease, are added to the carrying amount of the leased asset and are recognized as an expense, over the lease term, on the same basis as the one applied, in respect of the lease income.

Leasors must recognise the total expenses, incurred for stimulus under leases (provided by the lessor) as a decrease of the lease income, on a straight line basis over the lease's term, unless another systematic base is more representative of the time in which the benefits, derived from the leased asset, diminish.

4.14. Financial instruments

Financial assets and Financial liabilities are recognised when the Entity becomes a party to the contractual terms of financial instruments.

Financial assets are derecognized when the Entity loses control over the contractual rights, comprising the financial asset – i.e. when the rights to receive cash flows have expired, or a significant part of the risks and rewards of ownership, are transferred.

Financial liabilities are derecognized, when the financial liabilities are settled, repaid, or the transaction is cancelled or expired.

At initial recognition, the Entity measures financial assets and financial liabilities at fair value, plus the transaction costs, except of financial assets and financial liabilities, carried at fair value in profit or loss that are initially recognized at fair value.

Financial assets are recognized at the transaction date.

Financial assets and financial liabilities are subsequently measured as disclosed hereafter.

4.14.1. Financial assets

In light of their subsequent measurement, financial assets, except for hedging instruments, are classified in the following categories:

- Loans and receivables;
- Financial assets at fair value in profit or loss;
- Held-to-maturity investments;
- Available-for-sale financial assets.

Financial assets are distributed among the different categories, depending on their purpose as at acquisition date. The category, under which a financial instrument is classified, determines its measurement method and whether the income and expenses shall be disclosed in the Entity's profit or loss, or in other comprehensive income. All financial assets, with the exception of the financial assets at fair value in profit or loss, are subject to impairment tests as at the Financial Statements' date. Financial assets are impaired when there are objective evidence for their impairment. When determining impairment losses, different criteria are applied, depending on the category of financial assets, as disclosed hereafter.

All gains and losses, associated with the ownership of financial instruments, are reflected in profit or loss when they are received, regardless of how the carrying amount of the financial asset to which they refer is measured, and are presented in the Statement of Profit and Loss, and Other Comprehensive Income, under "Finance costs" or "Financial income", except of impairment losses of trade and other receivables, which is included in "Other costs".

The Entity owns financial assets, classified under the following categories:

Loans and receivables

Loans and receivables, initially incurred in the Entity, are non-derivative financial instruments with fixed payments, which are not traded in an active market. After their initial recognition, loans and receivables

are measured at amortized cost, using the effective interest rate (EIR) method, less the accumulated impairment losses. All changes in their values are reflected in the profit or loss for the current period. Cash and cash equivalents, trade and the majority of other receivables of the Entity fall to these category of financial instruments. No discounting is performed when the effect of such is insignificant.

Significant receivables are tested separately for impairment, when such are outstanding as at the date of the Financial Statements, or when there are objective evidence that the counterparty will not fulfil its liabilities. Evidence of impairment may include indications that a debtor, or a group of debtors, experience severe financial difficulties, or fail to, or have delayed to, pay interests or principals, or it is probable to declare insolvency / over indebtedness, or to undertake a financial reorganization, or when the observable data indicate a measurable decrease in the estimated future cash flows, such as changes in the arrears, or in the economic conditions, associated with defaults by debtors. Losses, arising from the impairment of trade and other receivables are disclosed in the Statement of Profit and Loss, and Other Comprehensive Income, under “Other costs”.

When the available information for determining the amount of the impairment is limited, the impairment estimation is based on historic data, deriving from the Entity’s past experience on trade relations with similar debtors, or other reliable estimation basis.

The amount of impairment is determined based on an ageing structure analysis of receivables and is consistent to the days of delayed payment (except of the total sales of thermal power to physical persons).

The degree (amount) of impairment of receivables, arising from sales of thermal power to separate individuals, is performed based on the average collectability rate in the last five years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, defined as available-for-sale financial assets or do not fall into any other financial assets category. Financial assets, classified under this category are subsequently measured at fair value, except for financial assets that do not have a quoted price in an active market and whose fair value cannot be measured reliably. The latter are measured at amortized cost, by applying the interest rate method, or at cost in case that they do not have a fixed maturity. Changes in the fair value of these assets are reflected in Other Comprehensive Income and are included in the respective reserve, net of taxes, in the Statement of Changes in Equity, except for impairment losses and foreign exchange gains or losses of monetary assets that are recognised in profit or loss. When an available-for-sale financial asset is disposed or impaired, the accumulated gains and losses, recognised in other comprehensive income, are reclassified – from equity to profit or loss for the reporting period – and are disclosed in other comprehensive income as reclassification adjustment. Reversals of impairment losses are recognised in other comprehensive income, except for reversal of impairment losses, incurred under debt financial instruments. In the case of the later, the reversal is recognised in profit or loss when, and only when, the reversal can be objectively associated with an event that has occurred after the impairment was recognised.

4.15. Financial liabilities

The financial liabilities of the Entity include lands, trade and other liabilities.

Financial liabilities are recognised when there is a constructive obligation to pay cash amounts, or to deliver a financial asset, to another entity, or when there is a contractual liability to exchange financial instruments with another entity, under potential unfavourable conditions. All expenses, relating with interests and changes in the fair value of financial instruments, if such, are recognised in profit or loss, under “Finance costs” or under “Financial income”.

Financial liabilities are subsequently measured at amortised cost, using the effective interest rate method, except for financial instruments that are held-for-trading, or are defined as financial instruments at fair value in profit or loss, which are measured at fair value, by accounting the changes in profit or loss.

Bank loans are obtained in order to finance (in the long-term) the activities of the Entity. Bank loans are disclosed in the Statement of Financial Position of the Entity, net of borrowing costs. Finance costs, such as premiums, payable upon settlement of the debt or upon the debt’s re-purchase, and direct transaction costs are included in the Statement of Profit and Loss, and Other Comprehensive Income, on an accruals basis, using the effective interest rate method, and are added to the carrying amount of the financial

liability, to the extent to which such are not settled as at the end of the reporting period, in which they have incurred.

On initial recognition, trade liabilities are recognised at nominal value. Trade liabilities are subsequently measured at amortized cost, net of all payments for the debt's settlement.

Dividends, payable to the shareholders, are recognised when such are approved, pursuant to a decision of the single capital owner.

4.16. Inventory

Inventory includes materials, work-in-progress and goods. The cost of inventories comprises all direct costs of purchase, or production, the costs of conversion and other direct costs, incurred in bringing the inventories to their present condition and location, as well as part of the production overheads, determined based on the normal production capacity. Finance costs are not included in the inventory's costs. At the end of each reporting period, inventories are carried at the lower of cost and net realizable value. The amount of any impairment of inventories to net realizable value is recognised as an expense in the period of impairment.

The net realizable value is the estimated selling price of inventory, less the estimated cost of completion of the production cycle and the estimated cost of sales. When inventories are impaired to their net realisable value and in a subsequent reporting period it is established that the circumstances, which previously caused inventories to be impaired no longer exist, the new realizable value of the inventory is adopted. The amount of the reversal is limited to the carrying amount of inventory, prior to the impairment. The reversal of inventory is treated as a decrease in the cost of inventories for the period in which the reversal takes place.

The Entity estimates the cost of inventories by using the weighted average method.

When inventories are sold, the carrying amount of those inventories is recognized as an expense, in the period in which the respective revenue is recognized.

Nuclear fuel

The fuel, loaded into reactors, represents the remaining amount (residual input) of nuclear fuel, contained in the reactors at the reporting date.

Calculations are based on the well-established “Methodology for reporting supplies, stock and cost of fresh nuclear fuel, in “NPP Kozloduy” EAD, taking into account the amounts of fresh nuclear fuel, tanked in the respective fuel campaign, and the estimated fuel component, which is determined by dividing the amount of the loaded in the reactor nuclear fuel, by the estimated electric power, generated in the period, in KWh. The product of the gross energy, generated from the respective unit for the fuel campaign, and the fuel component, represents the costs for nuclear fuel for the respective period.

4.17. Income Tax

The tax expenses, recognised in profit or loss, comprise the amount of deferred tax and the amount of current tax that were not recognised in other comprehensive income, or directly in equity.

Current tax assets and / or current tax liabilities are these liabilities to, or receivables from, the tax authorities, for the current and the prior reporting periods, which have not been paid as at the date of the Financial Statements. Current tax is due on the taxable income, which is different from the disclosed in the Financial Statements profit, or loss. Current tax calculations are based on the tax rates, and the tax legislation, enacting as at the reporting date.

Deferred tax are computed using the equity method for all temporary difference between the carrying amount of the assets and of the liabilities, and their tax base. Deferred tax is not provided on the initial recognition of an asset, or a liability, unless if the respective transaction does not affect the taxable profit or the accounting profit.

Deferred tax assets and deferred tax liabilities are not discounted. The tax rates, expected to be enacting in the reporting date when the deferred tax assets and deferred tax liabilities are realised, are used when calculating such, given that these are in force, or it is certain that they will enact as at the end of the reporting period.

Deferred tax liabilities are recognised in full amount.

Deferred tax assets are recognised when, and only when, it is probable that such will be utilised through future taxable income. Refer to Note 4.24.7 for more information on the Management’s best estimate on the probability for incurring future taxable income, against which the deferred tax assets to be utilized.

Deferred tax assets and deferred tax liabilities are compensated when, and only when the Entity is entitled, and intends, to compensate the current tax assets and current tax liabilities, from the same tax institution.

Changes in the deferred tax assets and in the deferred tax liabilities are recognised as a component of the taxable profit, or the taxable loss, unless if such are not related with items, recognised in other comprehensive income, or directly in equity. In the case of the later, the respective deferred tax is recognised in other comprehensive income, or directly in equity.

4.18. Cash and cash equivalents

Cash and cash equivalents are comprised of the available cash in hand, cash in current accounts (cash at bank), demand deposits and current deposit of up to 12 months.

4.19. Non-current assets and liabilities, classified as held for distribution to the owner

When the Entity has assumed a commitment to distribute an asset (or a disposal group) to the owner, the asset, or the disposal group, is de-classified as “held-for-sale” and it is classified as “held for distribution to the owner”, and it is presented separately in the Statement of Financial Position. For this to be the case, the assets must be available for immediate distribution, in their present condition, and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and it should be expected to be completed within one year as of the classification date. Actions that are required to complete the distribution, should indicate that it is unlikely that significant changes to the distribution will be made, or that the distribution will be withdrawn.

Liabilities are classified as held for distribution to the owner and are presented as such in the Statement of Financial Position, if, and only if, they are directly related with the disposal group.

Assets, classified as held for distribution to the owner, are measured at the lower of their carrying amount, immediately after their classification as held for distribution to the owner, and their fair value, less costs to sell. The assets, classified as held for distribution to the owner are not depreciated (or amortized) after being classified as held for distribution to the owner.

4.20. Share capital, reserves and dividend contributions

The share capital of the Entity reflects the nominal value of the issued shares.

In conformance with the requirements of the Commercial Act, statutory reserves are formed from profit distributions.

Revaluations reserves of non-financial assets are formed by the difference between the carrying amount of assets, namely property, plant and equipment, and their fair value as at the revaluation date, less the respective deferred tax liability.

The defined benefit plans revaluation reserve includes actuarial gains or losses, incurred in determining the amount of liabilities related with retirement benefits and years of services.

Other reserves are formed from profit distributions, in accordance with the decisions of the single shareholder.

Retained earnings include the current financial result and the accumulated profit, and uncovered loss, from prior periods.

Liabilities to pay dividends to the sole shareholder are included under “Liabilities to related parties” in the Statement of Financial Position, when dividends are approved for distribution by the sole shareholder, before the end of the reporting period.

All transactions with the Entity’s owner are presented separately, in the Statement of Changes in Equity.

4.21. Post-employment (retirement) benefits and short-term employee benefits

The Entity accounts current liabilities under compensated absences, arising from unused annual paid leaves, in cases when these leaves are expected to be used within 12 months after the end of the reporting period during which the employees have provided labour, related to those leaves. The current liabilities, related to the personnel, include salaries and wages, and social security contributions.

The Entity must provide its personnel with retirement benefits, computed in accordance to the defined benefit plans and the defined contribution plans.

Defined contribution plans are retirement plans, under which the Entity pays by fixed contributions to independent entities. The Entity does not have any legal or constructive obligations, other than the payment of fixed contributions. The Entity pays fixed contributions under state programs and pension insurance in respect of its employees, related with defined benefit plans. The Government of the Republic of Bulgaria is responsible to ensure pensions, under defined benefit contribution plans. The expenses under the engagement, incurred by the Entity to pay contributions, under defined benefit plans are recognized currently, in profit or loss, in the period in which the respective services, are received by the employee.

Plans that do not meet the definition of defined contribution plans are determined as defined benefit plans. Defined benefit plans are retirement plans, based on which the amount, which the employee shall receive after retirement is determined, taking into consideration the employees years of service and based on the last received remuneration. The Entity continues to be liable for the legal liabilities, related with the payment of defined benefits.

In accordance with Art. 222, para. 3 of the Labour Code (LC), enacting on the territory of the Republic of Bulgaria, and the Collective Labour Agreement (CLA), the Entity, in its capacity of employer, is obliged to pay its employees a certain number of gross monthly salaries upon retirement. The number of these gross monthly salaries depends of the years of service and the labour category, as follows:

In accordance with Art. 222, para. 3 of the CLA, after an employee has obtained the right to retirement, based on the years of services and his / hers age, the Entity is obliged to pay him one-off compensation in the amount of two gross salaries. In cases when the retiring employees have worked within the Entity for the last 10 years of their service, the Entity owes to the retiring employee a one-off compensation in the amount of six gross salaries.

In accordance with Art. 44 of the Collective Labour Agreement, when labour relations are terminated on the grounds of Art. 325, pt.9 and Art.327, pt.1 of the Labour Code, and given that in the last 5 years the employee, or the worker, has not received any compensations on the grounds of the articles stated here, the employee, or the worker, is entitled to a compensation as per Art. 222, para. 2 of the Labour Code, amounting to his / her gross labour remuneration, if the employee, or worker, has served “NPP Kozloduy” EAD, prior to his / her dismissal:

- Over 5 years of service – 7 gross salaries;
- Over 10 years of service – 9 gross salaries;
- Over 15 years of service – 11 gross salaries;
- Over 20 years of service – 13 gross salaries;
- Over 25 years of service – 15 gross salaries;
- Over 30 years of service – 17 gross salaries;

In accordance with Art. 46, para. 1 of the Collective Labour Agreement, an employee, or a worker, is entitled to additional compensation, further to the compensations provided in compliance with Art. 222, para. 3 of the Labour Code. This additional compensation is determined by the years of service, under labour category 1, multiplied by 1.66, plus the years of service, under labour category 2, multiplied by 1.25, plus the years of service, under labour category 3. The result is then multiplied by a coefficient of 0.4.

In accordance with Art. 47 of the Collective Labour Agreement, in conformance with the conditions of Art. 68 or Art. 168 of the Social Security Code, upon termination of the labour agreement after the right to retirement is obtained, on the grounds of years of service and age, besides the compensations under Art. 222, para. 3 of the Social Security Code, an employee, or worker, is entitled to a compensation of 4

gross salaries, and if he / she has worked for at least 15 years for the employer, he / she is entitled to additional compensation of 6 gross salaries.

The defined benefit plan of the personnel upon retirement is not funded.

The liabilities, recognised in the Statement of Financial Position, relating to defined benefit plans, represents the present value of the liability to pay defined benefits, as at year-end.

The Entity's Management estimates the liabilities under defined benefits, on an annual basis, relying and on independent actuaries in the use of the method for estimated credit units. The estimates of such liabilities are based on standard inflation rates, the estimated personnel turnover and mortality. Future salaries' increases are also taken into account. Discounting factors are determined at each year-end, by reference to high quality corporate bonds that are denominated in the currency, in which the benefits will be paid, and that have terms to maturity, approximating to the terms of the related pension liability.

Actuarial gains and losses, under defined benefits, are recognised in other comprehensive income, in the period when such are incurred.

When the labour relations are terminated due to illness, in accordance with Art. 222, para. 2 of the LC and the CLA, the retiring employee, or worker, is entitled to compensation by the Entity, if in the last 5 years of service he / she has not received any compensation on this grounds and given that he / she has served “NPP Kozloduy” EAD prior to his retirement (dismissal).

Actuarial gains or losses, associated with estimating the liabilities under long-term retirement (post-employment) benefits due to illness are recognised in profit or loss for the period.

Interest expense, associated with retirement (pension) liabilities, are included in the Statement of Profit and Loss, and Other Comprehensive Income, under “Finance costs”. All other expenses, incurred in respect of retirement (pension) remunerations are included under “Staff costs”.

The current employee benefits, including and the entitled leaves, are included in the current liabilities, under “Trade and other liabilities”, at the non-discounting amount that the Entity expects to pay.

4.22. Funding (Government grants)

Government grants are assistance by the Government (the Government / State, the Government agencies and others similar Governmental bodies, whether local, national or international) that meet the definition of Government grants under IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”.

Government grants are recognised, in the Entity's Statement of Financial Position, when there is reasonable assurance that the Entity will satisfy all related with it conditions and the financing will be obtained. Grants that relate to current activities are recognised on a systematic base, over the periods in which the expenses, which the grants shall compensate, are recognised. Grant, related to the acquisition of non-current assets, are presented as deferred income and are recognised in profit or loss, on a systematic base, over the estimated useful life of the related asset.

Non-monetary government grants are recognised at the fair value of the non-monetary asset, as estimated by qualified actuaries as at the transfer date.

4.23. Provisions, contingent liabilities and contingent assets

Provisions are recognised when it is probable that the present obligations, as a result of past events, will result in an outflow of resources, embodying economic benefits, and when the liability can be reliably estimated. The validity or the amount of the cash outflows may be uncertain. Present obligations arise from legal or constructive obligations as a result of past events, for instance – retiring nuclear facilities from use, legal disputes or onerous contracts. Provisions for restructuring are recognised when, and only when, a formal restructuring plan is designed and applied, or when the Management has announced to those affected by the restructuring, the key points of the restructuring plan. Deferred operating loss provisions are not recognised.

The amounts, recognised as provisions, are computed based on the most reliable estimate of the expenses, required to settle a present obligation as at the end of the reporting period, taking into account

the risks and uncertainties, associated with the present obligation. When a number of similar obligations are present, the possible need of outflows to settle these liabilities, is determined by accounting the group of obligations as a whole. Provisions are discounted when the effect of the temporary differences in the amount of cash is significant.

Compensations from third parties, related with a given obligation, for which there is reasonable certainty that will be obtained by the Entity, are recognised as a separate asset. This asset may not exceed the amount of the respective provision.

Provisions are reviewed at the end of each reporting period and their amounts are adjusted to reflect the best estimates.

Liabilities are not recognised when an outflow of resources, embodying economic benefits, are regarded as highly unlikely to arise as a result of current obligations. Contingent liabilities shall be subsequently estimated at the higher of the disclosed above comparable provision and the initially recognised amount, less the accumulated depreciation (amortization).

Probable inflow of resources, embodying economic benefits, which do not currently meet the criteria to recognise assets, are regarded as contingent assets.

4.24. Estimates that are of significant importance in the application of the entity’s accounting policy. Major best estimates and assumptions, carrying high level of uncertainty

4.24.1. Useful life of depreciable assets

Financial reporting of property, plant and equipment, and of intangible assets, includes the use of estimates of their expected useful life and residual values, based on the best estimates of the Entity’s Management. Information on the useful life of property, plant and equipment, is presented in Note 4.9. Information on the useful life of intangible assets, is disclosed under Note 4.8.

The useful life of property, plant and equipment are reviewed as at 30 June 2015, with the help of certified actuaries.

4.24.2. Fair value measurement of financial instruments and non-financial assets

The Entity determines the fair value of financial instruments and of non-financial assets, based on the available market information, or if such is not available – by appropriate valuation models. The fair value of financial instruments that are actively traded on organized financial markets is determined based on the quoted, as at the end of the reporting period’s last working day, “buying” prices. The Management uses reports of certified independent actuaries and employs various techniques to measure the fair value of financial instruments and of non-financial assets, in the absence of an active market. When applying these measurement techniques, the Management uses at maximum the market data and assumptions, which the participants would consider in measuring a financial instrument or a non-financial asset. In the absence of applicable market data, the Management uses its best estimate of the assumptions, which the market participants would employ. These valuations may differ from the actual prices, which would be determined at a fair market transaction between well-informed and willing parties at the end of the reporting period.

The Entity subsequently accounts major groups of property, plant and equipment, and investment property, at revalued amounts, using reports of independent external actuaries in determining their fair value. Thorough information on the revaluation, the employed valuation methods, the assumptions and estimations, used in determining the fair value, is disclosed under Note 6 “Property, plant and equipment”.

The Management believes that the fair value of property, plant and equipment, as well as of financial instruments, including cash and cash equivalents, trade and other receivables, granted and obtained loans, trade and other liabilities, and other financial assets, do not differ from their carrying amounts, especially if they are of current nature, or if the applicable interest rates fluctuate according to the market conditions.

4.24.3. Inventories

Nuclear fuel

The calculations are based on the established “Methodology for accounting the supplies, stock and cost of fresh nuclear fuel, in “NPP Kozloduy” EAD, taking into account the value of the loaded, in the respective fuel campaign, fresh nuclear fuel and the estimated fuel component, determined by dividing the value of the loaded in the reactor nuclear fuel, by the estimated electric power generation for the period, in KWh. The product of the calculation of the gross generated energy, from the respective unit, during the fuel campaign, and the fuel component, represents the cost of nuclear fuel for the respective period.

Measurement

Inventories, at carrying amount of 59,156 thousand BGN (31.12.2014: 59,324 thousand BGN) are measured at the lower of the acquisition cost and their net realizable value. In determining the net realizable value, the Management considers the most reliable, available information as at the estimation date, and uses the reports of independent certified appraisers.

4.24.4. Liabilities, related with retirement (post-employment) benefits

The liabilities, related with retirement (post-employment) benefits are determined based of actuarial valuations. This valuation requires certain assumptions to be made regarding the discounting rate, the future salaries' increases, the personnel's turnover and the mortality rates. Due to the long-term nature of liabilities, related with retirement (post-employment) benefits, these assumptions are subject to significant uncertainty. As at 31 December 2015, the Entity's liabilities, related with retirement (post-employment) benefits amount to 39,759 thousand BGN (2014: 28,091 thousand BGN). Additional information on the liabilities, related with retirement (post-employment) benefits, is disclosed under Note 22.

4.24.5. Impairment of investments in subsidiaries, intangible assets, investment property and property, plant and equipment

The amount by which the carrying amount of an asset, or a cash-generating unit, exceeds its recoverable value, the latter being the higher of the asset's, or cash-generating unit's, fair value, net of the acquisition costs, and its value in use, is recognized as impairment loss. In determining the value in use, the Entity's Management calculates the estimated future cash flows for each cash-generating unit and determines the discounting factor, appropriate for computing the present value of these cash flows. In calculating the estimated future cash flows, the Management employs certain assumption regarding the future gross profits. These assumptions are related with future events and circumstances. The actual results could differ from these estimations and may require significant adjustments, in the Entity's assets, in the next reporting period.

In most cases, in determining the applicable discounting factor, the appropriate adjustments, related with the market risk and the risk factors, specific to the separate assets, are assessed.

In 2015, the Entity has reported impairment loss on non-current assets, amounting to 2,183 thousand BGN (2014: 0 thousand BGN).

4.24.6. Impairment of loans and receivables

The Entity uses a collective account for accounting impairment of doubtful debts and bad debts from clients. The Management assesses the adequacy of these impairment based on an aging analysis of receivables, based on past experience on the level of derecognition of doubtful debts and bad debts, as well as based an analysis of the respective client's ability to settle his / her liabilities, any changes in the contracted payment conditions and others. If the financial position and operating results of the clients deteriorate (above the expected levels), the receivables, which must be written-off in subsequent reporting periods, may exceed the estimated as at the reporting date. As at 31 December 2015, the Management's best estimate on the need of impairment of receivables, amounts to 9,694 thousands BGN (31.12.2014: 13,001 thousand BGN). Further information is disclosed under Note 15.

4.24.7. Deferred tax assets

The estimation of the probability of realization of deferred taxable income, against which to be used to utilize the deferred taxable assets, is based on the latest approved budgeted estimate, adjusted to reflect the significant non-tables income, and expenses, and the specific limitations to transfer unused taxable losses and credit. The tax rates in the different jurisdictions, in which the Entity operates, are also taken into account. If the reliable estimate of taxable income implies the use of time limits, the deferred tax asset is recognized in full. Recognition of deferred tax assets that are subject to certain legal or economic limitations, or uncertainty, is assessed by the Management on a case-by-case basis, taking it into consideration the specific facts and circumstances.

4.24.8. Provisions

Provision for transport, processing and storage of consumed nuclear fuel

In accordance with the effective, until 2030, Strategy for Management of the Consumed Nuclear Fuel and Radioactive Waste, adopted by a Decision of the Council of Ministers, dated 2 September 2015, the Entity has a regulatory obligation to transport at minimum 50 tons of heavy metal annual consumed nuclear fuel for processing and storage in Russia. As at 31 December 2015, the Entity is obliged to execute 2 more transports of consumed nuclear fuel, of at least 50 tons of heavy metal per year. The provisions, related to the liabilities for consumed nuclear fuel, are based on the Management's best estimate of the expenses, which shall be incurred, within the next reporting period, for transport, processing and storage of consumed nuclear fuel. As at 31 December 2015, provisions for consumed nuclear fuel are recognized in the Financial Statements. Such amount to 29,942 thousand BGN and reflect the calculated liability for the estimated transportation, in 2016, considering the fact that a portion of the consumed nuclear fuel may be stored in the Entity's facilities, used for storage of consumed nuclear fuel.

A provision of decommissioning of nuclear facilities

In compliance with the requirements of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, provisions must be recognised in respect of future amounts, of uncertain timing and amount. Provisions are recognised only if the following criteria is satisfied:

- The entity has a present commitment, arising from a past event;
- It is possible that an outflow of the entity's cash resources, embodying economic benefits, may be required to settle the liability; and
- The liability can be reliably estimated.

In compliance with the requirements on “viable estimates”, disclosed under the Standard, the Entity has not accrued any provisions for “decommissioning nuclear facilities” and for “safe storage of the consumed nuclear fuel”, because:

- The Entity is subject to specific statutory decrees – the Act on the Safe Use of Nuclear Energy, Pricing Regulations and Decisions, adopted by the Council of Ministers to raise funds in the “RW” and the “DNF” Funds. In accordance with the requirements of those statutory acts, current expenses, related to contributions due to those funds, paid into budgetary accounts, are accrued in the Statement of Profit and Loss, and Other Comprehensive Income. In compliance with the principle of “comparability of revenue and expenses”, under the Accountancy Act, in the price of electricity on the regulated market, defined by the EWRC, is recognized as an expenses to the amount of the contributions, due to the “DNF” and the “RW” Funds;
- In regards to the agreements with the European Commission for early closure of Units 1 to 4, the State has concluded funding agreements with external creditors. This shall finance the building and construction of dry storage facilities for the consumed nuclear fuel (CNF), they shall finance the expenses, incurred for salaries and social security contributions in respect of the personnel, employed in Unit 3 and Unit 4, as well as other activities;
- Pursuant to Decision No. 839 of the Council of Ministers, the assets in Unit 1 and Unit 2 were transferred in December 2008, for no consideration, from “NPP Kozloduy” EAD to DP “RAO” – Sofia, on the grounds of “decommissioning assets”. Pursuant to Decision No. 1038 of the Council of Ministers, as of 19 December 2012, Unit 3 and Unit 4 of “NPP Kozloduy” EAD

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are announced as radioactive waste management facilities and their operation and management should be transferred to DP “RAO”. On 1 March 2013, the assets, owned by Unit 3 and Unit 4, together with the related to these personnel, were transferred to DP “RAO”.

In accordance with the regulatory requirements, when the implementation costs of the project for decommissioning assets exceeds the approved by the Management Board evaluations of the “DNF” Funds, the additionally required costs should be borne by the last legal entity that has operated the nuclear facility (in this case “NPP Kozloduy” EAD). Due to the fact that as at the date of approval of these Financial Statements, there no clear national strategy for the decommissioning of nuclear facilities and the estimated cost of the project have not been evaluated by the “FDNF”, the Entity cannot reliably estimate its liability and has not recognized, as at 31 December 2015 and 31 December 2014, any provision for decommissioning of nuclear facilities.

5. Effect of errors

In 2015, an error, related to unrecognized 2014 income, amounting to 739 thousand BGN, was established. The Entity has made the respective revaluations on the liabilities and the financial result for 2014, as illustrated hereafter. Due to the fact that the adjustment does not affect materially the information, disclosed in the Statement of Financial Position, as at the beginning of the prior period, the Entity has not disclosed two comparative periods in the Statement of Financial Position.

Revaluation of accumulated profits for 2014

Increase in hired services	(739)
Decrease in the income tax expense	71
Total effect – decrease of the accumulated profit	668
Increase of trade and other liabilities	739
Decrease of income tax expense	(71)
Total effect – increase of liabilities	668

6. Property, plant and equipment

	Lands and buildings	Machinery, plant and equipment	Transport vehicle	Fixtures and fittings, and others	Acquisition costs	Total
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Gross Book value						
Balance as at 1 January 2015	260 021	1 467 825	7 757	65 942	403 200	2 204 745
Acquired	293	149 915	1 006	128	151 605	302 947
Disposed	-	(7 606)	(65)	(256)	(152 590)	(160 517)
Transferred to investment property	(3 034)	-	-	-	-	(3 034)
Transfers	-	9	(9)	-	-	-
Revaluation, recognized in equity	244 987	836 679	688	-	-	1 082 354
Impairment, recognized in equity	(17 243)	(1 880)	(198)	-	-	(19 321)
Impairment, recognized in profit and loss	(883)	(1 300)	-	-	-	(2 183)
Impairment, reversed in profit and loss	1 099	1 304	46	-	-	2 449
Revaluation, leading to decreased in accumulated depreciation	(30 200)	(413 534)	(1 817)	-	-	(445 551)
Balance as at 31 December 2015	455 040	2 031 412	7 408	65 814	402 215	2 961 889
Depreciation						
Balance as at 1 January 2015	(24 034)	(354 060)	(1 640)	(33 972)	-	(413 706)
Acquired	(12 281)	(141 230)	(818)	(3 709)	-	(158 038)
Disposed	-	909	21	254	-	1 184
Revaluation, leading to decreased in accumulated depreciation	30 200	413 534	1 817	-	-	445 551
Balance as at 31 December 2015	(6 115)	(80 847)	(620)	(37 427)	-	(125 009)
Book value as at 31 December 2015	448 925	1 950 565	6 788	28 387	402 215	2 836 880
	Lands and buildings	Machinery, plant and equipment	Transport vehicle	Fixtures and fittings, and others	Acquisition costs	Total
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Gross Book value						
Balance as at 1 January 2014	249 134	1 413 833	7 553	36 530	360 402	2 067 452
Acquired	-	-	-	-	154 758	154 758
Transfers	10 937	69 321	292	31 410	(111 960)	-
Disposed	(50)	(15 329)	(88)	(1 998)	-	(17 465)
Balance as at 31 December 2014	260 021	1 467 825	7 757	65 942	403 200	2 204 745
Depreciation						
Balance as at 1 January 2014	(11 863)	(226 396)	(1 043)	(35 291)	-	(274 593)
Acquired	(12 177)	(137 742)	(610)	(678)	-	(151 207)
Disposed	6	10 078	13	1 997	-	12 094
Balance as at 31 December 2014	(24 034)	(354 060)	(1 640)	(33 972)	-	(413 706)
Book value as at 31 December 2014	235 987	1 113 765	6 117	31 970	403 200	1 791 039

Revaluation review

In compliance with the accounting policies, applied by the Entity, property, plant and equipment are revalued ones in every 3 years, or sooner if required. The prior revaluation of property, plant and equipment was performed in 2012. As at 30 June 2015, the fair value of property, plant and equipment was measured. The valuation was performed in compliance with the requirements of IAS 16 and IFRS 13. The revaluation is conducted based on their fair value measurements, computed by the independent certified appraiser – “Engineering service Sofia” OOD (LTD). The extension of the operation licences of Energy Unit 5 and Energy Unit 6, to 2037 and 2041 respectively, are taken in account in determining their fair values.

In accordance with IFRS 13 “Fair value Measurement”, the ability of a given market participant, to generate economic benefits by using the assets, in order to maximise their value, or through their sale to another market participant, who shall use it in this way, is accounted when measuring the fair value of non-financial assets. The assets of “NPP Kozloduy” EAD, included in the revaluation review are specific, strictly related with the activities of the Entity and the alternative use for most of them is either impossible or hard to accomplish – i.e. a different use of the assets from market participants is unlikely to result in maximizing the assets’ value – and hence it is accepted that their current use in the activities maximizes their values.

During this revaluation the following two core approaches and valuation methods for fair value measurement, of the different categories of property, plant and equipment, are applied:

- “Market approach” via the “Market analogues method” – The market price (computed under the “comparability method”) of lands and buildings, for which there is a real market and observable data for the prices and recent market transactions of similar properties, adjusted by specific factors, such as area, location and current use, is regarded as their fair value.
- “Cost Approach” via the “Depreciable replacement cost method” – lands and construction of special nature.
- “Cost Approach” via the “Depreciable recovery cost method” – Because of the specific nature of the majority of assets, the cost approach, via the method, based on acquisition cost method (“depreciable replacement cost method”) is permitted and allowed for application in concluding the fair value of machinery, plant and equipment. The acquisition cost method measures the asset’s value, by determining its new value as at the valuation date, which reflects its acquisition costs, net of its physical wear and tear, its functional and economic depreciation as a result of its operation. The method results in an indicative value, by applying the economic principle that a buyer would not pay for an asset anything over the acquisition cost of an asset of equivalent value, regardless whether through purchase or construction, as at the assessment date.

Fair value measurement, as at 30 June 2015, is based on observable and unobservable data, adjusted by specific factors, such as area, location and current use. The direct and indirect observable input data, used in the valuation, are subject to adjustments and due to this the applied hypothesis are categorised at Level 3.

Significant unobservable data relate with adjustments of the specific, for the Entity assets, factors. The degree and direction of such adjustments depends on the number and the characteristics of the observable market transactions with similar assets, used for valuation purposes. Despite the fact that these data are subjective, the Management believes that the final valuation would not be significantly affected by other possible assumptions.

Review for impairment

As at 31 December 2015, in compliance with the requirements of IAS 36 “Impairment of assets”, the Entity’s Management has reviewed for impairment property, plant and equipment, together with the licenced appraiser “Engineering service Sofia” OOD (LTD).

No indications that the book value of non-current assets exceeds their recoverable value were established as a result of the conducted review.

Cost of acquisition of non-current tangible assets

The costs, incurred for the acquisition of non-current tangible assets, relate mainly with:

- Dry storage facility for consumed nuclear fuel, which will ensure the safe storage of the consumed nuclear fuel from the reactors of type WWER-440, within the next 50 years. The total capacity of the facility is 5,256 cartridges, which will be placed in containers of type CONSTOR 440/84. The storage was completed in 2011. On 28.01.2016, operation license No. 5016 was issued by the Nuclear Regulatory Agency. The construction of the storage is financed by the International Decommissioning Support Fund, for Units 1-4 of the Nuclear Power Plant “Kozloduy”, administered by the European Bank for Reconstruction and Development;
- Activities to extend the useful lifecycle of Energy Unit 5 and Energy Unit 6 of “NPP Kozloduy” EAD;
- Projects, targeting to improve the production efficiency of the Entity.

As at 31 December 2015, the advance payments, performed in respect of non-current assets’ acquisition, amount to 38,422 thousand BGN (2014: 5,187 thousand BGN) and are included in the acquisition cost of non-current tangible assets.

Loan collateralals

The Entity has not pledged any property, plant and equipment as collateral under liabilities.

Other disclosures

Disclosures of the carrying amount of property, plant and equipment at revalued amount, which would be recognized had the assets been carried under the acquisition cost method, is practically inapplicable due to the assets’ complexity and the long time periods, during which such are owned by the Entity.

7. Intangible Assets

The book values of intangible assets, for the presented reporting periods, can be analysed, as follows:

	Development products	Patens and licences	Software	Others	Total
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Gross book value					
Balance as at 1 January 2015	47 597	3 133	13 586	69 743	134 059
Acquired	-	-	626	-	626
Disposed	(19)	(157)	(535)	-	(711)
Balance as at 31 December 2015	47 578	2 976	13 677	69 743	133 974
Amortization					
Balance as at 1 January 2015	(44 139)	(2 295)	(10 764)	(69 743)	(126 941)
Accrued	(1 164)	(193)	(814)	-	(2 171)
Written-off	19	157	535	-	711
Balance as at 31 December 2015	(45 284)	(2 331)	(11 043)	(69 743)	(128 401)
Book value as at 31 December 2015	2 294	645	2 634	-	5 573

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	Development products	Patens and licences	Software	Others	Total
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Gross book value					
Balance as at 1 January 2014	44 766	4 217	12 250	69 743	130 976
Acquired	2 988	553	1 355	-	4 896
Disposed	(157)	(1 637)	(19)	-	(1 813)
Balance as at 31 December 2014	47 597	3 133	13 586	69 743	134 059
Amortization					
Balance as at 1 January 2014	(43 186)	(3 662)	(10 031)	(69 743)	(126 622)
Accrued	(1 110)	(270)	(752)	-	(2 132)
Written-off	157	1 637	19	-	1 813
Balance as at 31 December	(44 139)	(2 295)	(10 764)	(69 743)	(126 941)
Book value as at 31 December 2014	3 458	838	2 822	-	7 118

The development products are obtained from scientific research of programs and methodologies, created templates from hired services, or copyright collectives of “NPP Kozloduy” EAD.

The Methodologies, designed in connection to the update and modernization of Energy Units 5 and 6 are included in Other Intangible Assets.

The Entity has reviewed for impairment the intangible assets as at 31 December 2015. No indications the book value of the assets, exceeding their recoverable value, were established.

The Entity has not pledged as a collateral under liabilities any intangible assets.

8. Investment property

During the reporting period, the Entity’s Management has decided to reclassify real estates – lands and a building, part of the exploited by the Entity investment properties – since these real estates were held with the purpose of earning rentals, rather than in order to be used in the ordinary economic activities of the Entity.

As at 30.06.2015, the fair value of these properties was measured. The fair value measurement is based on the observable and unobservable data, adjusted by specific factors, such as area, location and current use. The directly and indirectly observable input data, used in the measurement, are subject to adjustment. As a result, the employed hypothesis are categorized as Level 3. In transferring the properties from properties, exploited in the ordinary transactions, to investment properties, the difference between the carrying value of the property, as defined under IAS 16, and its fair value, as at the date of the change in its use, is accounted, in compliance with IAS 16, as revaluation.

The Entity applies the accounting policy of fair value model for subsequent measurements
 The movement of investment properties for the period, is as follows:

	31 December 2015 Thousands of BGN
In the beginning of the year	-
Transferred from used in the ordinary activities	3 034
As at 31 December 2015	3 034

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The Entity has a signed contract for renting a real estate for a period of 10 years. The amount of the recognized in 2015 income, generated from rents, amounts to 342 thousand BGN.
 The future minimum payments, under the contract, are as follows:

	31 December 2015
	Thousands of BGN
Up to 1 year	342
Between 1 year and 5 years	1 369
Over 5 years	1 711
	<u><u>3 422</u></u>

9. Investments in subsidiaries

The Entity has the following investments in subsidiaries:

Subsidiaries’ Corporate Name	Country of Incorporation	Principal activities	31 December 2015		31 December 2014	
			Thousands of BGN	%	Thousands of BGN	%
“NPP Kozloduy Novi Moshnosti” EAD)	Bulgaria	Building and construction of energy units	14 000	100	14 000	100
“HPP Kozloduy” EAD	Bulgaria	Electric power generation and electric power sales	1 082	100	1 082	100
“Interpriborservice” OOD	Bulgaria	Maintenance and Repairs, Warranty Services	79	63.96	79	63.96
			<u>15 161</u>		<u>15 161</u>	

Investments in subsidiaries are accounted in the Separate Financial Statements of the Entity at cost.

The Entity owns 100% of the capital of “NPP Kozloduy Novi Moshnosti EAD, Kozloduy, comprised of 1,400,000 ordinary, non-bearer shares a nominal value of BGN 10 each.

The Entity owns 100% of the capital of “HPP Kozloduy” EAD, Kozloduy, comprised of 1,082 ordinary, non-bearer shares value of BGN 1,000 each.

The Entity has a controlling interest of 63.96% (2014: 63.96%) in the capital of “Interpriborservice” OOD, Kozloduy. The Entity owns 71 share of the its capital. The sum capital of “Interpriborservice” OOD amounts to 111 shares, at nominal value of BGN 100 each. The investment amounts to 79 thousand BGN. 41 shares were acquired for 4 thousand BGN. In 2001, 30 shares were purchased from DZU Stara Zagora, for 75 thousand BGN. The transactions with this entity relate to the supply of assets, supplies of modernization and reconstruction of assets, as well as purchases of materials and hired services.

The subsidiaries have not distributed any dividends in 2015 and in 2014.

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The Entity does not have any contingent or other undertaken commitments, related with the Investments in subsidiaries

10. Non-current receivables

	<u>31 December 2015</u>	<u>31 December 2014</u>
	Thousands of BGN	Thousands of BGN
Corporate Commercial Bank AD	4 537	4 618
Impairment of receivables from Corporate Commercial Bank AD- in liquidation	(907)	-
	<u>3 630</u>	<u>4 618</u>

As at as at 31 December 2015, the Entity has receivables from Corporate Commercial Bank AD, in liquidation, amounting to 4,537 thousand BGN. By virtue of Order №664/22.04.2015 of the Sofia District Court, Corporate Commercial Bank AD (CCB AD) is pronounced in liquidation. The claimed by the Entity receivables, amounting to 4,537 thousand BGN, are approved in full amount by the assignees of CCB (in liquidation) and are included in the list of creditors.

As at the date of the Financial Statements, the Entity’s Management determined, on the grounds of Protocol №11-2016 of the Board of Directors of BEH, the effect of uncertainties, with regards to the recoverable amount, available as at the date of the report, namely: an effective decision of the Sofia Administrative Court, by virtue of which CCB AD is declared in liquidation as of 20 June 2014, the unknown amount of the bankruptcy estate, the uncertainty caused by the inaccuracies contained in the lists of creditors, announced by the assignees, as well as taking into account the available information, experiences and practices related with bankruptcy procedures and the subsequent satisfaction of creditors of other significant for the national economy enterprises that declared insolvency. Based on these, the Management has decided that it is reasonable to recognize, in 2015, partial impairment loss on receivables from Corporate Commercial Bank AD - in liquidation. The impairment amount is set at 20% of the amount of the receivables.

11. Available-for-sale financial assets

The Entity has 1.12% (50,400 number of shares) interest in the capital of the Insurance Joints Stock Company “Energy” (IJSC “Energy”) Sofia, established in Bulgaria. “Allianz Bulgaria Holding” AD is majority shareholder of IJSC “Energy”.

	<u>31 December 2015</u>	<u>31 December 2014</u>
	Thousands of BGN	Thousands of BGN
Interest in IJSC “Energy”	232	232
Book value	<u>232</u>	<u>232</u>

The shares of IJSC “Energy” are not quoted on an active market and their fair value cannot be reliably measured. As a result, the above quoted investment is carried at acquisition cost.

In 2015, the Entity received dividends of 272 thousand BGN from IJSC “Energy” (2014: 255 thousand BGN).

12. Deferred tax assets and Deferred tax liabilities

Deferred tax arise as a result of temporary differences and can be presented as follows:

Deferred tax assets (liabilities)	1 January 2015	Recognised in other comprehensiv e income	Recognised in profit or loss	31 December 2015
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Non-current assets				
Property, plant and equipment – revaluation	(48 162)	(106 303)	-	(154 465)
Property, plant and equipment – depreciation	(48 809)	-	3 124	(45 685)
Property, plant and equipment – depreciation	492	-	(27)	465
Property, plant and equipment – impairment	-	-	91	91
Current assets				
Inventories – impairment	1 099	-	19	1 118
Trade and other receivables – impairment	1 299	-	(421)	878
Non-current liabilities				
Liabilities to the personnel, with regard to Retirement (post-employment) benefits	2 809	1 547	(380)	3 976
Current liabilities				
Provisions for consumed nuclear fuel	-	-	2 994	2 994
Unused by the personnel leaves	1 290	-	(6)	1 284
Accrued bonus to the personnel	411	-	(158)	253
	(89 571)	(104 756)	5 236	(189 091)
Deferred tax assets	7 400			11 059
Deferred tax liabilities	(96 971)			(200 150)
Recognised as:				
Deferred tax liabilities, net	(89 571)			(189 091)

Deferred tax for the comparative period – 2014 – can be summarized as follows:

Deferred tax assets (liabilities)	1 January 2014	Recognised in other comprehensiv e income	Recognised in profit or loss	31 December 2014
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Non-current assets				
Property, plant and equipment – revaluation	(48 162)	-	-	(48 162)
Property, plant and equipment – depreciation	(49 858)	-	1 049	(48 809)
Property, plant and equipment – impairment	492	-	-	492

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Current assets

Inventories – impairment	1 148	-	(49)	1 099
Trade and other receivables – impairment	936	-	363	1 299

Non-current liabilities

Liabilities to the personnel, with regard to Retirement (post-employment) benefits	2 400	(51)	460	2 809
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Current liabilities

Unused by the personnel leaves	1 203	-	87	1 290
Accrued bonus to the personnel	214	-	197	411
	<u>(91 627)</u>	<u>(51)</u>	<u>2 107</u>	<u>(89 571)</u>
Deferred tax assets	6 393			7 400
Deferred tax liabilities	<u>(98 020)</u>			<u>(96 971)</u>
Recognised as:				
Deferred tax liabilities, net	<u><u>(91 627)</u></u>			<u><u>(89 571)</u></u>

13. Nuclear Fuel

	Fuel, loaded in the reactors	Fresh nuclear fuel	Total
	Thousands of BGN	Thousands of BGN	Thousands of BGN
As at 1 January 2014	84 673	178 723	263 396
Fuel, purchased within the year	-	135 024	135 024
Transfers	140 126	(140 126)	-
Fuel, consumed within the year	<u>(151 236)</u>	<u>-</u>	<u>(151 236)</u>
As at 31 December 2014	<u>73 563</u>	<u>173 621</u>	<u>247 184</u>
Fuel, purchased within the year	-	125 856	125 856
Transfers	146 054	(146 054)	-
Fuel, consumed within the year	<u>(137 139)</u>	<u>-</u>	<u>(137 139)</u>
As at 31 December 2015	<u>82 478</u>	<u>153 423</u>	<u>235 901</u>

14. Inventories

The Inventories, recognised in the Statement of Financial Position can be summarized as follows:

	31 December 2015	31 December 2014
	Thousands of BGN	Thousands of BGN
Spare parts	49 228	49 192
Fuel	3 171	3 057
Metals	1 113	1 083
Equipment	618	926
Reagents	369	435
Other materials	4 556	4 528
Total materials	<u>59 055</u>	<u>59 221</u>
Goods	101	103
Total Inventory	<u>59 156</u>	<u>59 324</u>

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An impairment of the idle inventory was performed as at 31 December 2015, based on the report of the independent certified appraiser. The impairment amounts to 656 thousand BGN. A prior period impairment, amounting to 15 thousand BGN, was reversed. An impairment of the idle inventory was performed as at 31 December 2014, based on the report of the independent certified appraiser. The impairment amounts to 81 thousand BGN. A prior period impairment, amounting to 372 thousand BGN, was reversed.

Inventory are not pledged as a collateral of liabilities.

15. Trade and other receivables

	<u>31 December 2015</u>	<u>31 December 2014</u>
	Thousands of BGN	Thousands of BGN
Trade receivables	43 971	42 200
Impairment of Trade receivables	(300)	(111)
Litigations and claims	8 347	8 466
Impairment of Litigations and claims	(8 217)	(8 274)
Other receivables	902	1 888
Impairment of Other receivables	(270)	(403)
Financial assets	44 433	43 766
Advances	587	1 604
Prepaid expenses	11 113	127
Non-financial assets	11 700	1 731
Trade and other receivables, net	56 133	45 497

All receivables are current. The net book value of trade and other receivables is accepted as a reasonable estimated amount of their fair value.

As at 31.12.2015, all trade and other receivables of the Entity were reviewed for indications of impairment. Some trade and other receivables have been impaired and the respective impairment, amounting to 513 thousand BGN (2014: 233 thousand BGN) was recognized in the Statement of Profit and Loss, and Other Comprehensive Income, under “Other costs”.

The change in the impairment of trade and other receivables, may be presented as follows:

	31 December 2015	31 December 2014
	Thousands of BGN	Thousands of BGN
Balance as at 1 January	8 788	9 368
Impairment loss	513	233
Reversed impairment loss	(514)	(813)
Balance as at 31 December	8 787	8 788

An aging structure analysis of the trade and other receivables, is disclosed under Note 36.2.

The carrying amount of Advances, includes insurance costs (10,454 thousand BGN), subscriptions (75 thousand BGN) and others (584 thousand BGN). These expenses refer for the year 2016

16. Cash and cash equivalents

Cash and cash equivalents comprise the following elements:

	31 December 2015	31 December 2014
	Thousands of BGN	Thousands of BGN
Cash at banks (in current accounts) and cash in hand, denominated in:		
- Bulgarian Levs (BGN)	72 913	18 447
- Euros (EUR)	16 888	435
- United State Dollars (USD)	47	34
- British Pounds (GBP)	-	1
- Canadian Dollars (CAD)	2	2
- Swiss Francs (CHF)	1	1
Cash and cash equivalents	89 851	18 920

The cash at banks (in current accounts) bear interest, at floating interest rates, based on the daily interest rates under bank deposits.

17. Assets, attributed to the owner in 2013, and discontinued operations

On 19 December 2012, Decision № 1138 was taken by the Council of Ministers. The decision related to the announcement of Unit 3 and Unit 4 of the “NPP Kozloduy” as facilities for management of radioactive waste, subject to retirement from use, and to the announcement of these, together with the property, requisite for private governmental properties, as well as their transfer to the State Entity “Radioactive waste”, by simultaneous decrease and increase of the capital of “NPP Kozloduy” EAD, of 25,411 thousand BGN.

In 2013, the assets and personnel, associated with Unit 3 and Unit 4 were transferred to “RWF” in compliance with the signed inspection certificate upon delivery.

The income and expense, associated with Unit 3 and Unit 4, are eliminated from the profit from continuing activities of the Entity, in 2015 and in 2014, and are presented in the Statement of Profit and Loss, and Other Comprehensive Income, under “Loss for the year from discontinued operations”.

	31 December 2015	31 December 2014
Hired services	(29 957)	(58 515)
Staff costs	-	(17)
Loss, from discontinued operations, for the year	(29 957)	(58 532)

In accordance with the effective, until 2030, Strategy for Management of the Consumed Nuclear Fuel and the Radioactive Waste, the Entity has a regulatory obligation to incur costs for the transport, processing and storage of the consumed nuclear fuel, in Russia, of 50 tons of heavy metal per annum.

Due to technological, regulatory and other reasons, the provided transportation of CNF, from VVER – 440 in Russia for 2015 was not realized.

In light of the in completed regulatory engagement in the past year, in compliance with the updated Strategy and in conformance with the in-force Accounting policies of the entity and the requirements of IAS 37 “Provisions, Contingent liabilities and Contingent Assets”, the costs for provision of transport of CNF, associated with the not executed transports in 2015 should be accrued in the current costs of “NPP Kozloduy” EAD.

By virtue of Protocol № 16, from the meeting of the BoD of BEH EAD, held on 29.03.2016, was decided to accrue provision in the amount of 29,942 thousand BGN for the transport, to Russia, of

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consumed nuclear fuel in 2016 and loading of the remaining 240 casates in the three empty containers CONSTOR.

The provisioned amounts for incomplete, in 2015, engagements, related with the management of CNF in “NPP Kozloduy” EAD shall be consumed targeted in the next years only for covering the CNF management costs, including and transportation, for technical storage and manufacturing.

The cash flows, generated by the Entity for release, can be presented as follows:

	31	31
	December	December
	2015	2014
	Thousands	Thousands of
	of BGN	BGN
Operating activities		
Payments to suppliers	(15)	(28 790)
Payments to the personnel	-	(22)
Net cash flows from discontinued operations	(15)	(28 812)

18. Equity

18.1. Share capital

The registered capital of “NPP Kozloduy” EAD is comprised of 19,649,286 fully paid, ordinary, non-bearer shares at nominal value of 10 BGN each. Each shares entitles its shareholder to 1 voting right, as well as rights to receive dividends and liquidation shares in the entity’s property.

The change in the number of issued shares in presented as follows:

	31 December	31 December
	2015	2014
	Number of	Number of
	shares	shares
Number of issued and fully paid shares:		
In the beginning of the year	16 560 686	15 385 557
Share emission	3 088 600	1 175 129
Number of issued and fully paid shares	<u>19 649 286</u>	<u>16 560 686</u>
Total number of shares, authorised on 31 December	<u>19 649 286</u>	<u>16 560 686</u>

On 09 June 2015, pursuant to a Decision of the Board of Directors of “Bulgarian Energy Holding” EAD, the capital of the parent in increased by 30,886 thousand BGN, representing the remaining portion of the realized by the parent net profits for 2014, by issuing 3,088,600 number of shares, representing 15.72% of all issued shares. All shares provide voting rights and rights to obtain dividends and liquidation shares in the parent’s property.

“Bulgarian Energy Holding” EAD, which is owned by the Ministry of Energy, is the single shareholder of the Entity.

18.2. Statutory reserves

Statutory reserves are formed by shareholding entities, such as “NPP Kozloduy” EAD, as profit distributions, under Art. 246 of the Commercial Act. Profits are reserved until their amount reaches one tenth, or more, of the capital. At least one tenth of the net profits, premiums from share emission and resources, provided in the Articles of Incorporation, or pursuant to a decision of the single shareholder, are sources of forming statutory reserves.

	<u>Statutory reserves</u>
	<u>Thousands of BGN</u>
Balance as at 1 January 2014	12 454
Increase in the reserves, decrease in retained earnings	2 931
Balance as at 31 December 2014	15 385
Increase in the reserves, decrease in retained earnings	1 175
Other changes	1
Balance as at 31 December 2015	16 561

18.3. Revaluation reserves of non-financial assets

Revaluation reserves are formed by the difference between the carrying value and the fair value of property, plant and equipment as at the revaluation date, in accordance with the report, issued by the independent certified appraiser, less the respective deferred tax liabilities.

	<u>Revaluation reserve of non-</u>
	<u>financial assets</u>
	<u>Thousands of BGN</u>
Balance as at 1 January 2014	432 750
Transfer in retained earnings upon derecognition of assets	(3 447)
Balance as at 31 December 2014	429 303
Revaluation non-financial assets, net of tax	956 731
Transfer in retained earnings upon derecognition of assets	(130)
Other changes	1
Balance as at 31 December 2015	1 385 905

18.4. Other reserves

Other reserves, amounting to 984,126 thousand BGN (31.12.2014: 984,126 thousand BGN) are formed as a result of profit (prior years) distribution. Such may be used to pay dividends, to cover losses and for other purposes, pursuant to a decision of the sole shareholder.

18.5. Declared and paid dividends

By virtue of a decision of the Board of Directors of “Bulgarian Energy Holding” EAD, dated 09 June 2015, 46,330 thousand BGN of dividends were distributed (2014: 27,419 thousand BGN). The dividends, attributable to one share is BGN 2.36 (2014: BGN 1.78)

	<u>Dividends' liabilities</u>
	<u>Thousands of BGN</u>
Balance as at 1 January 2014	17 723
Declared dividends	27 419
Paid dividends	(45 142)
Balance as at 31 December 2014	-
Declared dividends	46 330
Paid / offset dividends	(46 330)
Balance as at 31 December 2015	-

In accordance to pt. 1, “b” and “c” of Decree № 2 of the Council of Ministers, dated 18 February 2016, for the establishment and contributions to the state, paid from the realized by state enterprises and commercial entities, with state interest in their capital, the parent “NPP Kozloduy” EAD must pay dividends to the state, formed from the 2015 profits after tax, amounting to 50%, after deducting the contributions, due to the “Reserves” Fund, when this Fund is not full. The amount of these dividends does not exceed 50% of the profit, disclosed in the Consolidated Financial Statements for the financial reporting 2015.

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19 Loans

	Effective interest rate	Maturity	31 December 2015 Thousands of BGN	31 December 2014 Thousands of BGN
Non-current portion:				
Loan liabilities to EURATOM - principal	EURIBOR + 0.079% to 0.13%	from 1 January 2017 to 10 May 2021	147 788	192 038
			<u>147 788</u>	<u>192 038</u>
Current portion:				
Loan liabilities to EURATOM - principal	EURIBOR + 0.079% to 0.13%	from 15 January 2016 to 31 December 2016	44 251	44 251
Interest, accrued under loan from EURATOM			1 807	2 240
			<u>46 058</u>	<u>46 491</u>
Total Loans			<u><u>193 846</u></u>	<u><u>238 529</u></u>

In 2000, “NPP Kozloduy” EAD signed a loan agreement, at total amount of 212,500 thousand Euros (or 415,614 thousand BGN), with the European Nuclear Energy Society (EURATOM). The loan’s purpose is to finance the modernization of Unit 5 and Unit 6 of “NPP Kozloduy” EAD. The Loan is utilized in 8 tranches, each of which bears different interest, has a different repayment schedule and a different maturity. The first tranche has a fixed interest of 5.76%, while the remaining tranches are with floating interest, based on the six months EURIBOR, plus a margin, varying from 0.079% to 0.13%, applied of the different tranches. The loan is repaid under an individual, for every tranche, repayment schedule. The shortest tranches maturity is 10 May 2021. The loan is irrecoverably and unconditionally secured by the Government of the Republic of Bulgaria and by the “Natsionalna Elektricheska Kompania” (“National Electric Company”) EAD – a related party that is jointly controlled.

The loan agreement contains special clauses with restrictive conditions on changes in the end owners, as well as financial conditions, requiring reaching certain levels of liability coefficients and covering the debt repayment (refer to Note 38).

20 Amounts, retained under construction contracts

As at 31 December, the amounts, retained under construction contracts are as follows:

	31 December 2015 Thousands of BGN	31 December 2014 Thousands of BGN
Non-current	1 471	1 393
Current	5 776	5 742
	<u>7 247</u>	<u>7 135</u>

In accordance with the signed contracts for the construction of property, plant and equipment, the Entity retains a part of the amounts, invoiced in respect of construction works, as a performance guarantee and a guarantee of the timely execution of building and construction works by subcontractors. The retained amounts are interest free. In compliance with the contracted conditions, part of the retained amounts for performance and time guarantees, should be paid to suppliers after obtaining permit to use, while the remaining should be paid in the contracted time frames.

21 Financing

	<u>31 December 2015</u>	<u>31 December 2014</u>
	Thousands of BGN	Thousands of BGN
On 1 January	192 193	174 579
Received within the year	549	18 827
Recognised in profit or loss	(1 006)	(1 213)
On 31 December	<u>191 736</u>	<u>192 193</u>
Non-current	190 689	190 737
Current	1 047	1 456

The funds are obtained under programs and Funds for constructing property, plant and equipment with ecological purpose.

For the construction of “Dry storage Facility of consumed nuclear fuel” 147,243 thousand BGN were incurred as at 31.12.2015, of which 147,191 thousand BGN are external funds.

22 Liabilities in respect of retirement (post-employment) benefits

In accordance with the Bulgarian labour legislation and the collective labour contracts in the entities of the Entity, the Entity is obliged to pay personnel a number of monthly gross monthly salaries, upon retirements, depending on their years of services in the Entity and the labour category. The defined benefit plan upon retirement is not fixed.

The plan exposes the Entity to actuarial risks, such as interest risk, risk of changes in the population’s life expectancy and inflation risk.

Interest risk

- The present value of the liabilities, under defined benefit plans is computed at a discount rate, determined based on the market profitability of the held treasury shares. The maturity of the securities corresponds to the estimated time of the liabilities, under defined benefit plans and such are denominated in Bulgarian Levs. A decline in the market profitability of the held treasury shares will result in increase of the entity’s liabilities, under defined benefit plans.

Risk of changes in the population’s life expectancy

- Increase in the estimated life expectancy of the personnel would result in increase of the liabilities, under defined benefit plans.

Inflation risk

- Increase in the inflation would result in increase of the liabilities, under defined benefit plans.

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The changes in the present value of the liabilities in respect of the retirement (post-employment) benefits are as follows:

	31 December 2015	31 December 2014
	Thousands of BGN	Thousands of BGN
Balance as at 1 January	28 091	24 000
Interest expense	1 127	968
Current labour costs	1 114	711
Past labour costs	201	10 766
Actuarial (gains) / losses, related with liabilities upon retirement, due to illness, (post-employment benefits)	1 390	(293)
Income, paid to the personnel	(7 631)	(7 548)
Revaluations under defined benefit plans – actuarial losses / (gains) from changes in the demographic assumptions	1 701	26
Revaluations under defined benefit plans – actuarial losses / (gains) from changes in the financial assumptions	13 766	(539)
Balance as at 31 December	39 759	28 091
Non-current	24 375	16 062
Current	15 384	12 029

In determining the liabilities, due to the personnel upon retirement (retirement, post-employment benefits), the following actuarial assumptions are employed:

	31 December 2015	31 December 2014
Discounting rate	4%	4%
Future increase in the remunerations	0% for the first 3 years; After that 1% per annum	0% for the first 3 years; After that 1% per annum

The Entity’s Management has employed these assumptions with the help of an independent actuarial appraiser. These assumptions are employed in determining the amount of liabilities, related with payments under defined benefit plans, for the reporting periods and are regarded as the Management’s best estimate.

The total amount of expenses, incurred in the Entity in respect of retirement benefits, recognised in profit or loss, can be presented as follows:

Retirement benefits – expenses

	2015	2014
	Thousands of BGN	Thousands of BGN
Current labour costs	1 114	711
Past labour costs	201	10 766
Interest expense	1 127	968
Actuarial gains / (losses), associated with liabilities upon retirement, due to illness, (post-employment benefits)	1 390	(293)
Total expenses, recognised profit or loss	3 832	12 152

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The expenses, incurred with regards to current and past labour, provided by the personnel, as well as the actuarial losses, associated with liabilities upon retirement, due to illness (post-employment benefits), are included in “Staff costs”. Interest expenses are included in the Statement of Profit and Loss, and Other Comprehensive Income, under “Finance costs”.

The total amount of expenses, incurred in the Entity under defined benefit plans, can be presented as follows:

	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Actuarial (losses) / gains from changes in the demographic assumptions	(1 701)	(26)
Actuarial (losses) / gains from changes in the financial assumptions	(13 766)	539
Total gains / (losses), recognised in other comprehensive income	<u>(15 467)</u>	<u>513</u>

The Entity expects, based on past experience, to pay, in 2016, 15,384 thousand BGN contributions under defined benefits.

As at 31 December 2015, the weighted average continuation of the liabilities to pay defined benefits is 13 years.

The significant actuarial assumptions in determining the liabilities, under defined benefit plans, relate to the discounting rate, the estimated percentage increase of salaries, the percentage of personnel’s turnover and the estimated life expectancy. The table hereafter presents analysis of the elasticity and summarizes the effect of changes in these actuarial assumptions on the liabilities, under defined benefit plans, as at 31 December 2015:

Changes in significant actuarial assumptions
In thousands of BGN

Discounting rate	Increase of	Decrease of
	0.25%	0.25%
Increase / (decrease) of the liabilities under defined benefit plans	(386)	395
Percentage increase of salaries	Increase of 1%	Decrease of 1%
Increase / (decrease) of the liabilities under defined benefit plans	965	(899)
Estimated life expectancy	Increased by	Decreased by
	1 year	1 year
Increase / (decrease) of the liabilities under defined benefit plans	1 303	(1 660)
Percentage of personnel’s turnover	Increase of 1%	Decrease of 1%
Increase / (decrease) of the liabilities under defined benefit plans	(2 240)	2 710

The elasticity analysis is based on a change in only one of the assumptions. It may differ from the actual change in the liabilities, under defined benefit plans, as changes in the assumptions are often interrelated.

23 Trade and other liabilities
Trade and other liabilities, reflected in the Statement

- Liabilities to suppliers
- Other liabilities
- Financial liabilities
 - Liabilities, related with personnel's remuneration
 - Liabilities, related with social security contributions
 - Tax liabilities
 - Liabilities under contributions to the "RNFU", "ESS" Funds
 - Liabilities under received advanced
- Non-financial liabilities
- Trade and other liabilities
- The net book value of the current trade and other fair value.

24 Income from sales of production

- Sales of electric power on a non-regulated market
- Sales of available capacities
- Sales of electric power on a regulated market
- Sales of electric power on a balancing market
- Income from sales of electric power
- Income from sales of Sales of thermal power
- Total Income from sales of production

25 Income from sales of services, goods and other

- Income from penalties and fines under contracts
- Income from sales of services
- Gains from sales of non-current tangible assets and inventories
- Income from insurance events
- Income from revaluation of PPE
- Income from sales of materials
- Income from sales of scrap
- Income from sales of goods
- Income from assets' surplus
- Income from rentals
- Other income

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26 Cost of materials

	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Nuclear fuel, lubricants and fuels	147 874	141 564
Spare parts and instruments	5 172	6 503
Materials for current maintenance	2 632	2 927
Uniform and special outfits	1 195	1 079
Reagents for production	766	997
Purchased electric power	755	634
Specialised literature and stationery	380	489
Construction materials and metals	102	114
Advertising materials	79	106
Other	201	166
	<u>159 156</u>	<u>154 579</u>

27 Hired Services

	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Repair and maintenance services	43 993	41 049
Services, provided in connection to extending the licence certification of Unit 5 and Unit 6	17 863	-
Water usage fee	12 055	11 696
Property insurance and nuclear damage	12 064	11 547
Armed security and fire security	9 205	8 059
Consulting and audit services	2 405	3 702
Fees for permits by regulatory bodies	4 275	4 342
Transport costs	3 080	2 422
Taxes and fees	1 681	2 218
Sanitation and landscaping	2 198	2 154
Researches, measurements and control	1 919	636
Services for providing safety food, as per ordinance	1 607	1 428
Water-supply and sewerage services	1 581	1 397
Education and qualifications	408	651
Informational, post and telecommunication services	347	336
Medical treatment services	313	713
Other	2 147	1 362
	<u>117 141</u>	<u>93 712</u>

Water usage fees in 2015 are accrued based on the Tariff of fees for water abstraction for use of water and the pollution adopted by Decree № 177, of the Council of Ministers, dated 24 June 2011, effective as of 1 January 2012. By virtue of seven Protocols, dated 09.02.2016, the Ministry of Environment and Water, in particular the Basin Directorate for water management of the Danube region, with centre – Pleven, confirms the information in the submitted by “NPP Kozloduy” declarations for outstanding fees, under Art.194b of the Water Act, for the period from 01.01.2015 to 31.12.2015. Amounts, accrued in respect of payables for 2015, amounting to 12,055 thousand BGN, are also included in the current water usage fees for 2015.

In the end of 2014, the Entity initiated a procedure to prepare documents for the extension of licenses for Units 5 and 6. A contract was signed with foreign-based consultants, by virtue of which the consultants were assigned to prepare a proposal.

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28 Personnel expenses

	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Salaries and wages	118 242	116 032
Social security contributions	31 381	30 177
Social expenses, in cash	19 102	20 570
Food expenses, incurred in accordance with Decree 11	12 094	8 902
Retirement (post-employment) benefits	2 705	11 184
Compensations, provided in accordance with the Labour Code	939	1 017
	<u>184 463</u>	<u>187 882</u>

29 Other costs

	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Annual instalment in the “Decommissioning of Nuclear Facilities” Fund	61 889	62 248
Annual instalment in the “Radioactive Waste” Fund	24 755	24 899
Annual instalment in the “ESS” Fund	17 504	-
Donations	7 881	653
Impairment of receivables	1 420	6 805
Reversal of impairment receivables	(4 727)	(3 172)
Impairment of PPE	2 183	-
Membership fees	902	901
Social costs	392	361
Shortages and defaults	620	5 530
Business trips	667	732
Impairment of receivables	656	81
Reversal of inventory impairment	(15)	(372)
Tax on expenses	554	477
Entertainment cost	152	162
Penalties and charges under contracts	159	38
Others costs	682	1 762
	<u>115 674</u>	<u>101 105</u>

30 Financial income and finance costs

	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Interest expense under loans	3 195	4 824
Total interest expense under financial instruments that are not carried at fair value in profit or loss	<u>3 195</u>	<u>4 824</u>
Interest expense under retirement (post-employment) benefits	1 127	968
Fees and commissions	193	87
Foreign exchange losses	47	104
Finance costs	<u>4 562</u>	<u>5 983</u>

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Financial income for the presented reporting periods can be analysed as follows:

	2015	2014
	Thousands of BGN	Thousands of BGN
Income, generated in the reversal of the receivable's discount	1 478	1 048
Interest income under granted loans	496	527
Interest income under cash in bank (current accounts)	252	147
Total interest income under financial assets that are not carried at fair value in profit or loss	2 226	1 722
Dividend income	272	255
Foreign exchange gains	34	119
Financial income	2 532	2 096

31 Income tax expense

The estimated tax expenses, based on the applicable for Bulgaria tax rate of 10% (2014: 10%), and the actual recognised, in profit or loss, tax expenses can be equalised as follows:

	2015	2014
	Thousands of BGN	Thousands of BGN
Accounting profit from continuing operations	121 909	145 364
Accounting loss from discontinued operations	(29 957)	(58 532)
Accounting profit before tax	91 952	86 832
Tax rate	10%	10%
Estimated tax expense	(9 195)	(8 683)
Tax effect of:		
Increase of the financial result for tax purposes	(21 277)	(18 548)
Decrease of the financial result for tax purposes	15 718	16 016
Current income tax expense	(14 754)	(11 215)
Deferred tax income / (loss):		
Incurrence and reversal of temporary differences	5 236	2 107
Income tax expense	(9 518)	(9 108)
Deferred tax (loss) / income, recognised in other comprehensive income	104 756	51

Note 12 provides information on the deferred tax assets and deferred tax liabilities.

32 Related party disclosures

The Entity discloses the following related parties:

Owner of the capital of the Entity, excersising control (parent)

“Bulgarian Energy Holding” EAD

Capital owner of the parent

The Bulgarian State, represented by the Minister of Energy

Subsidiaries

“NPP Kozloduy – Novi Moshtnosti” EAD

“HPP Kozloduy” EAD

“Interpriborservice” OOD

Entities that are under joint control with the Entity (the entities in the Group)

“Natsionalna Elektricheska Kompania”

“TPP Maritsa Iztok 2” EAD

“Mini Maritsa – Iztok” EAD

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“Bulgargaz” EAD
“Bulgartel” EAD
“Bulgartransgaz” EAD
“Energy System Operator” EAD
“TPP Maritsa Iztok 2 (9 and 10)” EAD
“PFC Beroe – Stara Zagora” EAD
“Bulgartel – Skopje” DOOEL
“Energy Operator for Measurement and Information Technologies” EAD
“Independent Bulgarian Energy Exchange” EAD
“Energy Investment Company” EAD.

Associates and joint ventures in the BEH Group

ICBG AD
South Stream Bulgaria AD
ContourGlobal Maritsa Iztok 3 AD
ConturGlobal Operations Bulgaria AD
IJSC (ZAD) “ENERGY”
POD ALLIANZ BULGARIA AD.

Key Management personnel of the entity:

Zhaklen Yosif Koen – Chairman of the BoD
Ivan Todorov Yonchev – Member of the BoD
Dimitar Kostadinov Angelov – Member of the BoD and Executive Director

Key Management personnel of the parent:

Anton Borisov Pavlov – Chairman of the BoD
Zhivko Dimitrov Dinchev – Member of the BoD
Zhaklen Yosif Koen – Member of the BoD and Executive Director as at 31.12.2015

Unless otherwise stated, transactions with related parties are not performed under special conditions and are not provided, nor are an guarantees received.

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32.1 Transactions with related parties and related party payables

		Sales to related parties, including dividends	Purchases to related parties, including dividends	Gross amounts, due from related parties	Impairment of the amounts, due from related parties	Amounts, due from related parties, net of impairment	Amounts, due to related parties
		Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
<i>Sole shareholder:</i>							
“BEH” EAD	2015	49	46 769	28	-	28	60
“BEH” EAD	2014	1	28 472	-	-	-	274
<i>Subsidiaries:</i>							
“Interpriborservice” OOD (LTD)	2015	51	5 801	237	-	237	1 020
“Interpriborservice” OOD (LTD)	2014	49	5 059	673	-	673	554
“HPP Kozloduy” EAD	2015	795	-	4	-	4	-
“HPP Kozloduy” EAD	2014	569	-	273	-	12	-
<i>“NPP Kozloduy – Novi Moshtnosti” EAD</i>							
	2015	8	-	1	-	1	3
“NPP Kozloduy – Novi Moshtnosti” EAD	2014	10	-	1	-	1	-
<i>Other relate parties (under joint control)</i>							
“NEK” EAD	2015	150 887	131	96 623	-	96 623	162
“NEK” EAD	2014	342 774	61	173 662	(4 213)	169 449	1 421
“ESO” EAD	2015	368	5 197	387	-	387	2
“ESO” EAD	2014	217	394	5	-	5	16
IJSC “Energy”	2015	3 120	11 267	1 191	-	1 191	10 130
IJSC “Energy”	2014	1 571	10 626	2	-	1	-
	2015					98 471	11 377
	2014					170 141	2 265

The sales to and purchases from related parties are performed at contracted rates. No guarantees are provided or received in respect of the receivables from and liabilities to related parties.

Reviews for impairment of the receivables from related parties are conducted each financial year, based on the analysis of the financial position of the respective related party and the market, on which it operates.

The Entity has not impaired the trade receivables from “NEK” EAD as at 31 December 2015 (2014: 4,213 thousand BGN). As of 01.01.2015 an agreement is conducted with “NEK” EAD for deferral of the receivables from “NEK” EAD, amounting to 132,014 thousand BGN. The deadline for repayment of the

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liabilities to “NEK” EAD, under the concluded agreement, is 31.12.2015. As at that date the liabilities were settled.

A Contract for deferment of the liabilities between “Interpriborservice” OOD and “NPP Kozloduy” EAD was signed on 27.01.2015. The liabilities arise from due dividends, for 2010, amounting to 666 thousand BGN. The deadline for settlement is until 31.05.2016. The settlement begins on 31.01.2015, with the due interest being BIR + 2% margin. As at 31.12.2015, 440 thousand BGN were repaid.

The change in the impairment of receivables from related parties can be presented as follows:

	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Balance as at 1 January	4 213	-
Impairment loss and discounting	-	6 572
Reversal of impairment loss and of discounting	(4 213)	(2 359)
Balance as at 31 December	<u>-</u>	<u>4 213</u>

32.2 Loans, granted to related parties

	<u>31 December 2015</u>	<u>31 December 2014</u>
	Thousands of BGN	Thousands of BGN
Non-current portion:		
Principal	17 090	18 990
Current portion:		
Principal	2 634	2 106
Interest	226	261
	<u>2 860</u>	<u>2 367</u>
Total Loans granted	<u>19 950</u>	<u>21 357</u>

Pursuant to a decision of BEH EAD, dated 7 November 2008, a contract № 880080, dated 07.11.2008, was signed by and between the entity and “HPP Kozloduy” EAD, for the provision of a credit line, amounting to 20,000 thousand BGN. The credit line’s maturity is 2020. The contracted annual interest rate amount to BIR as at the date of payment of the due instalment + 0.30% margin. Pursuant to Protocol № 1-2015/12.01.2015, BEH EAD approved to the signing of Annex № 4 to Contract for Credit line № 880080, dated 07.10.2008, signed by and between “NPP Kozloduy” EAD, in its capacity of creditor and “HPP Kozloduy” EAD, as debtor. As a result, the Annex was concluded on 20.01.2015, and has entered in force as of 14.07.2014. The maturity to repay the loan, set under the Annex, is 15 January 2024. The repayment of the loan began on 15 July 2013. The loan shall be repaid in 22 instalments, with the first 2 instalments amounting to 150 thousand BGN (15.07.2013) and 1,300 thousand BGN (15.01.2014) respectively. A repayment schedule was prepared for the remaining 1/15 of the unsettled principal, after 15.01.2014. In accordance with the Annex, the annual interest rate is floating and amounts to BIR + 2.5% margin.

As at 31.12.2015, “HPP Kozloduy” EAD has repaid 1,372 thousand BGN and the remaining portion as at that date amounts to 19,724 thousand BGN. The loan is secured by a promissory note. The accrued interest under the loan, for 2015, amount to 496 thousand BGN (2014: 527 thousand BGN).

32.3 Transactions with key Management personnel

The Entity’s key management personnel is comprised of the members of the Board of Directors. The remunerations of the key Management personnel include the following costs:

	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Current remunerations:		
Salaries and wages, including bonuses	117	130
Social security contributions' expenses	19	18
Social costs	22	27
Compensations	-	1
Total remunerations	<u>158</u>	<u>176</u>

33. Cashless transactions

In 2015, the Entity has engaged in the following investment and financial transactions, in which no cash or cash equivalents were used, and which are not reflected in the Statement of Cash Flows:

- In compliance to a cession contract, signed with “BEH” EAD on 01.10.2015, the dividend liabilities of “NPP Kozloduy” EAD were offset with receivables from “NEK” EAD. The offsetting amounts to 46,330 thousand BGN.

34. Undertaken engagements and contingent liabilities

Capital commitments

As at 31 December 2015, the Entity has capital commitments of 128,821 thousand BGN (31.12.2014: 218,683 thousand BGN), which are associated with engagements to acquire property, plant and equipment.

As at 31.12.2015, the amount of the contracted engagements to acquire nuclear fuel amount to 125,511 thousand BGN (31.12.2014: 134,585 thousand BGN).

Legal claims

Other legal claims, amounting to 12 thousand BGN (2014: 93 thousand BGN), are filed against the Entity. None of the aforementioned claims are disclosed here in details, in order not to affect seriously the Entity's position in resolving such.

Securities and Guarantees

Guarantees, amounting to 109,815 thousand BGN (31.12.2014: 87,240 thousand BGN) are placed in favour of the Entity.

As at 31 December 2015, the Entity has placed the following guarantees and collaterals:

Guarantee security, under a contract for balancing (cash guarantee) – 326 thousand BGN.

Guarantee security, under a contract for access to and transmission of electricity (cash guarantee) – 7 thousand BGN.

Guarantee for engaging in trading transactions with electricity (cash guarantee) – 150 thousand BGN.

Guarantee collateral for participation in electric power exchange market (cash guarantee) – 50 thousand BGN.

Insurance

The Law for Safe use of nuclear energy limits the responsibility for damages, caused by any nuclear breakdowns, of the nuclear facility operator. The law limits the operator's responsibility to 96,000 thousand BGN for each breakdown. The operator is obliged to maintain insurance and other financial guarantees for nuclear damages, for the period of operation of the nuclear facilities, in the amount of 96,000 thousand BGN. The Entity has concluded an insurance policy, covering the legally requisite limits. The insurance policy is concluded with the Bulgarian National Insurance pult, at the amount of 776 thousand BGN, paid in one instalment.

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The Entity has property insurance in IJSC “Energy”, for the period 01.01.2015 – 31.12.2015, amounting to 11,255 thousand BGN. Annex № 15 to the General Insurance policy for insurance of the entity’s property, was signed on 08.12.2015, for the period January – December 2016, amounting to 10,130 thousand BGN.

35. Categories of Financial assets and Financial liabilities

The carrying amounts of the Entity’s financial assets and financial liabilities can be presented in the following categories:

Financial Assets	Note	31 December 2015 Thousands of BGN	31 December 2014 Thousands of BGN
Available-for-sale financial assets	11	232	232
Loans and receivables:			
Non-current other receivables	10	3 630	4 618
Trade and other receivables	15	44 433	43 766
Loans, granted to related parties	32.2	19 950	21 357
Receivables from related parties	32.1	98 471	170 141
Cash and cash equivalents	16	89 851	18 920
		<u>256 335</u>	<u>258 802</u>
Total Financial Assets		<u>256 567</u>	<u>259 034</u>

Financial Liabilities	Note	31 December 2015 Thousands of BGN	31 December 2014 Thousands of BGN
Financial liabilities, carried at amortized cost:			
Loans	19	193 846	238 529
Retained amounts, under construction contracts	20	7 247	7 135
Trade and other liabilities	23	52 096	76 955
Liabilities to related parties	32.1	11 377	2 265
Total Financial Liabilities		<u>264 566</u>	<u>324 884</u>

Refer to Note 4.14 for information on the accounting policy for each category of financial instruments. A thorough description of the policy and the goals of the Entity’s risk management of financial instruments, is disclosed in Note 36.

36. Risks, associated with the financial instruments

Risk Management – purpose and policies

The Entity is exposed to different risks, associated with the Entity’s financial instruments. The most significant financial risks, to which the Entity is exposed are the market risk, the credit risk and the liquidity risk.

Risk Management is performed from the central administration, in cooperation with the Board of Directors. The Management’s priority is to ensure the current and non-current cash flows by reducing its exposure in the financial markets. The non-current financial investments are managed in order to have long-term return.

The most significant financial risks, to which the Entity is exposed, are described hereafter.

36.1. Market risk analysis

As a result of the use of use of financial instrument, the Entity is exposed to market risk, and more specifically – the risk of changes in the foreign exchange rates, interest risk, as well as risk from changes in specific prices, resulting from the Entity’s operational and investment activities.

36.1.1. Currency risk

The Entity purchases, sales, provides and obtains loans, denominated in foreign currencies – Euros, US Dollars and British Pounds. The majority of these transactions are denominated in Euros. Because the exchange rate of the Bulgarian Levs to the Euros is fixed at 1.95583, the currency risk, arising from the Entity’s Euro exposition is minimal.

Financial assets and financial liabilities, denominated in foreign currencies are translated in Bulgarian Levs at each year-end, presented as follows:

	Current risk Exposure		
	US Dollars Thousands of BGN	British Pounds Thousands of BGN	Others Thousands of BGN
31 December 2015			
Financial assets	52	-	3
Financial liabilities	(14)	-	-
Total risk exposure	38	-	3
31 December 2014			
Financial assets	207	8	9
Financial liabilities	(178)	(7)	(7)
Total risk exposure	29	1	2

36.1.2. Interest risk

The Entity’s policy targets to manage and reduce the interest risk, existing in long-term financing

As at 31 December 2015, the Entity is exposed to risks from changes in market interest rates, fewer than seven separately formed tranches, denominated in Euros, in conformance with the signed with Euratom agreement, dated 29 May 2000, which are at floating interest rate of six months EURIBOR, plus a margin of between 0.079% and 0.13% for each tranche.

The Entity has granted a loan to “HPP Kozloduy” EAD, at floating interest rate, amounting to BIT + 2.5% margin.

All other financial assets and financial liabilities of the Entity are at fixed interest rates.

The presented hereafter table conveys the elasticity of the annual net financial result after tax and the equity to possible change in the interest rates, under granted loans at floating interest rate, based on BIR, effective in Bulgaria, in the amount of +/- 0.01 % (2014: +/- 0.01%) and under loans, at floating interest rate, based on EURIBOR, amounting to +/- 0.2% (2014: +/- 0.2%). These changes are determined as possible based on the observations of the current market levels in 2015. The computations are based on changes in the average market interest rate and the financial instruments, held by the Entity at the end of the reporting period, which are elastic to changes in the interest rates. All other parameters are accepted as constant.

The effect of decrease or increase in the floating interest rates, under the obtained by the Entity loans, is reflected as profit or loss respectively and has identical effect over the other profit / loss components for the current year.

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31 December 2015

	Net financial result		Equity	
	Increase of the interest rate	Decreased of the interest rate	Increase of the interest rate	Decreased of the interest rate
Granted loans, denominated in BGN (BIT +/- 0.01%)	2	(2)	2	(2)
Obtained loans, denominated in Euros (EURIBOR +/- 0.2%)	(326)	326	(326)	326

31 December 2014

	Net financial result		Equity	
	Increase of the interest rate	Decreased of the interest rate	Increase of the interest rate	Decreased of the interest rate
Granted loans, denominated in BGN (BIT +/- 0.01%)	2	(2)	2	(2)
Obtained loans, denominated in Euros (EURIBOR +/- 0.2%)	(159)	159	(159)	159

36.2. Credit risk analysis

Credit risk is the risk that some of its counterparties may not be able to comply fully and in time with their obligations to the Entity. The Entity is exposed to this risk in relation to the different financial instruments, such as arisen receivables from clients, deposited cash, investments in securities and others. The Entity's exposure to credit risk is limited to the amount of the carrying value of the recognized as at year-end financial assets, as illustrated hereafter:

	2015	2014
	Thousands of BGN	Thousands of BGN
Financial assets groups – carrying amounts:		
Available-for-sale financial assets	232	232
Credits and receivables	166 484	239 882
Cash and cash equivalents	89 851	18 920
Carrying amount	256 567	259 034

The Entity constantly monitors and analyses receivables from its clients and counterparties, identified either individually or in groups, and uses such information to control the credit risk. The Entity trades only with established counterparties, who have ability to settle their debts. The Entity's policy is: all clients, who wish to trade, under deferred payment terms, are subject to review, in order for the Entity to establish their ability to settle their debts. Furthermore, the balances of trade receivables are currently monitored, and as a result of the Entity's exposure to doubtful debts and bad debts is insignificant. Exception to the preceding sentence are the receivables from “NEK” EAD.

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A first pledge is established under the Law on Pledges. The pledge refers to future cash receivables from “NEK” EAD, amounting to 30 million Euros, arising from contracts for sale of electricity at regulated prices, in accordance with decisions of EWRC №№ C-27/31.07.2015, the TE 025/31.07.2015, the under pledge, dated 04.11.2015.

As at the date of the Financial Statement, the ageing structure of receivables is as follows:

As at 31 December 2015

	Not overdue	30 days – 90 days	90 days – 180 days	180 days – 360 days	>360 days	Total
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Trade and other receivables	41 208	1 910	261	1 052	2	44 433
Receivables from related parties	25 266	28 091	26 941	15 900	2 273	98 471
	<u>66 474</u>	<u>30 001</u>	<u>27 202</u>	<u>16 952</u>	<u>2 275</u>	<u>142 904</u>

As at 31 December 2014

	Not overdue	30 days – 90 days	90 days – 180 days	180 days – 360 days	>360 days	Total
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Trade and other receivables	33 601	379	238	9 548	-	43 766
Receivables from related parties	38 089	25 326	46 299	59 761	666	170 141
	<u>71 690</u>	<u>25 705</u>	<u>46 537</u>	<u>69 309</u>	<u>666</u>	<u>213 907</u>

The change in the impairment of receivables in the presented financial reporting periods is as follows:

	2015	2014
	Thousands of BGN	Thousands of BGN
Balance as at 1 January	13 001	9 368
Accrued impairment within the year (Notes Error! Reference source found. and 32.1)	513	6 805
Reversed impairment	(4 727)	(3 172)
Balance as at 31 December	<u>8 787</u>	<u>13 001</u>

The Entity’s exposure to credit risk, arising from cash and cash equivalents is regarded as insignificant as the counterparties are banks with good reputation and high external valuation of their credit rating.

The carrying amounts of the above mentioned financial assets, represent the maximum credit risk exposure of the Entity with regards to these financial instruments.

36.3. Liquidity risk analysis

Liquidity risk represents the risk that the Entity fails to settle its obligations when they fall due. The Entity satisfies its need of liquid resources by carefully monitoring the payments under the long-term financial liabilities’ repayment schedules, as well as the cash inflows and outflows, arising in the course of its ordinary activities. The needs of cash resources are compared with the available loans in order to identify an surplus or deficits. This analysis defines whether the available loans shall be sufficient to cover the Entity’s needs for the period.

For its liquidity risk management, the Entity collects its receivables, controls the spend cash resources and so it ensures sufficient working capital. The resources for the long-term liquidity needs are ensured by loans in the respective amounts.

As at 31 December the maturity of the contracted liabilities of the Entity are summarized as follows:

As at 31 December 2015

	<u>Immediate</u>	<u><3 months</u>	<u>3 months – 12 months</u>	<u>1 years – 5 years</u>	<u>>5 years</u>	<u>Total</u>
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Loans	-	12 713	33 345	136 909	10 879	193 846
Retained amounts under construction contracts	-	-	5 776	1 471	-	7 247
Trade and other liabilities	-	32 076	20 020	-	-	52 096
Liabilities to related parties	-	3 778	7 599	-	-	11 377
	-	<u>48 567</u>	<u>66 740</u>	<u>138 380</u>	<u>10 879</u>	<u>264 566</u>

As at 31 December 2014

	<u>Immediate</u>	<u><3 months</u>	<u>3 months –12 months</u>	<u>1 years – 5 years</u>	<u>>5 years</u>	<u>Total</u>
	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN	Thousands of BGN
Loans	-	12 713	33 778	181 159	10 879	238 529
Retained amounts under construction contracts	-	-	5 742	1 393	-	7 135
Trade and other liabilities	-	40 743	35 473	-	-	76 216
Liabilities to related parties	2 237	-	28	-	-	2 265
	<u>2 237</u>	<u>53 456</u>	<u>75 021</u>	<u>182 552</u>	<u>10 879</u>	<u>324 145</u>

The amounts, disclosed in this analysis of the liabilities’ maturity, represent non-discounting cash flows, under contracts that could differ from the carrying amount of the liabilities as at year-end.

37. Fair value measurement of non-financial assets

The Entity groups its assets and liabilities, carried at fair value, into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

A financial asset or liability is classified at the lowest level of significant input information, used in its fair value measurement.

The following table represents the levels of hierarchy of non-financial assets as at 31 December, periodically measured at fair value:

Level 3	31 December 2015	31 December 2014
	Thousands of BGN	Thousands of BGN
Property, plant and equipment:		
- Lands	19 159	19 558
- Buildings	429 766	216 429
- Property, plant and equipment	1 947 455	1 110 650
- Transport vehicles	6 235	6 117
Investment property:	3 034	-
	2 405 649	1 352 754

The fair value of the respective groups of assets of property, plant and equipment, and investment properties, owned by the Entity, is determined based on reports of independent certified appraisers, as at 30.06.2015.

The fair values of the respective groups of assets of property, plant and equipment, and investment properties are not revalued as at 31.12.2015, as according to the Entity’s appraisers, the carrying values of these assets do not differ significantly from the fair value of the revalued assets as at year-end. The fair value measurement for 2015 is based on observable rates of recent market transaction of similar assets, adjusted to specific factors, such as are, location and current use.

Significant non-observable data related to adjustments in the specific for the Entity’s assets factors. The degree and direction of such adjustments depends on the number and the characteristics of the observable market transactions with similar assets, used for the purposes of the valuation. Despite the fact that these data are subjective, the Management believes that the final valuation would not be significantly affected by other possible assumptions.

38. Capital management – policies and procedures

The main goal of the Entity’s capital management is to ensure a stable credit rating and capital indicators, in order to ensure the continuing operations and maximizing its value of the shareholder.

The Entity manages its capital structure and amends it, if needed, depending on changes in the economic policies. In order to maintain, or change, its capital structure, the Entity may adjust the payment of dividends to the sole shareholder, to redeem treasury shares, to reduce or increase its share capital, pursuant to a decision of the sole shareholder.

The Entity monitors its capital through the realized financial result for the reporting period, as follows:

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	<u>2015</u>	<u>2014</u>
	Thousands of BGN	Thousands of BGN
Profit for the year, after tax	82 434	77 724

The Entity should comply with externally imposed capital requirements, in accordance to a signed bank loan contract, relating to the debt ratio. This ratio should not exceed 2.

Another indicator, which is observed in compliance with the signed loan agreement is the indicator of coverage of debt settlement.

In accordance with the contracted clause 1.1. of the Loan Agreement with EURATOM, dated 10.05.2000, is estimated as the ratio of free cash flow for the year of “NPP Kozloduy” EAD and the amount of debt servicing, including interest payments and payment of principal for the year. This ratio should not be less than 1.5. For 2015 the ratio levelled to 5.04 (2014: 5.76).

	<u>31 December 2015</u>	<u>31 December 2014</u>
	Thousands of BGN	Thousands of BGN
Available cash flows	241 255	286 289
Debt servicing	47 879	49 700
Coverage of the debt servicing	<u>5.04</u>	<u>5.76</u>

The above quoted indicators are monitored on an annual basis. They are computed based on the provided annual Financial Statements to the bank. In case of non-fulfillment, the Management is obliged to inform the bank immediately. The Management believes that the Entity is in compliance with certain financial indicator levels, according to the signed contract.

During the presented reporting periods, the Entity has not changed its targets, policies and capital management processes. The Entity has not amended and how it defines its capital.

39. Events after reporting period

In accordance with pt. 1, “b” and “c” of Decree № 2 of the Council of Ministers, dated 18 February 2016 for establishing and submitting to the State portion of the profits of state enterprises and companies with state interest in capital, the Entity should pay dividends for the state, from the profit after tax for 2015. The amount of these dividends should be 50%, net of deductions for the “Reserves” Fund, when the fund is not filled. The amount of dividend should not be greater than the amount, equal to 50 percent of the profit, disclosed in the Consolidated Financial Statements for 2015.

As of 19.01.2016, “NPP Kozloduy” EAD is an active participant in the “day ahead” platform, operated by the BNEB. The parameters of the submitted offers must comply with the agreement to provide liquidity on the exchange - the quantities of electricity supply, defined for “NPP Kozloduy” EAD are based on the regulated in the agreement principle of “solidary participation of the entities, within BEH EAD, on the “day ahead” market.

No events, other adjusting or non-adjusting events, requiring additional disclosures, have occurred after the end of the reporting period and until the date on which the Separate Financial Statements were authorized for issue.

40. Authorization of the Separate Financial Statements

The Separate Financial Statements as at 31 December 2015 (including the comparative information) is approved and adopted by the Board of Directors on 6 April 2016.