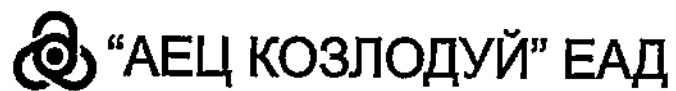




Annual Separate Management Report
Independent Auditor's Report
Separate Financial Statements

KOZLODUY NPP EAD

31 December 2017



Contents

	Page
Annual Separate Management Report	i.
Independent Auditor's Report	-
Separate Statement of Financial Position	1
Separate Statement of Profit or Loss and Other Comprehensive Income	3
Separate Statement of Changes in Equity	4
Separate Statement of Cash Flows	6
Notes to the Separate Financial Statements	7

GENERAL INFORMATION

Board of Directors as at the date of the financial statements

Zhaklen Koen - Chairman of the Board of Directors

Ivan Andreev - Member of the Board of Directors and CEO;

Ivan Yonchev - Member of the Board of Directors;

Address

Bulgaria

3321, town of Kozloduy, Vratsa District

Servicing banks

Investbank AD

International Asset Bank

SG Expressbank

Citibank Europe AD - Bulgaria Branch

DSK Bank EAD

Allianz Bank Bulgaria AD

United Bulgarian Bank AD

Municipal Bank AD

First Investment Bank AD

Citibank AD

UniCredit Bulbank AD

Eurobank Bulgaria AD

Central Cooperative Bank AD

Bulgarian American Credit Bank AD

Pircos Bank AD

Auditor

HLB Bulgaria OOD

Management Report

of Kozloduy NPP EAD

01 January 2017 - 31 December 2017

This management report was prepared in compliance with the provisions of art. 39 of the Accountancy Act and art.187e, art.247, para.1, 2 and 3 of the Commercial Act. The management report contains the information required pursuant to Appendix No.10 of Regulation 2 of the Financial Supervision Commission, relating to persons under & 1c of the Additional provisions of the Public Offering of Securities Act, on the grounds of art.100o, para.7, i.2 of the Public Offering of Securities Act. The management report contains also non-financial statement pursuant to art.48, para.1 and para.2 of the Accountancy Act.

Kozloduy NPP EAD (hereinafter referred to as "the Company") management report is an objective review, presenting truly and fairly the development and the results of the Company activities, as well as its position, together with a description of the major risks it faces.

The report presents commentary on and analysis of the financial statements and other significant information on the financial position, and the operating results of the Company. It covers the period from 01 January to 31 December 2017.

The separate financial statements presented by Kozloduy NPP EAD were prepared on the grounds of the International Accounting Standards, the Accountancy Act. It conforms to the current legislative and sublegislative normative acts. The separate financial statements were prepared in accordance with the integrated accounting policy approved by the Company.

1. General information

Corporate name	Kozloduy NPP EAD
UIC	106513772
Address	Bulgaria Vratsa District town of Kozloduy 3321
Principal activities	– Using nuclear power to generate electricity and thermal energy. For the execution of these activities the Company holds and maintains: valid licence for generation of electricity and thermal energy by the electricity generating facility as defined therein; valid licences to

operate nuclear facilities, as per the Safe Use of Nuclear Energy Act (SUNEA), issued by the Bulgarian Nuclear Regulatory Agency (valid permit for generation activity by the generating facility as defined by the licence, issued by the Inspectorate on the Safe Use of Atomic Energy for peaceful purposes);

- Import and export of fresh and spent nuclear fuel;
- Investment activities, related to the Company's activities as defined under the Company's principal activities;
- Construction, installation and maintenance in the fields of electrical and thermal energy generation;
- Sales of high and medium voltage electric power and sales of thermal energy;
- Operation of radioactive waste management facilities, holding a valid license pursuant to the Safe Use of Nuclear Energy Act (SUNEA).

Directors

As at 31 December 2017 the Company is managed by the Board of Directors (BoD), consisting of:

Zhaklen Koen - Chairman of the Board of Directors

Ivan Andreev - Member of the Board of Directors and CEO;

Ivan Yonchev - Member of the Board of Directors;

Management

Kozloduy NPP EAD is a joint stock company, established by virtue of Decision No 582 from 2000 of Vratsa District Court. The registered office of the Company is in the town of Kozloduy, Vratsa District, Bulgaria. The Company was established as a joint stock company on 28 April 2000 with a sole owner - the Republic of Bulgaria through spin-off from Natsionalna Elektricheska Kompania EAD (NEK EAD). In accordance with the Separation Protocol of Kozloduy NPP branch and GUP Atomenergoinvest, Kozloduy, compiled and based on the available accounting records dated 28 April 2000, the company is legal successor of the respective portion of the assets and liabilities of NEK EAD, Sofia.

Bulgarian Energy Holding EAD is the sole owner of the Company share capital as at 31 December 2017. The Company's ultimate owner is the Republic of Bulgaria through the Ministry of Energy.

The Company has a one-tier management system and is managed by a

Board of Directors consisting of three members.

As at 31 December 2017 the Company share capital amounts to BGN 244,584,890 distributed among 24,458,489 ordinary, registered, voting shares at nominal value of BGN 10 each. All ordinary shares are fully paid.

Licences

The Company holds the following licences:

- Licence for operation of nuclear facility, issued by the BNRA - Serial No. E, Registration No. 5303, dated 03 November 2017, valid as at 06 November 2017, which renews the License with Serial No. E, Registration No. 03000 dated 02 October 2009 for the operation of Kozloduy NPP EAD Unit 5. License validity - 06 November 2027;

- Licence for operation of nuclear facility, issued by the BNRA - Registration No. 03001, dated 02 October 2009, for the operation of Kozloduy NPP EAD Unit 6. The licence is valid until 02 October 2019. By Order No. AA-04-152 dated 28.10.2016 of the chairman of the BNRA the Licence was modified authorizing the operation of the unit at an uprated thermal power of 3120 MW;

- Licence for generation of electricity and thermal power No. A-049- 03/11.12.2000, valid for thirty years - until 11.12.2030;

- Licence for transmission of thermal energy No. 050-05/11.12.2000, valid for thirty years - until 11.12.2030;

- Licence, issued by the BNRA, Serial number И-11024, Registration No.04358, dated 01 April 2014 which renews Licence with Serial number И-11024, reg. No. 02599 for the use of sources of ionizing radiation for commercial purposes - performing non-destructive testing with radiation methods on site: Inspection body of type C, Diagnostics and Control Testing Centre, valid for a ten year period - until 31.03.2024;

- Licence, issued by the BNRA, Serial number И-1708, Registration No.04366, dated 08 April 2014 which renews Licence with Serial number И-1708, reg. No. 02610 for the use of sources of ionizing radiation for commercial purposes - performing radiochemical control, radiological environmental monitoring, and metrological control, for a ten year period - until 07.04.2024;

- Licence, issued by the BNRA, for transportation of radioactive substances, Serial number T-14002, Registration No.04435, dated 30.06.2014 which renews Licence with Serial number T-14002, reg.

No.02823, considered as at 12.07.2014, valid for a ten year period - until 11.07.2024;

– Licence for trading in electricity No. A-216-15/18.12.2006 - until 18.12.2026;

– Licence, issued by the BNRA, for delivering specialized training, carried out by the Personnel and Training Centre Division, Serial number CO, Registration No.5125 dated 05.10.2016, renewing Licence, serial number CO, Reg. No.03803 dated 05.10.2011 for a 5 year period - until 05.10.2021;

– Licence, issued by the BNRA, for operation of Spent Fuel Storage Facility, Serial number E, reg. No.04441, dated 25.06.2014 which renews Licence with Serial number E, reg. No.01032/24.06.2004, for a ten year period - until 25.06.2024.

– Licence, issued by the BNRA, for operation of Dry Spent Fuel Storage Facility from VVER-440 reactors, Serial number E, reg. No. 5016 dated 28.01.2016, for a ten year period - until 28.01.2026.

Auditor

HLB Bulgaria OOD

Basis for
preparation of the
financial statements

– The financial statements have been prepared on a historic cost basis.

– The financial statements are presented in Bulgarian Leva (BGN) and unless otherwise stated, all disclosed amounts are rounded up to the nearest BGN thousand.

– The Company prepares its financial statements in accordance with the requirements of the International Financial Reporting Standards, endorsed by the European Union Commission, until 31 March of the following year.

– In conformance with the requirements of Art. 31 of the Accountancy Act, the Company prepares also consolidated financial statements, and publishes them no later than 30 June of the year, following the year to which they refer.

– Kozloduy NPP EAD operates in conformance with the Bulgarian legislation.

1.1. Management's responsibilities

The management confirms that it has applied adequate accounting policies in preparing the annual separate financial statements as at 31 December 2017, and that the annual separate financial statements are prepared under the going concern principle.

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 under Article 187e and Article 247 of the Commercial Act (CA)

➤ Information required under Article 187e of the Commercial Act (CA)

In accordance with Article 187e of the Commercial Act, the Company must provide in its Management Report information on:

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

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

The Company has not acquired and/or transferred any treasury shares in 2017.

c/ The number and nominal value of the treasury shares held by the Company and the portion of capital that they represent.

The Company does not hold any treasury shares.

➤ Information, required under Article 247, paragraph 2 of the CA

a/ Information on the remuneration of the Board of Directors of Kozloduy NPP EAD, as disclosed under the signed management and control contracts.

In thousands of BGN	Statements as at 31.12.2017	Statements as at 31.12.2016
Salaries and wages, including bonuses	148	130
Social security contributions	20	19
Social costs	25	22
Allowances	-	18
Total short-term remuneration	193	189

b/ Information on the Company's shares, acquired and held by Members of the Board of Directors

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

c/ Information on the participation of the Members of the Board of Directors as general partners in commercial entities, information on the ownership of over 25 percent of the capital of another entity, as well as information on their participation in the management of other entities, or

cooperatives, as Procurators, Managers or Members of a Board of Directors (in accordance with the requirements of Art.247, para.2, i.4 of the CA).

- Ivan Andreev is chairman of the BoD of Kozloduy NPP - New Build EAD, and member of the BoD of SE RAW;
- Zhaklen Koen has been member of the BoD of South Stream Bulgaria AD until 08.06.2017.

d/ Information on the contracts under Art. 240b of the Commercial Act concluded during the year:

- No shares or bonds of the Company were acquired or transferred by the Members of the Board of Directors.

- No contracts were concluded during the reporting period by and between the Members of the BoD or parties related to them, which go beyond the Company's ordinary activities or which significantly deviate from the market conditions.

1.3. Personnel

The Company defines the fulfilment of its priorities in the area of human resources management in the Human Resource Management Policy. The principal goals of the Management are related to maintaining and developing the system of professional recruitment, providing conditions for professional development of the personnel, systematic training and qualification enhancement and management of the knowledge gained. The applied management system and organizational-management structure ensure the fulfilment of the set priorities.

The employment relationships at Kozloduy NPP EAD are raised at a very high level. A new Collective Labour Agreement was signed on 30 December 2016, valid from 01 January 2017 to 31 December 2018. A Code of Ethics is also in place in the Company, which necessitates keeping certain values by the personnel in the power plant in compliance with the major values in nuclear energy. No discrimination based on sex, ethnic origin, religious or political beliefs is allowed on the work place. Women occupy both higher operative and higher management positions in the Company. Equal rights and opportunities for work, development and career promotion are provided, depending solely on the initiative, professional qualification, experience acquired and personal qualities of the employees, as well as their performance results.

During the reporting period the employer's efforts continued in the direction of keeping the spirit of social agreement and collaboration with the employees, the trade unions and the representatives of the workers and employees.

As at 31 December 2017, the number of the staff employed by the Company under employment contracts is 3,716.

Total personnel, employed in Company under employment contracts, including	Statements as at 31.12.2017	Statements as at 31.12.2016	% change
Managers	473	458	3.3%
Specialists	998	966	3.3%
Technicians and associate professionals	870	862	0.9%
Administrative Assistance Personnel	258	264	-2.3%
Personnel, engaged in providing services to the population, trade and security	81	85	-4.7%
Qualified workers and the associated with them professionals	806	797	1.1%
Machine operators and assembly installers	163	163	0.0%
Professions, which do not require special qualifications	67	63	6.3%
TOTAL	3,716	3,658	1.6%

1.4. Legal and arbitration proceedings

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

1.5. Research and development

During the reporting period no surveys were conducted and no projects were implemented in the fields of Research and Development.

1.6. Subsidiaries

Kozloduy NPP EAD owns the following entities:

➤ Kozloduy HPP EAD

Kozloduy NPP EAD is the sole owner (100%) of the capital of Kozloduy HPP EAD, comprised of 1,082 ordinary, registered, materialized, voting shares, at nominal value of BGN 1,000 each.

Kozloduy HPP EAD is registered with Vratsa District Court under Company file No.495 year 2004, with the purpose of building a Hydro Power Plant, generation and distribution of electric power generated by a small Hydro Power Plant in order to utilize the residual power generating capacity of treated water by Kozloduy NPP EAD.

Pursuant to a decision of BEH EAD dated 7 November 2008, contract No.880080 dated 07.11.2008 was signed by and between the Company and Kozloduy HPP EAD for the provision of a credit line of BGN 20,000 thousand. The credit line's maturity is 2020. With Decision item II.15.1 dated 12.07.2012 the Board of Directors of BEH EAD authorized Kozloduy NPP EAD to re-negotiate the contracted terms and conditions under Contract Agreement for Credit line No.880080 dated 07.11.2008 and Annex No.810000003 dated 06.11.2011. An Annex to the Contract Agreement was signed on 26.09.2012 for the provision of additional amount of BGN 2,000 thousand. The maturity of the latter is 2021, and the loan repayment started on 15.01.2013. With Decision item II.3.1, dated 29.03.2013, the

Board of Directors of BEH EAD authorized the signing of Annex No.3 by and between Kozloduy HPP EAD and Kozloduy NPP EAD, which amended the contracted clauses related to: extension of the fund's utilization deadline - until commissioning of Kozloduy HPP, Outlet channel-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 the base interest rate + 2.5 % margin. With Decision item II.6.1, dated 12.01.2015, the Board of Directors of BEH EAD authorized the signing of Annex No.4 by and between Kozloduy HPP EAD and Kozloduy NPP EAD, which amended the contracted clauses related to: extending the loan's maturity - until 15.01.2024; increasing the number of the repayment instalments - 22 instalments.

➤ **Kozloduy NPP - New Build EAD**

Kozloduy NPP EAD is the sole owner (100%) of the capital of Kozloduy NPP - New Build EAD, comprised of 1,400,000 ordinary, registered shares, at nominal value of BGN 10.00 each.

Kozloduy NPP - New Build EAD is a single-shareholder joint stock company, registered in the Commercial Registry of the Registry Agency on 09.05.2012, with UIC 202058513. The Company has its registered office at: NPP site, Kozloduy, Kozloduy Municipality, Vratsa District. The Company's registered capital amounts to BGN 14,000 thousand.

Pursuant to Decision No.28, dated 09.06.2015 and Decision No.36, dated 07.07.2015 of the Company's Board of Directors, it was decided to simultaneously decrease the capital of Kozloduy NPP - New Build EAD by cancellation of 135,100 ordinary, registered, voting shares at nominal value of BGN 10 each, and increase of the capital with BGN 1,351,000 by subscribing 135,100 new, ordinary, registered, voting shares, with total nominal value of BGN 1,351,000 by consideration in cash.

➤ **Interpriborservice OOD**

The Company has a controlling interest of 63.96% in Interpriborservice OOD, Kozloduy, holding seventy one shares of its capital, which is comprised of 111 shares at nominal value of BGN 100 each. The investment is measured at acquisition cost - a total of BGN 79 thousand. The transactions with this company relate to deliveries of assets, supplies related to assets' modernization and reconstruction, as well as purchases of inventory and hired services.

Interpriborservice OOD was established pursuant to a Decision No.55, dated 13.04.1988, of the Council of Ministers, as a specialised entity for installation, setting up, maintenance and technical servicing of automated process control systems, supply of instrumentation, equipment and spare parts for NPP, TPP, and others. The partners in the company are Russian and Ukrainian entities, operating in the energy sector.

➤ **ZAD Energia**

The Company has a participation in ZAD Energia, with a share of 1.12%, and investment value BGN 232 thousand.

1.7. Branches of the Company

The Company does not have any branches.

2. Activity overview

Kozloduy NPP EAD ended the year 2017 with considerably improved financial indicators, compared to 2016.

The following factors had distinguishably positive impact on the Company's financial results, namely, the increase of the average market price for sale of electricity, significant rise of the regulated price, and rise in the electricity demand on the domestic and the regional market.

The reporting period is characterized by increasing liquidity and improving profitability indices. The trend for debt reduction is preserved, as a result of the regular payments of interests and principals of the state-guaranteed loan with Euratom.

Achieving safe operation of the nuclear power units, the fulfilment of the investment projects for the plant life extension and the power uprate of the nuclear units was financially secured with the Company's own financial resources, without using external financing.

The following significant changes in the regulatory environment, having a direct impact on the Company's activity, occurred during 2017:

➤ By a Decision by the Energy and Water Regulatory Commission No.II-19/01.07.2017, full price for electricity of Kozloduy NPP EAD was approved for the regulated market at the amount of 54.92 BGN/MWh, by 83% higher than the price in the preceding regulatory period (30.00 BGN/MWh). The approved price comes close to the cost price of the electricity and reduces considerably the Company's loss from regulated market sales.

➤ By a Decision of the Energy and Water Regulatory Commission No.TE-027/01.07.2017, a quota for Kozloduy NPP EAD was determined for the regulated market until 30 June 2018 amounting to 3,100,527 MWh. Kozloduy NPP EAD quota for the regulated market is by 582,343 MWh less compared to the preceding regulatory period, i.e. it takes into account the continuing market liberalization, however, with a slower rate than expected.

➤ By a Decision of the Energy and Water Regulatory Commission No.II-18/01.07.2017, a single-component prices of the thermal energy generated by Kozloduy NPP EAD was approved - 40.39 BGN/MWh, by 0.03 BGN/MWh lower than the price in the preceding regulatory period.

➤ Change in the unregulated market segment sales structure - exchange transactions have a progressive increase (42% of the total market turnover).

➤ Rise by 5.5% in the market sales prices compared to 2016.

Generation and sales of electricity

In 2017 Kozloduy NPP EAD generated electricity (gross) amounting to 15,545,499 MWh, by 230,345 (-1.5%) MWh less compared to the 2016. The decrease in production is attributed to the schedule of operation of Unit 5, which was updated in the end of 2016 (extended annual outage to replace the generator stator whose delivery was confirmed in the end of 2016).

The performance indicators for the Company which characterize its specific nature are presented in the table below:

Indicators	Statements as at 31.12.2017	Statements as at 31.12.2016
LF 1)	88.53	89.80
UCF 2)	87.37	89.02
UCLF 3)	0.17	0.21
GRLF 4)	0.00	0.04

- 1) LF - Load Factor
2) UCF- Unit Capability Factor
3) UCLF- Unit Capability Loss Factor
4) GRLF – Grid Related Loss Factor

The LF and UCF indicators objectively reflect the nuclear power units operation modes. The 2017 values are lower in comparison to the 2016 ones, mainly as a result of the different duration of the scheduled annual outage downtimes. The unscheduled events are insignificant in number. The UCLF indicator is with excellent value for the reporting period due to the absence of unplanned events. In 2016 there was one short stoppage of the two turbo-generators, and in 2017 - one stoppage of TG 9, outside the annual outage period, and short-term decrease of Unit 6 power. In 2017 there was no unplanned scram of Units 5 and 6 reactors. There was no unloading of the nuclear power units in order to regulate the grid balance or to balance the commercial schedules.

With view of the diminished production in 2017, the total amount of the electrical energy sold is by 1.4% less in comparison with the same period of 2016 (-215,378 MWh).

The table below summarizes the electricity generation, sales and revenue in 2017 compared to 2016:

Indicator	Statements as at 31.12.2017	Statements as at 31.12.2016	% change
Total MWh			
Gross generation	15,545,499	15,775,844	-1.5%
Houseload	827,131	843,367	-1.9%
Net energy (in-house production)	14,718,368	14,932,477	-1.4%
Purchased energy (substitute)	1,971	3,240	-39.2%
Sales of electricity at regulated prices, MWh			
Net energy, MWh	3,537,342	4,526,821	-21.9%
Sales of electricity at freely negotiated prices, MWh			
Customers	11,182,997	10,408,896	7.4%
Exchange market	6,458,418	9,593,989	-32.7%
Exchange market	4,712,735	773,566	509.2%
Balancing market	11,844	41,341	-71.4%
Revenue, BGN thousand			
At regulated prices:	145,560	135,213.7	7.7%
At market prices:	764,152	674,339.6	13.3%
Total electricity revenue	909,712	809,553.3	12.4%

The supplies on regulated prices of NEK EAD are in conformity with the requests of the Public Supplier and the determined quota. The quota for the regulatory period 01.07.2016-30.06.2017 has been achieved. Taking into account the trends for a wider opening of the market, the sales at regulated prices for 2017 are 3 537 342 MWh, by 22 % less in comparison to 2016. As a result of the significant increase of the regulated price as at 01.07.2017, the electricity sales revenue on this market segment in 2017 are with 10 346 BGN thousand more, compared to 2016.

The amounts sold on the market are with 774,101 MWh (7.4 %) in addition compared to 2016. The market sales were implemented through the trade platform of the Company, through centralized market for bilateral contracts (CMBC), administered by IBEE EAD, as well as on the "day ahead" exchange market (DAM).

During 2017 there appeared significant changes in the volume and structure of the sales in the non-regulated market segment, resulting from the development of the exchange market.

The amounts sold under transactions concluded through the Company's trade platform still have dominant share (57.8%), however, this share has diminished in comparison to 2016 by 33 % at the expense of transactions concluded through the exchange platforms of the CMBC, administered by the IBEE EAD. The main bilateral contracts transactions are with traders (97.6%), and the share of end consumers is insignificant (2.4%).

The share of transactions concluded on the exchange platforms (DAM and CMBC) in 2017 amounts to 42.14%, almost 6 times more compared to 2016. The major portion of the transactions is on the CMBC (73.7%), concluded through Auctions trading screen (analogous to the Company's trade platform). 26.3% of the exchange sales is on the hourly DAM. The amounts sold on this platform in pursue of the obligations under the Commitments to the EC are by 60% more in comparison to 2016. In view of the nature of the hourly trade on the DAM, the amounts unsold have been purchased out by NEK, as part of the quota, at regulated price. For 2017 90.6% of the amounts proposed by Kozloduy NPP on the DAM have been sold.

The summary revenues from electricity sales in 2017 are with BGN 100,159 thousand (12.4%) higher in comparison to the same period of 2016, mainly as a result of the more favourable market conditions in 2017, and permanently established high prices on the markets in the country, the region and Europe, considerably above the levels of 2016.

The fresh nuclear fuel supplies for Units 5 and 6 are accomplished in conformity with the contractual conditions. One shipping of spent nuclear fuel from the VVER-440 reactors was carried out to Russia, for further storage and reprocessing.

Generation and sales of thermal energy

In 2017 the Company generated 193,390 MWh of thermal energy. The total amount of thermal energy consumed on-site and in the town of Kozloduy was 89,490 MWh, which is by 9,819 MWh (12%) more in comparison to the previous year, as a result of the increased consumption due to worse weather conditions.

The actual amount of thermal energy that was accrued in 2017, in accordance with the amendments in the Regulation on heat supply dated 01.06.2014, is 91,060 MWh, considerably above the reported levels for 2016 (79,321 MWh).

The revenues from thermal energy for 2017 amount to BGN 2,138 thousand.

Programme to maintain and enhance safety

Maintaining and enhancing safety is a lead priority of Kozloduy NPP EAD. The actions, undertaken to maintain and enhance safety of operations within the Company are carried out in the following directions: nuclear safety, operational experience, radiological protection, emergency preparedness, radioactive waste management, radioecological monitoring, non-radiological monitoring and environmental protection.

Kozloduy NPP EAD nuclear facilities are operated in compliance with the terms and conditions of the Licences for operation of power units 5 and 6, SFSF and DSFSF, issued by the BNRA. The Company maintains licences to use ionizing radiation sources, licences to transport radioactive substances and licences to conduct specialized training.

Unit 5 Operating license was renewed on 03.11.2017 for a new 10-year period.

A Complex programme for Unit 6 reactor plant tests at uprated thermal power of 3,120 MW was agreed with the BNRA, and the license conditions related to the implementation of the uprated power tests, as stated in the Unit Operating License, were satisfied.

There were no reactor scrams of Units 5 and 6 during the reporting period.

The nuclear plant is operated in conformance with the principles of radiological protection, defined by the Regulation on Basic Norms of Radiation Protection-2004 and BSS-115 of the IAEA, as well as the ALARA principle (as low as reasonably achievable personnel exposure).

The plant radiological environmental monitoring is specified in Kozloduy NPP EAD long-term program for radioecological monitoring. No deviations of the radiological indicators above the admissible levels were registered during the reporting period. The results achieved in 2017 show that the equivalent dose rate of gamma-radiation varies within the limits of the natural background radiation $(0.05\div 0.15)\mu\text{Sv/h}$. The values, measured along the borders of the industrial site and in the settlements within the 100-km zone, are fully comparable.

Kozloduy NPP EAD is actively involved in environmental protection in all its aspects. The plant, as an operating organization, holds 10 permits, issued by the Bulgarian Ministry of Environment and Water and its bodies. The total amount of greenhouse gases emissions CO₂ generated in 2017, pursuant to the Company's verified report, is 439 tons. The necessary number of emission permits were ensured on the account of Kozloduy NPP EAD in the National register of greenhouse gases emissions quota trading.

Implementation of the Maintenance Programme

In 2017 the scheduled annual outages (Outages) with refuelling of Units 5 and 6 reactors were performed in \approx 48 and 40 calendar days, respectively, considered as of the stopping of the turbo-generators until it was back in parallel with the grid. The planned maintenance and supervisory activities on more than 8000 entities of equipment and pipelines from process systems were performed, with high quality and in a timely manner. All the necessary activities (maintenance, repair, specialized control and inspections of the major and auxiliary equipment of the safety systems, systems important to safety and for the generation, in compliance with the factory, regulatory and licensing requirements) were carried out during the scheduled downtimes in 2017, in order to ensure the operability, reliability of the equipment and safe operation of the nuclear facilities; the scheduled modernization and reconstruction actions under the plant life extension programme and the units power uprate were implemented. One of the largest-scale projects under the programme was implemented during Unit 5 Outage - replacement of the turbogenerator stator with a new one, modified for 1100 MW, and an overhaul of the exciter was carried out with removing the rotor and implementing a partial modification.

The following core activities scheduled in the maintenance programme were performed in 2017, as per the licensing commitments of the Company for the operation of nuclear facilities:

- Maintenance and preventive maintenance of structures, systems and components (SSCs);
- Maintenance, examination and preventive maintenance of major and auxiliary equipment (SSCs of safety systems; systems important to safety and to production) of Units 5 and 6;
- Corrective maintenance - the defects that occurred on equipment and components, identified during operation, periodic checks and tests, shift walkdowns, periodic inspections, etc., have been removed in good time, in accordance with the process conditions and limitations;
- Maintenance of general plant facilities - the planned scopes for preventive maintenance, maintenance and repairs of the common plant equipment in the Spent Fuel Storage Facility, Open switchyard, Bank Pump Station, Hydraulic Engineering Facilities and Civil Structures, and the Heat Supply Department, were performed in accordance with the approved schedules in the different structural units.

The required preventive actions to minimize the impact of unfavourable meteorologic factors and to ensure safe operation of Units 5 and 6 have been carried out in conformity with the approved plant documents. The scheduled actions under summer climate conditions, 28 in number, and 86 general actions for preparation and safe operation of Unit 5 and 6 under winter climate conditions, have been implemented.

The value of the activities implemented under Kozloduy NPP EAD maintenance programme for 2017 amount to BGN 66,129 thousand, incl. BGN 13,765 thousand for maintenance activities of investment nature (overhauls, replacement of major/significant spare parts).

Implementation of the Investment Programme

The reported investment costs in 2017 amount to BGN 81,450 thousand. These are allocated per type of activity, as follows:

- construction and installation works (CIW) - BGN 25,626 thousand;
- plant and equipment (PE) - BGN 51,692 thousand;
- project related research and studies (PRS) - BGN 4,021 thousand;
- other costs - BGN 111 thousand.

A considerable portion of the Investment Programme items completed over the reporting period were targeted at the achievement of the strategic goals for extending the operating life of units 5 and 6 above their design lifetime for long-term operation in the next 30 years, and increasing the generation efficiency by uprating their design thermal power to 104%. In compliance with the requirements of Safe Use of Nuclear Energy Act and the licences for operation, a number of measures were implemented to maintain and enhance safety at Kozloduy NPP EAD, including measures covered by the Programme for implementation of the recommendations resulting from the performed "stress tests" of the nuclear facilities and measures covered by the Lifetime management programme for the Dry Spent Fuel Storage Facility.

The remaining portion comprises investment activities for routine maintenance of the units and the auxiliary facilities and infrastructure.

➤ Units 5 and 6 lifetime extension (Plant Life Extension project, PLEX)

The measures under the Investment Programme implemented in 2017 under Kozloduy NPP EAD Units 5 and 6 Lifetime Extension Project - Stage 2, have been completed within the planned deadlines and in the scopes as set in the project time schedule.

The main parts under the Project relating to Unit 5 have been completed with the obtaining of the Operating License of Kozloduy NPP Unit 5, Serial number E, registration No. 5303/03.11.2017, issued by the Bulgarian Nuclear Regulatory Agency.

The investment costs incurred in 2017 amount to BGN 28,127 thousand. The following significant actions were performed:

- Retrofitting and procurement of spare parts for the main coolant pump - completed Contract for Manufacture and procurement of modified casings for TLH195-M main coolant pump replaceable parts and relevant technologies for pump elbow installation, fixing and alignment.

- Retrofitting of process radiological monitoring - reported costs for approved detailed designs for Units 5 and 6 under contract for Retrofit of Units 5 and 6 panels and detection units from the independent radiological control tools.

- Replacement of test benches, small instrument lines of Instrumentation and Control sensors, connecting terminal boxes, cables and cable traces of equipment installed in the HELB environment conditions area - During the Unit 6 Outage 2017 actions were carried out for replacement of test benches, small instrument lines of Instrumentation and Control sensors, connecting terminal boxes, cables and cable traces of equipment installed in the HELB environment conditions area (Partial implementation of detailed design), etc.

➤ **Reactor Thermal Power Uprate of up to 104%**

The activities set in the strategic stages are performed in accordance with the time schedules of the Complex concept of Kozloduy NPP EAD for Units 5 and 6 thermal power uprate to 104%.

Unit 6 reactor plant was tested up to and at 100%Nnom, as well as at 102%Nnom and 104%Nnom within the framework of the Complex programme for Kozloduy NPP Unit 6 reactor plant testing at uprated thermal power 3120 MW, following the 2017 Outage.

The Complex programme for Kozloduy NPP Unit 5 reactor plant testing at uprated thermal power 3120 MW, as well as the required performance test procedures and instructions for conducting Unit 5 complex tests were prepared and submitted to the Nuclear Regulatory Agency for agreement.

The reported costs on the project implementation amount to BGN 14,630 thousand. The more significant project measures implemented during this period are:

- Design, delivery and installation of new generators and auxiliary systems for Units 5 and 6 - reported BGN 6,927 thousand. Installation works on the new stator were carried out and performance tests were performed during the 2017 annual outage.

- Design, delivery and installation of electric double girder overhead bridge cranes with crabs, Q=160/20t capacity for Unit 5 Turbine Hall, elevation 29.5. The reported costs are for Unit 5 in relation to conducted dismantling of the existing 125 t crane, design, delivery and installation of new electric double girder overhead bridge cranes with crab, Q=160/20t capacity

- Retrofit of Units 5 and 6 steam generators separation in relation to the reactor plants power uprate project - construction and installation works completed under contract for steam generators

separation retrofit contract. The other two steam generators 5YB10W01 and 5YB40W01 were retrofitted during the 2017 annual outage of Unit 5, and with this the stage 2 of the SG retrofit was completed.

➤ **Licensing conditions, regulatory requirements and activities, targeted at safety enhancement and measures ensuing from the stress tests and the National Action Plan (NAP) of the Republic of Bulgaria.**

Measures to maintain and enhance safety are implemented in compliance with the Safe Use of Nuclear Energy Act and in observance of the provisions of the licenses and permits issued by the authorized control and supervision bodies.

Under the Investment Programme, 38 measures were funded from the Programme for maintaining and enhancing safety at Kozloduy NPP EAD in 2017, 2018, and 2019. Some of the measures are covered by different programmes, related to: conducted stress tests, with implementation of Units 5 and 6 lifetime extension project and thermal power uprate project, implementing the licensing provisions of the operating licenses for Units 5 and 6, and the Spent Fuel Storage Facility. The implementation of the measures covered by the programmes is monitored by performing periodic thematic checks.

The stage-by-stage implementation of the measures under the Energy Efficiency (EE) Programme of Kozloduy NOO is ongoing; it is implemented in compliance with the obligations of the Company arising from the Energy Efficiency Act, the regulations pertaining to it, and the Energy Efficiency Action Plan of the Republic of Bulgaria, targeted at achieving a lasting trend for improving the energy consumption indicators.

The total amount of the funds invested in 2017 in costs for measures related to licensing conditions, regulatory requirements and activities targeted at safety, and actions ensuing from the stress tests is BGN 8,910 thousand

➤ **Investment activities for routine maintenance of the units, auxiliary facilities and infrastructure;**

The Company engages in activities, related to the maintenance of main and auxiliary facilities, and activities to ensure the normal operation of the general plant facilities, supporting the production activities. The reported costs amount to BGN 29,783 thousand. A considerable part of the costs are for implemented deliveries of significant spare parts, which have a long production period. Ensuring spare parts for the production aims at reducing the risk of prolonged downtimes when a need of emergency maintenance arises, as well as to prevent unplanned downtimes related to the scheduled annual outages.

Financial results for 2017

In 2017 Kozloduy NPP EAD has successfully achieved its priority business goals and reports on considerably improved financial indicators compared to 2016: sales revenue and annual net financial result.

The Company ended the year 2017 with net profit to the amount of BGN 117,899 thousand, compared to a profit of BGN 1,359 thousand, recognized for the year 2016. The improved financial result is due to an increase in the revenues and lower expenditure.

For 2017 the operating income from the Company's operation amounts to BGN 930,398 thousand, by BGN 91,319 thousand (11%) above the reported income in 2016. The increase in comparison to the previous reporting period is a result of BGN 100,159 thousand higher revenue from electricity sales on the two market segments:

Regulated market – Increased revenue by BGN 10,347 thousand as a result of marked increase of the regulated price as at 01.07.2017, in spite of the less amounts of sold electricity (-989 479 MWh).

Non-regulated market – Increased revenues from electricity sales by BGN 89,812 thousand, resulting both from market sales structural change, and the higher selling prices in 2017:

- Decreased income from sales of electricity under bilateral contracts by BGN 190,818 thousand, as a result of reduced amounts of electric power, at the expense of the exchange sales, at higher price levels than the ones reported in 2016.

- Recognized revenues from exchange market of Kozloduy NPP EAD to the amount of BGN 336,923 thousand from the sale of 4,712,735 MWh electricity, at a higher average exchange price than the prices of the bilateral contracts transactions.

- The negative balance of BGN -4,079 thousand on the balancing market in 2017 is much more disadvantageous in comparison to 2016 (BGN - 60 thousand), as a result of unscheduled shut-down of Unit 5 at the beginning of July.

Income from sales of services, goods, and other sales amount to BGN 12,933 thousand. The income from financing are by BGN 1,871 thousand more because in 2016 the recognized current income from financing of the DSFSF are for 7 months.

The operating expenses of the Company (continuing operations) in 2017 amount to BGN 799,605 thousand and are by BGN 35,076 thousand (-4%) less compared to the ones reported in 2016. The most significant changes are observed in the following expenses:

- Materials and consumables and changes in works in progress - reported BGN 142,526 thousand, by BGN 15,232 thousand (-9.7%) less compared to 2016. This is due mainly to decrease in the nuclear fuel costs, due to differences in the configuration of the loaded fuel assemblies with fresh nuclear fuel and in the production.

- Hired services - reduction by BGN 53,766 thousand. (-31 %). The reductions is a result of:

- the costs recognized for feasibility justification for Units 5 and 6 lifetime extension up to 60 years, analyses, calculations and quantitative assessments of the SSCs are by BGN 46,727 thousand less, since in 2017 the project implementation continued for those stages that relate only to Unit 6 LTE lifetime extension justification contract, whereas in 2016 it was implemented for the two units.

- water usage tax was lower by BGN 12,795 thousand, due to a regulatory change.

- Depreciation costs - to the amount of BGN 191,378 thousand. The depreciation expenses for the same period in 2016 amount to BGN 178,841 thousand. The change is a result of replacement and commissioning of new non-current tangible assets, associated with the implementation of the projects of thermal power uprate to 104% and the plant life extension of Units 5 and 6.

- Other costs - to the amount of BGN 141,276 thousand, by BGN 8,036 thousand (6%) above the reported in 2016. The biggest relative share of these - 98%, are costs for contributions to the DNF Fund, the RAW Fund and the SES Fund, to the amount of BGN 141,008 thousand, and the increase of BGN 15,515 thousand compared to 2016 is a result of recognized higher revenues from electricity sales. In 2017, as a result of reintegration of impaired receivable the expenses were reduced by BGN 6,263 thousand.

Over the current year the Company has ensured regular and sufficient incoming flows from non-regulated electricity sales; as a consequence of this the cash payments under nuclear fuel and reagents supply contracts were accomplished in due time. The Company has effected insurance premiums in relation to the insurances as legally stipulated in SUNEA and the Vienna Convention, contributions to the RAW Fund, the DNF Fund and the SES Fund, payments for salaries and wages, social security contributions, obligations under commercial contracts for implementation activities under the maintenance and the investment programs.

In pursue of the Strategy for Management of Radioactive Waste and Spent Nuclear Fuel until 2030, in 2017 SNF from VVER-440 was transported for technological storage and reprocessing in Russia as a result of reached agreement with the business partner AO TVEL and good financial and economic terms. The required funds were secured from the provision allocated in 2015 for SNF management, including for transport of SNF for storage and reprocessing.

Over the year the Company has procured with priority financial resources generated by its own revenue for activities related to the safe operations of the nuclear facilities and the implementation of the investment projects to extend the operating lifetime of nuclear power units 5 and 6, and uprate their thermal power to 104 %. In line with the Loan Agreement with Euratom dated 29.05.2000, and the financial contracts in force, Kozloduy NPP EAD settled its obligations under the long-term loan, granted by the European Atomic Energy Community (EURATOM) under the Program for the modernization of power units 5 and 6, in the agreed amounts and time frames. The second tranche of the Euratom loan

was finally repaid in 2017. The calculated values of the financial covenants - Debt Service Cover Ratio and Gearing Ratio, which completely satisfy the creditor's financial criteria, were disclosed to Euratom, in line with Kozloduy NPP EAD commitments under the Loan Agreement.

Under the above listed circumstances, the overall activity of the nuclear power plant for 2017 was financially secured by its own resources generated by the electricity sales revenues. As at 31.12.2017 the Company ended without any outstanding payments.

As at 31.12.2017 Kozloduy NPP EAD ended with BGN 178,211 thousand cash liquidity, which is by BGN 102,193 thousand more compared to the reported values for 2016. The leading factor that impacted the positive trend in the cash and cash equivalents is the considerable growth of proceeds of sale of electricity under freely negotiated prices by BGN 142,118 thousand above the previous year levels, as a result of the improved market environment. At the same time, the amount of payments made primarily for consultant services was decreased, since the implementation of the Lifetime Extension Project contract continued only for Unit 6 stages in 2017, whereas, the contract for unit 5 was completed in the end of 2016.

Over the past year, the practice to constantly monitor and control the lawful, appropriate and efficient use of the Company's financial resources continued by performing preliminary controls when undertaking commitments, subsequent monitoring and control of the budget implementation, by avoiding any excess of the financial framework under the approved programs.

The table hereafter presents selected key indicators that reflect the achieved operational results and evaluation of the Company's position and operations in 2017, compared to the same reporting period in the previous year, as follows:

No.	BGN '000	Statements as at 31.12.2017	Statements as at 31.12.2016	Change 2017/2016 (%)
c.1	c.2	c.3	c.4	c.5=(c.3/c.4)-1
1	Total operating income	930,398	839,079	10.88%
2	Total operating costs	(799,605)	(834,681)	-4.20%
3	EBITDA 1)	322,171	183,239	75.82%
4	EBIT 2)	130,793	4,398	2873.92%
5	EBT 3)	130,127	1,145	11264.80%
6	EBIT margin	14.1%	0.5%	2720.00%
7	EBITDA margin	34.6%	21.8%	58.72%
8	Total assets	3,396,750	3,341,672	1.65%
9	Non-current tangible assets 4)	2,657,603	2,759,914	-3.71%
10	Working capital 5)	465,861	325,710	43.03%
13	Cash and cash equivalents	178,211	76,018	134.43%
14	Equity	2,721,473	2,608,757	4.32%
15	Return on equity 6)	4.78%	0.04%	11850.00%
16	Return on assets 7)	3.83%	0.03%	12666.67%

- 1) EBITDA – earnings before interest, taxes, depreciation (and amortization) from continuing operations;
- 2) EBIT – earnings before interest and tax, from continuing activities;
- 3) EBT – earnings before tax, from continuing activities;
- 4) Non-current Tangible Assets - Non-current Tangible Assets + costs to acquire Non-current Tangible Assets;
- 5) Working capital – Current Assets less Current Liabilities
- 6) Return on equity - EBT/Equity
- 7) Return on assets - EBT/Total assets

3. Financial instruments used by Kozloduy NPP EAD

3.1. Financial risk management goals and policy

The financial risk management policy implemented by Kozloduy NPP EAD is focused on minimizing the potential negative effects that may result in aggravated financial results, given the possible difficulties of forecasting the market environment in which the Company operates and the unpredictability regarding the dynamics of the market prices.

The main goal of the top management is to maintain stable financial and economic position of the Company and effective management of cash and cash equivalents by ensuring optimum amount of financial resources and their proper allocation against the Company's main business priorities. The financial risk management policy is implemented purposefully to give assurance when accomplishing the strategic and operative goals of the company and to guarantee trouble-free operation of the nuclear power plant, while observing the regulatory and the licensing conditions. The applied risk management procedures as regards the Company's budget and finance are implemented against significant risks that are a major threat for the Company's balance.

Specific activities for identification, analysis, current assessment and monitoring of the negative events impact, are regularly conducted, with the purpose of undertaking timely and adequate intervention to mitigate the unfavourable consequences for the Company, following the main directions, action frame, principles and practices as set in the developed Risk Management Strategy and Policy that are implemented in the BEH Group companies.

The efficient cash and cash equivalents management implemented by the Company in the short-term and long-term perspective, secures good opportunities for ensuring short-term and the middle-term cash flows, without planning going out on the financial markets. The long-term debts on the state-guaranteed loan from Euratom are settled in compliance with the financial and payment terms and conditions and the provisions of the Bulgarian legislation under the Government Debt Act and Decree of the Council of Ministers on the implementation of the state budget.

3.2. Risk factors

The Company is exposed to various risks, associated with its financial instruments. The most significant financial risks which the Company is exposed to are the market risk, credit risk and liquidity risk.

➤ Market risk

By using financial instruments, the Company is exposed to market risk and more specifically to the risk of changes in the foreign exchange rates, interest risk, as well as risk of changes in specific prices, resulting from the operating and investment activities of the Company.

➤ 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 Euro. The currency risk, related to losses, arising from the revaluation of the Company's costs due to reduction in the BGN (Bulgarian Lev) price, is minimal, as the BGN/Euro exchange rate is fixed.

A small portion of the Company's foreign exchange transactions (purchase of materials and services) are denominated in US Dollars. This does not expose the Company to high risk in terms of changes in the US Dollar exchange rate to the Bulgarian Lev on the international financial markets.

➤ Interest risk

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

In 2017, the Company's cash flows were exposed to interest risk, arising due to changes in the market interest rates of seven tranches, denominated in Euro, under the Loan Agreement with EURATOM, dated 29.05.2000, at contracted floating interest rate, equal to six month EURIBOR + margins in the range between 0.079% to 0.13%.

The existing uncertainty regarding the change of the interest rates on the financial markets is not a serious threat due to the historically low EURIBOR levels established over the past years, which does not determine a high interest risk.

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

The Company is exposed to possible interest risk with regard to the credit, granted to the subsidiary company Kozloduy HPP EAD, under floating interest rate conditions, namely - interest rates, based on the BIR plus a margin of 2.5%.

All the other financial assets and liabilities of the Company are contracted with fixed interest rates and annuity payments in order to have a better predictability of the expected values of the financial flows.

➤ Liquidity risk

Liquidity risk is identified in consequence of non-fulfilment of statutory and contractual monetary obligations of the Company, upon their maturity. In order to manage the potential liquidity issues in good time, the Company collects its receivables, controls its cash outflows and thus ensures sufficient working capital for the timely accomplishment of the short-term payments.

Kozloduy NPP EAD manage cash and cash equivalents in such a way, as to avoid net exposures in one financial institution in the end of each month exceeding 25 percent of the total Company cash, in compliance with the Rules and Regulations on concentration under Decree of the Council of Ministers No.127/27.05.2013. Implementing these Rules is part of the measures accomplished by the Company, focused on diversification and reduction of the risk of unrecoverable receivables when claiming bank institutions insolvent, wherefore the possible risk is limited to a low degree.

➤ Credit risk

Credit risk occurs where any of the counterparties is unable to discharge its obligations, under a financial instrument, or a client contract, causing financial losses. The Company is exposed to this risk in the contracts related to sale of electricity, thermal energy and services, granting loans, depositing funds in financial institutions due to declaration in bankruptcy. In order to undertake timely actions for the collection of matured receivables, the Company implements current operative monitoring of the debtors by performing an age analysis of the customers. Other specific mechanisms are also used - signing agreements and contracts for electricity sale with favourable clauses, incl. advance payments, bank guarantees, damages conditions, accrual of late payment interest, offsetting of debts and receivables, bringing actions against thermal power debtors.

The Company is exposed to high degree credit risk in view of the fact that the major share of the Company's receivables is concentrated in a related party, NEK EAD (related party under common control by BEH EAD), arising from sales of electricity. A Debt Rescheduling Agreement between NEK EAD and Kozloduy NPP EAD was signed on 28.02.2017 amounting to BGN 62,431 thousand, incl. the principal on invoices for supplied electric power to the amount of BGN 47,497 thousand, and late payment interests to the amount of BGN 14,934 thousand. The monetary obligations under the Agreement are settled on a regular basis in line with attached payment schedule with deadline as at 31.01.2020. Despite the measures undertaken to improve the collectability of the financial assets, the amount of the outstanding receivables from NEK EAD as at 31.12.2017 increased to BGN 157,929 thousand. In order to resolve this issue, Kozloduy NPP EAD is considering other possibilities, to propose options for step-by-step reduction of the Public supplier's debts in the next year by concluding new assignment agreements and/or contracts.

With the purpose of minimizing the credit risk of the non-regulated sales, considered as at 01.03.2017, the Company has concluded Agreements for rescheduling of debts with Maritsa Iztok 2 TPP

EAD, with payment period 20.03.2017 - 20.02.2018. The debts that are subject to rescheduling amount to BGN 5,507 thousand, and result from purchased electricity to the amount of BGN 5,036 thousand and interests for late payments to the amount of BGN 471 thousand. The monetary liabilities are paid regularly in accordance with the negotiated payment schedule in the Agreement.

Taking into account the increasing volume of non-paid amounts within the maturity date and accruing of new delayed payments by customers at non-regulated prices in 2017, additional actions were taken to reduce the high credit risk and limit the financial damages to the Company. As at 28.12.2017 two new Debt Rescheduling Agreements were signed, with payment end date 30.06.2019, between Kozloduy NPP EAD and:

- Arkadia Service AD, at a total amount of BGN 8,455 thousand, of which BGN 7,821 thousand principal in non-paid obligations for electricity sold, and BGN 634 thousand interest.
 - Energiyna finansova grupa AD, at a total amount of BGN 7,365 thousand, of which BGN 6,813 thousand principal on non-paid obligations for electricity sold, and BGN 552 thousand interest.
- Cash flows risk

The cash flow risk relates to the uncertainty of the incoming cash flows from a certain investment and it is related with the market and the credit risk. The Company's cash flows depend on the fluctuations in the amount of the expected future cash flows related to a cash financial instrument.

In the context of deteriorating market conditions and high inter-company debt of the energy sector companies, which reflect in improper redemption or clients' insolvency, the management approach is focused on maximizing the amount of cash and reducing the potential negative effects on the Company's financial resource. In order to prevent the risk of unpredictability of the incoming and outgoing financial resource flow, the Company regularly plans its short-term and long-term cash flows to ensure regular, sufficient and secure proceeds, comparable to the operative and long-term financial needs.

4. Post-reporting date events

A draft Debt Rescheduling Agreement was developed between Kozloduy NPP EAD and NEK EAD, to the amount of BGN 67,895 thousand, with agreed interest rate of 3.87%, with payment term of two years, through annuity instalments and payment deadline 29.02.2020.

5. Future opportunities and developments in 2018

The planned economic policy of the Company for 2018 is in compliance with the five year Business Program for the period 2018 - 2022 approved by Decision 1.9.1. of Minutes No. 1/10.01.2018 of Kozloduy NPP EAD Board of Directors –.

The priorities in the development of Kozloduy NPP EAD are: continuous safe, trouble-free and economically effective operation of the power plant, and the successful timely completion of the

project for Units 5 and 6 Lifetime Extension, together with uprating of their production output.

Along with these strategic projects, the Company shall ensure the implementation of all reconstructions and modernizations of the major facilities, necessitated in the course of their operation, or as a result of the analysis of the operational experience.

A main priority of the conducted mid-term financial policy remains the pursuit to retain the financial stability of the Company. In order to achieve this goal, significant cash flows need to be accumulated from several sources: collection of the receivables, which the Company holds, or their sale to third parties.

The intended change to the market model in order to effect the transition to a completely liberalized market marks a considerable delay. The significant changes in the regulatory framework and the scope of the regulation (prices, quotas, integration of RES and the long-term contracts on the market with compensation of the difference between the market and the preferential prices, consumer protection measures, and measure to cope with energy poverty), resulting from the new model, are still not known. As of today, a partial amendment in the Energy Act was introduced, enforced as at 01.01.2018, whereby all the producers with installed power of over 5 MW should offer their electric power above the regulated market quota only on the exchange market. The transition to a new market model and a fully liberalized market is expected to create significant difficulties in the adaptation process of all energy market participants, including Kozloduy NPP EAD. The effectiveness of the electricity sale shall depend mainly on the applied market and price strategy in accordance with the dynamic market conditions. With regard to this the business activities of the Company in 2018 shall be aimed at ensuring maximum realization of the generated electricity, stable market presence and maintenance of competitive prices. The Company's pricing policy for the non-regulated market shall be oriented towards providing secure, sufficient and regular sales revenue, complying with the market conditions.

Maintaining sufficient number of qualified, competent and motivated personnel remains a top priority of the Management in its objectives related to the Company management. The main focus will be on the effective performance of the personnel training and qualification system, and the building and development of a knowledge management system.

The Company Management does not consider that there are significant risks resulting from the dynamic fiscal and regulatory environment in Bulgaria that could necessitate amendments to the financial report for the year ending 31 December 2017.

Additional information under Appendix No 10 of Regulation No 2 of the FSC

1. Information, presented quantitative and qualitative wise, regarding the main categories of goods, products and/or rendered services, stating their share in sales revenue as a whole and the changes incurred during the reporting financial year;

In 2017, Kozloduy NPP EAD generated income in the amount of BGN 930,398 thousand. The

main categories, under which income was reported, are:

- Revenue from sales of production, amounting to BGN 911,850 thousand - BGN 909,712 thousand are reported under electricity sales revenue, and BGN 2,138 thousand under thermal energy sales revenue.

- Income from financing in the amount of BGN 5,615 thousand.

- Income from sales of services, goods and other sales - amounting to BGN 12,933 thousand.

The sales income structure and the share of the main income categories are presented in Table

1. Information on the quantitative expression of the produced goods is presented in Table 2.

Table 1

Indicator	Statements as at 31.12.2017	% share of income	Statements as at 31.12.2016	% share of income
Total revenue from sales of production	911,850	98.01%	811,563	96.72%
Revenue from electricity sales	909,712	99.77%	809,553	99.75%
Revenue from thermal energy sales	2,138	0.23%	2,010	0.25%
Income from financing	5,615	0.60%	3,744	0.45%
Income from sales of services, goods, and other sales	12,933	1.39%	23,772	2.83%
Income from sales of goods	316	2.44%	310	1.30%
Income from sales of services	5,203	40.23%	5,183	21.80%
Income from sales of materials and non-current assets	13	0.10%	47	0.18%
Income from other sales	7,365	56.95%	17,207	72.38%
Income from revaluation of investment properties	36	0.28%	1,025	4.31%
Total income	930,398	100.00%	839,079	100.00%

Table 2

Indicator	Statements as at 31.12.2017	% share	Statements as at 31.12.2016	% share
Net energy (in-house production), MWh	14,718,368	99.99%	14,932,477	99.98%
Purchased energy (substitute), MWh	1,971	0.01%	3,240	0.02%
Total realization, MWh	14,720,339	100.00%	14,935,717	100.00%

No changes in the structure of the main income categories have occurred during the reporting financial year. The main revenues come from sales of generated electrical.

- Information on the revenue, allocated to the different categories of activities, domestic and external markets, as well as information on the sources for the supply of materials, required in the production of goods, or in the rendering of services, reflecting the degree of dependency of the individual seller and buyer / user, and information on each person, individually, on his/her share in the sales or purchases, and his/her relation to the Company, in the cases where the relative share of any of those exceeds 10 per cent of the costs of sales or the sales revenue;

Revenue from sales of production is generated entirely on the internal (domestic) market, all the Company's customers are based on the territory of the country. Information on the relative share of suppliers and customers, exceeding 10 percent of the total costs or sales revenue is presented in Table 3 and Table 4.

Table 3

Supplier	% of costs 2017	% of costs 2016
AO TVEL	17.64%	16.02%

Table 4

Customers	% of revenue 2017	% of revenue 2016
NEK EAD	15.64%	16.20%
IBEE EAD	36.76%	6.20%
CEZ Trade Bulgaria EAD	8.25%	10.31%

The contracts concluded within the reporting period do not differ from the ordinary activities of the Company and do not deviate from the market conditions. Quantitative information on the goods, products and/or rendered services is described detail in the Separate Financial Statements of the Company for 2017.

3. Information on the transactions, concluded by and between the Company and its related parties within the reporting period, information on any proposals to conclude such transactions, as well as information on transactions that differ from the Company's ordinary activities or which significantly deviate from the market conditions, and the Company, or its subsidiary, are parties to the transaction, stating also the value, nature of relationship, and any information, necessary to assess the effect on the financial position of the Company;

Numerical information of the related parties' transactions is thoroughly disclosed in the Company's Annual Separate Financial Statements as at 31 December 2017 (Note 31 Related Party Disclosures).

The transactions with related parties do not deviate from the normal market conditions.

4. Information on events and indicators of unusual for the Company nature, having a significant impact on its business activities and its income and incurred expenses; assessment of their impact on the current year's results;

There are no events and indicators of unusual for the Company nature, having a significant impact on its business activities and its income and incurred expenses in 2017

5. Information on transactions, carried off-balance sheet - nature and business purpose - indicating the financial impact of such transactions on the activities, if the risk and

benefits of these transactions are material to the Company and if the disclosure of such information is significant for the assessment of the Company's financial position;

The Company does not have any transactions, carried off-balance sheet in 2017. In accordance with the contracted terms for sales of electrical energy, customers are obliged to provide bank guarantees in favour of the Company. Such are reported off-balance sheet as foreign assets, pledged as collateral.

Indicator	Available as at 01.01.2017	Received in 2017	Discharged in 2017	Available as at 31.12.2017
Foreign assets, pledged as compensation (BGN' 000)	153,156	75,374	175,103	53,428
Received bank guarantees, denominated in BGN	93,869	51,950	110,602	35,218
Received bank guarantees, denominated in foreign currencies (BGN equivalent)	59,287	23,424	64,501	18,210

6. Information on the participations of the Company. Information on its major investments in the country and abroad (in securities, financial instruments, intangible assets and property), as well as investments in equity securities outside its economic group, within the meaning of the Accountancy Act, and the sources/methods of financing these;

In 2017, the Company did not acquire any new interests and has not engaged in investments in the country and abroad. The Company has participations and investments only in Bulgaria - information on the held assets is presented in detail in the Company's Annual Separate Financial Statements as at 31 December 2017.

7. Information on the contracts, concluded by the Company, its subsidiary or Parent Company, in their capacity of borrowers. Information on the credit agreements, disclosing the agreements' specific terms and conditions, including the maturity of each agreement, as well as information on the placed guarantees and the undertaken commitments;

The Company has not concluded any credit agreements in 2017. Thorough information on the received loans is disclosed in the Company's Annual Separate Financial Statements as at 31 December 2017.

8. Information on the contracts, concluded by the Company, its subsidiary or Parent Company, in their capacity of lenders; loan agreements, including the provision of guarantees of any kind, including to related parties, disclosing the specific terms and conditions under each, including the maturity and the purpose for which such were granted;

The Company has not concluded any loan agreements as a lender in 2017. Thorough information on the movements and balances on the granted loans is disclosed in the Company's Annual Separate Financial Statements as at 31 December 2017.

9. Analysis and evaluation of the financial resources management policy, stating the ability to settle its obligations, the possible threats and measures, which the Company has taken or is about to undertake to eliminate those;

The Company's financial resources are managed jointly by the Senior Management and the Board of Directors. The provision of short- and medium-term cash flows for settling the Company's liabilities without obtaining funds from financial markets and in accordance with the financial and payment conditions and the requirements of the Bulgarian legislation (the State Debt Act and Decree of the Council of Ministers in execution of the State Budget) is a main priority of the Company. The Company implements an effective financial management and control system, through policies and procedures, designed to ensure confidence in the achievement of the objectives as set in the Company's Business Program. There are ongoing activities to:

- ensure objective and accurate financial and economic information in order to timely take effective preventative actions to avoid potential threats.

- ensure control of financial resources through periodic (daily, weekly) risk assessment (credit risk, interest risk, liquidity risk, currency risk, and cash flow risk).

The Company does not face any difficulties in settling its liabilities. Thorough information on the potential threats and undertaken measures is presented here above in the Report.

10. Information on the changes in the core management principles of the Company and its economic group, within the meaning of the Accountancy Act that occurred within the reporting period;

No changes in the core management principles of the Company and its economic group occurred in 2017.

11. Information on the key features of the internal control and risk management systems, implemented by the Company in the process of preparing its Financial Statements;

In accordance with the Company's specifics of a licensed operator of nuclear power facilities, an effective financial management and control system has been established by developing policies and procedures, designed to ensure confidence in the achievement of the Company's objectives. The Accounting Policies Manual comprises procedures, designed to ensure complete, true, accurate and timely reporting, which are in compliance with the Accountancy Act and the International Financial Reporting Standards, endorsed by the European Union. The processing of financial-accounting documents in the implementation of business processes is established under the Rules for processing accounting documents at Kozloduy NPP EAD. Permission, approval and authorization procedures, a dual signature system and procedures for preventative, follow-up and current (ongoing) control of incurred costs are implemented through the developed internal documents.

The Company applies the Financial and Risk Management policies, implemented by BEHEAD.

12. Information on the amount of remuneration, rewards and/or benefits, paid by the Company and its subsidiaries, to every member of the Managing and Supervisory Bodies during the financial reporting year, regardless of whether such have been included in the Company's expenses or if they are derived from profit distributions, inclusive;

Thorough information is disclosed here above in the Annual Management Report of the Company for 2017.

13. Information on pending judicial, administrative or arbitration proceedings, relating to receivables or liabilities of the Company, amounting to at least 10 per cent of its equity; information on each proceeding shall be presented separately if the total amount of the Company's receivables or liabilities under all proceedings, exceeds 10 per cent of its equity;

There are no pending proceedings, relating to receivables or liabilities of the Company, amounting to at least 10 per cent of its equity.

14. Other information

The Company considers that there is no other information that would be important to the users.

Non-financial statement

Information in accordance with art. 48, para.1 and para.2 of the Accountancy Act

Kozloduy NPP EAD is the only nuclear power plant in Bulgaria and the country's largest producer of electricity, ensuring more than one third of the national annual electricity production.

The electricity generated by the Company is sold in 2 segments of the Bulgarian energy market: on the regulated market - sale to the public supplier NEK EAD at prices regulated by the Energy and Water Regulatory Commission, and on the non-regulated market - sale of electricity on the exchange market at free prices.

The long-term intentions of the company's Management regarding the management of Kozloduy NPP EAD are summarized in the Policy statement of Kozloduy NPP EAD Management and the Declaration by Kozloduy NPP EAD Management regarding the management policy of the Company.

The main objective, as stated by the Company Management is safe, efficient and environmentally friendly electricity generation of guaranteed quality and security of supplies in compliance with the national and international standards.

In order to achieve this objective the top management develops and disseminates policies that are appropriate for the Company's activity, consistent with the Policy statement of Kozloduy NPP EAD and the Policies of the single owner of the Company's equity.

The Management states priorities in various areas which are reasoned and developed in:

- Policy on Safety Management of Kozloduy NPP EAD;
- Policy on Security Management of Kozloduy NPP EAD;
- Policy on Quality Management of Kozloduy NPP EAD;
- Policy on Environmental Management of Kozloduy NPP EAD;

- Policy on Management of Health and Safety at Work of Kozloduy NPP EAD;
- Policy on Business and Finance Management of Kozloduy NPP EAD;
- Policy on Training and Qualification Kozloduy NPP EAD personnel;
- Policy on Fire Safety Management of Kozloduy NPP EAD;
- Policy on Human Resource Safety Management of Kozloduy NPP EAD;

The policies reflect the top management commitment to achieve the specific objectives in these areas, they indicate the approach and the implemented principles for achieving the objectives, and they express the management pursuit of constant improvement.

In order to achieve the objectives, a Management System (MS) was established at Kozloduy NPP EAD which integrates all management aspects and ensures consistency in the implementation of requirements for safety, health and safety at work, environment, security, quality and economy, so as to guarantee that safety is the top priority.

Environmental issues

The management has declared its top priority in its Policy statement, namely - nuclear safety and radiological protection at stable operation of the nuclear facilities throughout their operating life, in compliance with the licenses, issued by the supervisory bodies. Kozloduy NPP management assigns paramount priority to safety prior to all other activities, and commits to constantly improve safety and to stimulate the staff to demonstrate responsible and questioning attitude towards the work performed, while observing the safety principles.

The organizational measures, technical requirements, allocation of responsibilities and delegation of authorities required to ensure the optimum level of safety are secured in order to maintain the necessary safety level.

The plant observes all the safety standards applicable for radioactive waste management and spent nuclear fuel management (SNF). SNF is stored in special by-the-reactor pools, and in the on-site Spent Nuclear Fuel Storage Facility and Dry Spent Nuclear Fuel Storage Facility.

RAW safe management is implemented at Kozloduy NPP EAD in compliance with the national policy and the Strategy for SNF and RAW management until 2030, and the Integrated Programme for management of RAW generated by Kozloduy NPP EAD. The main purpose is to approach RAW in a way that secures protection of human health and the environment now and in the future, without leaving a heavy burden in this area to the future generations. RAW management at each of the stages implemented by Kozloduy NPP EAD should allow satisfying the criteria for their transfer to SE RAW, or the criteria for the end product acceptability, approved in the BNRA normative documents. The activities related to RAW handling are performed in accordance with approved procedures, whose underlying goal is ensuring safety during their management. The RAW management process at Kozloduy NPP is carried out by trained personnel, who maintain and enhance their qualification on an annual basis. The RAW management programmes and instructions are updated periodically, taking into account the good practices of the international experience and the recommendations of the control bodies, and also in

compliance with the normative requirements on radiological protection and environmental protection. The RAW management activities are reported pursuant to the licensing provisions of Units 5 and 6 and the WSF licenses.

In the operation of the nuclear the plant management implements the principles of radiological protection, defined by the Regulation on Basic Norms of Radiation Protection, and GSR part 3 of the IAEA, as well as the ALARA principle (as low as reasonably achievable personnel exposure). The collective dose of the personnel and the contractors' staff who have worked in the Radiologically Controlled Area of Kozloduy NPP EAD in 2017 is within the framework of the planned values.

The plant radiological environmental monitoring is specified in Kozloduy NPP EAD long-term program for radioecological monitoring. An effective and reliable radioecological monitoring during Kozloduy NPP EAD operation is ensured with the purpose of accurately and clearly determining the environmental radiation parameters, establishing the compliance of the actual radiological status with the legislation in force in the Republic of Bulgaria in this area, assessment of the changes and trends in the radiation conditions around Kozloduy NPP EAD. There are no deviations of the radiological indicators above the admissible levels in 2017. The results achieved in show that the equivalent dose rate of gamma-radiation varies within the limits of the natural background radiation $(0.05\div 0.15)\mu\text{Sv/h}$. The values, measured along the industrial site fence and in the settlements within the 100 km zone, are fully comparable.

The Company Management places high priority to protection of people's health and the environment from adverse effects associated with the activities implemented at Kozloduy NPP EAD site. As a nuclear facilities operator, Kozloduy NPP EAD performs continuous, systematic and overall monitoring of activities, products and services that have a negative impact on environment and health of the public in non-radiological aspect. The Environment Management Policy is targeted at achieving goals related to the protection of atmosphere and the purity of the atmospheric air, protection and management of waters in the region, safe management, minimizing and utilizing the non-radioactive waste, energy efficiency and assessment of the impact of used raw materials and materials on the environment, and last but not least, minimizing the risk of exposure to environmental damages and incidents.

Greenhouse gas emissions are formed in the atmosphere as a consequence of the operation of diesel-generators and diesel-pumps, designed to provide emergency power supply of Kozloduy NPP safety systems. These facilities are kept in "hot standby" and are periodically tested. Kozloduy NPP EAD has a greenhouse gas emissions permit No. 143-H2/2013 issued for the operation of these systems. The total amount of CO₂ formed in 2017 pursuant to the Company's verified report, is 439 tons. Compared to the conventional TPPs using coal, in the year 2017 Kozloduy NPP has spared the adverse impact of emissions of about 18.3 mln tons of CO₂, about 54 thousand tons of SO₂, 22 tons of NO_x, and 3 thousand tons of dust containing natural radioactivity.

For its operation the Company uses surface waters from the Danube river and underground waters. About 99.7% of the water used is for cooling. The other 0.3% is used for the production of demineralized water required for the production process. The cooling waters are returned to the Danube river without any changes to their chemistry. The waste water generated by the Company's activity is treated in specially designed and erected treatment facilities - neutralization pits and sludge and oil retainer. The residential waste water is treated in a water purifying complex. Kozloduy NPP EAD performs constant monitoring on the quality of waste water in order to establish to what degree it has been affected. In addition to the compulsory monitoring stipulated by the permits for use of water facility to discharge waste water, the Company performs also extended internal plant control. The results of the performed control of the waste water discharged in the Danube river show that they do not differ in terms of quality from those of the water taken to the plant. The values of the individual monitored indicators are considerably lower than the individual emission limits as stipulated in the permits for use of water facility to discharge waste water.

Kozloduy NPP EAD has introduced and uses a separate waste collection and management system, and the whole staff are familiar with it. The waste generated by the activity are collected on sites (storage facilities), where they are sorted and prepared to be transferred for subsequent safe reuse or decontamination. Reusable domestic waste, such as paper (carton), plastic, metal and glass packages, are also collected separately in coloured waste bins specially located in the Company buildings. All separately collected wastes are transferred for subsequent reuse or decontamination to specialized companies holding the necessary permits in compliance with the Waste Management Act. Non-reusable and non-hazardous domestic and industrial wastes, generated by the Company's activity, are disposed at the plant Landfill for non-radioactive municipal and industrial wastes, that has been operated by Kozloduy NPP EAD since 2000.

One of the significant objectives of Kozloduy NPP EAD management is to develop the Company in the area of energy efficiency, resulting from the national and the European legislation, by conducting active policy aimed at reasonable use of energy, energy and water resources. A major priority for Kozloduy NPP EAD management is to achieve a continuous trend for improving the energy consumption indicators in the long-term, as an additional tool for improving the plant's financial position. In order to achieve this objective the management implements an Energy Efficiency Increase Programme, by carrying out energy efficient measures and constant energy monitoring of energy consumption, and undertaking remedial measures. All the activities described above lead to direct improvement of air quality through reduction of the quantities of greenhouse gas and fine dust particles released by the local heat generation plants, and the possibility increasingly more citizens of the Republic of Bulgaria to use clean and cheap energy.

Social issues and personnel related issues

The management believes that Kozloduy NPP EAD employees are of key importance for the development of the activity and for accomplishing the general corporate goals, therefore it pays particular attention to developing a general strategy and management policy for human resources.

As at the end of 2017 the Company employs 3,715 workers and employees, 1/3 of which are women. Women occupy both higher operative and higher management positions in the Company. About 24% of the managing positions are taken by women, and at the 1st and 2nd management level the share of women is 29%.

Kozloduy NPP EAD applies a professional recruitment system when employing new workers; its decision for recruitment are based on educational and qualification requirements, psychological traits, medical indications for working in ionizing radiation environment, regardless of nationality or ethnic belonging, age, sex, race, religion, origin, sexual and political orientation, family status and physical disabilities, exclusive of the case when, as a consequence of the work nature, sex, age and health condition, respectively, are a substantial element.

Equal rights and opportunities for work, development and career promotion are provided, depending solely on the initiative, professional qualification, experience gained and personal qualities of the employees, as well as their performance results. Among the employees promoted to higher positions in 2017, 24% are women.

Personnel recruitment will continue to be performed through a professional recruitment system, observing the educational and qualification degree, and other requirements, as defined in the job descriptions, in compliance with the licensing provisions.

The Company ensures conditions for full-time employment of workers and employees under employment contract. Short-term employment contracts are signed annually for a short period of time, for the implementation of seasonal works, such as snow removal - in winter, and for attending the recreational centres - in summer time, as well as for substitution of absent workers/employees.

The Employer's responsibility to ensure the required technical provisions, facilities, raw materials, materials, energy, tools, working clothes, personal protective means, etc., and sufficient conditions to ensure normal performance of employment duties, is guaranteed by the collective labour agreement.

It is forbidden to appoint persons under the age of 18 (art.8, para.2, i.2 of Regulation No. 6 dated 24.07.2006 on the terms and conditions for issuing work permits to persons under the age of 18 years old).

Prior to admitting newcomers to the work place, they all undergo a compulsory introduction course - Introduction to the NPP, which makes them familiar with the site access procedure, safety at work, radiological protection, fire safety, first medical aid, general rules to act in case of accident, and safety culture.

For the purposes of the conducted transparent policy on selection, recruitment and reappointment of personnel, the Employer uses information displays /boards/ and the internal

information system to announce the vacancies, application requirements, as well as the results of each recruitment stage.

Kozloduy NPP EAD is a company with social responsibility. The Employer undertakes in the Plant interior regulations to create conditions and to assist the trade union organizations to carry out their activity, and for the personnel - to exercise public or trade union activity, without this being a hindrance to the performance of their duties.

The Trade Union organizations at Kozloduy NPP EAD and the Company's Management have concluded a Collective Labour Agreement which settles the employment, insurance, and social and living relations, which have not been settled by the imperative provisions of the law, and ensures that the Employer respects his commitments to ensure the personnel rights.

Pursuant to the Collective Labour Agreement, the Employer undertakes not to impede workers and employees from exercising their rights or from using social benefits, not to dismiss nor impose disciplinary sanctions by reason of membership in a trade union organization.

In pursue of his commitments under the Collective Labour Agreement, upon written request by a trade union organization the Employer presents information on the financial and economic position of the Company, pursuant to the rules in force.

In order to ensure that the workers/employees rights are respected, the trade union organizations take part in the preparation of the Plant interior regulations and the Plant regulations on salaries. Representatives of the trade union organizations are involved in the commission for allocating service accommodation, the committee on work conditions, committee on labour readjustment. A Medicine and Assistance Committee was set up as a consultative body of the employer, with representatives of the trade unions. This Committee supports the decision making on the expenditure of a portion of the Cultural and Amenity Services Fund for workers/employees with health issues.

Based on Regulation No.11 dated 21.12.2005 on determining the terms and procedure for ensuring free food and/or supplements to it, the workers in ionizing radiation environment are provided with free food and/or supplements to it, and for the off-site staff the means for cheaper food are secured by the Cultural and Amenity Service Fund.

The Company worker and employees are provided with additional voluntary retirement social insurance.

The Work Conditions Committee has defined 186 job positions in the staff establishment plan of the Company, where the workers and employers occupying these positions are subject to compulsory insurance, pursuant to the Regulation on compulsory insurance of worker and employees against the "industrial accident" risk. The management team target its efforts at maintaining health and safe work conditions.

The Occupational Medical Centre, which forms part of the Company organizational structure, performs medical certification, prophylaxis examinations, health servicing and 24 hour reliable urgent medical assistance to the Company staff. It performs activities related to ensuring health and safety at

work to the Company personnel, as well as developing and participation in the implementation of measures to remove and reduce the health and safety at work risk.

A wide range of social and cultural activities are carried out, with care to the health prophylaxis, recreation of full value and cultural life of the Company employees, namely: the workers and employees are provided with opportunities for recovery in a health and recreation centre, access to sports and remedy and physiotherapy complex on the territory of the town of Kozloduy, etc.; the Power Engineers Cultural Centre is a place where various cultural and education forms and programmes are carried out for full-fledged satisfaction of the cultural needs of the Company's employees and their families; an opportunity is provided for acquiring skills in the organized educational forms of arts and language courses; the plant employees are encouraged and supported in their creative activity.

The operation of the NPP is carried out by a sufficient number of qualified staff who know and understand the design bases, safety analyses, design and operational documents of the power unit for all operating states and emergency conditions.

The activities in nuclear facilities related to ensuring and control of nuclear safety and radiation protection are carried out by qualified people, who are licensed under the procedure of the Regulation on the terms and procedure for obtaining of vocational qualification and on the procedure for issuing of licenses for specialised training and of individual licenses for use of nuclear power.

The Employer ensures, at his own expense, conditions for preparation and vocational qualification of its workers and employees in case of job cuts/creation, generation and activities, as and when the work technology changes.

A staff training and qualification system was set up, in compliance with the international standards and the national requirements, which is an integral part of Kozloduy NPP management system. The Plant has its own Training Centre, which provides conditions for conducting specialized training, disposing of a full scope simulator for VVER-1000 reactor units. Compulsory initial training and continuous specialized training for activities in nuclear facilities and activities with ionizing radiation sources are conducted at the Company. The scope, topics, forms and sequence of the training are defined in training programmes, training time schedules, initial and continuous training programmes for the full scope simulator, and training requests.

The provisions of the Labour Code, which stipulate that in case of restructuring of the company, or part of it, when the activities are ceded or transferred to another enterprise, including transfer of tangible assets, the employment relationships with the workers and employees, affected by the change of ownership or part of it, shall be preserved under the provisions of art. 123 and art. 123a of the Labour Code, are respected.

The payment of the labour is stipulated in the Plant Rules on Salaries, which create organization for effective management of labour payment at Kozloduy NPP, and insure prevention of discrimination or unequal treatment of workers and employees when determining their individual work remunerations.

These rules define the issues related to the labour payment system, accounting of the work time, minimum salary for the Company, minimum base work salaries according to the positions, types of additional labour remunerations.

The labour payment system at Kozloduy NPP EAD is based on the time worked and the quality of the performance, i.e. the amount of the main salary is closely dependent on the duration of the work, as a quantitative measure of the labour input by the worker or employee, and a premium, depending on the quality of the performed work. The main monthly salary is remuneration for the performance of the defined labour tasks, duties and responsibilities that are inherent to the respective work place or job position, in compliance with the adopted standards for the amount and quality of work and the duration of the performed work. The following are taken into account in the assessment of the work place: relationship to nuclear and radiation safety, functions related to licensing under the SUNEA, complexity of work, responsibility of labour, labour heaviness, environmental parameters.

The amount of the main monthly salary of workers and employees is contracted in an individual employment contract between the parties which are in employment relations.

An annual individual performance assessment of the Company personnel is used to determine the specific needs of each worker or employee for enhancement of his/her professional or personal competence, improvement of working relations, as well as for creating conditions for implementing fair and transparent procedures for professional and career promotion.

Health and safety at work

The policy pursued by Kozloduy NPP Management is dedicated to strict compliance with the requirements of effective laws and regulations on occupational health and safety in the Republic of Bulgaria. In this regard, the main objectives are related to protecting life, safety and working capacity of Kozloduy NPP employees, preserving the health of the staff and the population when implementing activities related to nuclear energy use, eliminating or restricting as far as possible the existing risks in the production process, adopting and implementing decision to carry out legal, socio-economic, organizational and technical, sanitary and hygiene, healing and prophylaxis measures, targeted at ensuring health and safety at work.

Maintaining health and safety at work in compliance with the requirements of the legislation in force in the country is a management practice in the Company, with the active involvement of the employees. Preserving the staff life, health and working capacity in their labour activity is one of the Company's major goals. A complex of organizational and technical measures was introduced in order to ensure safe working environment, and also collective and personal protective equipment are provided, which prevent the action of hazardous industrial factors on the workers. The working environment factors are periodically measured, and the work specific risks are assessed with the purpose of successfully eliminating or restricting the risks to the workers' health and safety. The workers are informed on the potential risks and the measures undertaken.

For the safe and healthy implementation of the labour process, it is of particular importance for the participants in this process to be completely familiar with their rights, obligations and responsibilities. With this regard, the workers are continuously informed, provided with safe operation instructions, good practice examples, pre-job briefs and trainings, as well as an opportunity to enhance their qualification.

All the workers are ensured sanitary and medical service, reduced working hours, regulated hours of labour and rest, free food, and for the workers in higher risk - Industrial accident risk insurance.

There were no industrial accidents with the Company employees in 2017. The industrial accidents indicators permanently maintain low values. For 2017 the industrial accident rate at Kozloduy NPP EAD is 0.33 - considerably lower value than the mean values for the sector, which is 1.22, and the mean for the country - 0.67.

Human Rights Issues

Kozloduy NPP EAD is a member of the UN Global Compact dated 30.03.2012. As a Member of the network it commits to observe the ten principles of the Global Compact, aimed at implementation of responsible business practices in the field of human rights, labour standards, environmental protection and anti-corruption. Kozloduy NPP published a Progress report on an annual basis.

As of 2013 the Company has introduced a Code of Ethics which defines the expected behaviour of Kozloduy NPP EAD employees on the basis of the Company general values when implementing the UN Global Compact universal principles.

The Code of Ethics is aimed at developing organizational culture which contributes to strengthening the Company's good reputation as a leader among the business organizations, as well as to increasing public trust in the professionalism and the ethics of Kozloduy NPP EAD personnel.

The Code of Ethics is a document describing the moral-ethical norms and rules which add to the existing internal documents, and contribute to the personal judgement and responsibility of the people working at the nuclear power plant when carrying out their professional duties. The Plant's pursuit is to turn these principles into a part of the strategy, culture and everyday activity of the Company. The Code of Ethics is based on the following underlying values: safety first, striving to improve and master new knowledge, personal responsibility at work, commitment, mutual respect and recognition.

The Code of Ethics is published in the internal information system and on the Company intranet site, and it is expected to be respected also by the contractors' personnel, working on Kozloduy NPP EAD site.

With the signed Collective Labour Agreement and the Plant Interior Regulations, the Employer commits to respond to written applications, requests and warnings /complaints/ filed by the workers within one month.

The established internal information system is part of the Management communication policy, and the "Opinions" and "Question of the Week" sections provide an opportunity for the staff to ask questions, to state their opinions, and to receive answers by the higher management to various employment, social and other questions.

Anti-corruption and anti-bribery issues

As part of the Bulgarian Energy Holding EAD, the Company applies the Sectoral Anti-Corruption Plan in Energy. This plan further develops and specifies the priority areas for prevention of and counteraction to corruption in the energy section, ensuring transparent management and accountability in the activity of the Ministry of Energy and in the trading companies in which the state holds over 50 % share in the equity.

The Corruption Prevention and Counteraction section was set up in order to implement the measures contained in the plan. Its main activity is applying anti-corruption procedures and mechanisms for checking, monitoring and reporting, with the purpose of ensuring transparent management and accountability, preventing corruptive practices and increasing public trust in the Company professionalism and ethics.

The mechanisms used by the Company for whistle-blowing on breaches, corruption and/or conflict of interests, are: via a mailbox placed at the entrance of the Management administrative building at Kozloduy NPP EAD, via the e-mail on the following address: signal@npp.bg, and the hotline: +359 973 76262.

These alerts are examined applying the principle of information confidentiality and protection of the whistleblowers' anonymity. An administrative procedure has been also worked out for the registration and work on the corruption and/or conflict of interest alerts, and for protection of whistleblowers.

As of today, there are no alerts on corruption and/or conflict of interests in the Company, and no cases of corruption/corruption practices have been identified.

Perspectives regarding environmental and social policies.

Kozloduy NPP EAD will continue to work actively in the area of environmental protection in all its aspects. The actions, undertaken to maintain and enhance safety of operations within the Company will be carried out in the following directions: nuclear safety, operating experience, radiological protection, emergency preparedness, radioactive waste management, radioecological monitoring, non-radiological monitoring and environmental protection.

Kozloduy NPP EAD implements a programme for maintaining and enhancing safety for the period 2017-2019 developed in compliance with the provisions of the Safe Use of Nuclear Energy Act (SUNEA), the Strategy for SNF and RAW management until 2030 of the Republic of Bulgaria, Vienna Convention and the sublegislative normative acts. The implementation of the measure of contained in the programme aims to enhance safety of nuclear facilities, in compliance with the regulatory requirements, international requirements and the operating experience, ensuring adequate reliability of barriers. Every year, a new three-year programme for maintaining and increasing of safety is issued in order to achieve information update and provide continuous control on the measures progress.

Nuclear safety enhancement and radiological protection programmes are implemented for Units 5 and 6 on the basis of the results of the reassessment of safety and a programme for implementation of

measures to improve safety of spent fuel storage facility, pursuant to the licensing provisions of the operating licenses.

The implementation of the corrective measures resulting from the "stress tests" carried out to reassess the safety margins, pursuant to the European Commission requirements following the nuclear accident at Fukushima NPP, will continue.

A programme for increasing the safety culture at the power plant is ongoing. The activities for increasing the safety culture, foreseen in the programme, are directly related to the improvement of human performance, employees' motivation, creating a non-punitive environment, and reporting of low level events and near misses, assessment of the individual performance and career development, staff training and qualification.

The Company will continue to implement the Plan for the staff required for key positions at Kozloduy NPP EAD for the period from 2017 to 2027, with the purpose of ensuring timely preparation of a pipeline of employees prepared to take key positions in the Company, to ensure safe and long-term operation of the nuclear facilities.

The Company Management does not consider that there are significant risks regarding the environmental and social policies.

Ivan Andreev
CEO
Kozloduy NPP EAD
town of Kozloduy



**INDEPENDENT AUDITOR'S REPORT
TO THE SOLE SHAREHOLDER OF
NPP KOZLODUY EAD**

Report on the Audit of the Separate Financial Statements

Qualified Opinion

We have audited the separate financial statements of NPP KOZLODUY EAD (the Company), which comprise the separate statement of financial position as at 31 December 2017, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter, described in the *Basis for Qualified Opinion* section of our report the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Qualified Opinion

As is disclosed in Note 4.24.8 *Provisions - Provision for decommissioning nuclear facilities* of the separate financial statements as at 31 December 2017, 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, portion of these expenses could be assumed by 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 provided with an assessment of these future expenses and any related reimbursements. Consequently, we were not able to become convinced with reasonable assurance about assessment of provisions and related receivables as at 31 December 2017.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants'

Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the separate financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

We draw attention to Note 5 *Property, plant and equipment* of the separate financial statements, where it is disclosed that as at 30 June 2015 the Company carried out a fair value review of property, plant and equipment according its accounting policy, using independent licensed appraiser. The specifics of the Company's assets and the dynamic economic environment in the energy sector, where it operates, could lead to variations in the assumptions and estimates used in determining the fair value of these property, plant and equipment.

Our opinion is not modified in respect of this matter.

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

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

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

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the *Basis for Qualified Opinion* section, we were unable to obtain sufficient and appropriate audit evidence about the assessment of provision for decommissioning of nuclear facilities and the related receivables of the Company as at 31 December 2017. Accordingly, we

were unable to conclude whether or not the other information is materially misstated with regard to financial indexes and respective disclosures referring to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter, described in the *Basis for Qualified Opinion section*, we have determined that there are no other key audit matters to communicate in our auditor's report.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, described above in the *Information Other than the Separate Financial Statements and Auditor's Report Thereon* section, in relation to the management report and the non-financial statement, we have also performed the procedures added to those required under ISAs in accordance with "*Guidelines about new and expanded auditor's reports and communications from the auditor's side*" of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act (Art. 100m, paragraph 7 (2) of the POSA), applicable in Bulgaria.

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

Based on the procedures performed, our opinion is that:

- a) The information included in the management report referring to the financial year for which the separate financial statements have been prepared is consistent with those separate financial statements, over which we expressed qualified opinion in the *Report on the Audit of the Separate Financial Statements* section above.
- b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act and of Art. 100(m), paragraph 7 (2) of the Public Offering of Securities Act.
- c) The non-financial statement referring to the financial year for which the separate financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Reporting in accordance with Art. 10 of Regulation (EU) No 537/2014 in connection with the requirements of Art. 59 of the Independent Financial Audit Act

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

- Audit firm HLB Bulgaria OOD was appointed as a statutory auditor of the separate financial statements of KOZLODUY NPP EAD for the year ended 31 December 2017 by the Minutes № Е-ПД-21-41 of the Minister of Energy dated from 10 July 2015 for a period of three years.
- The audit of the separate financial statements of the Company for the year ended 31 December 2017 represents third total uninterrupted statutory audit engagement for that entity carried out by us.
- We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.
- We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.
- We hereby confirm that in conducting the audit we have remained independent of the Company.

Audit firm

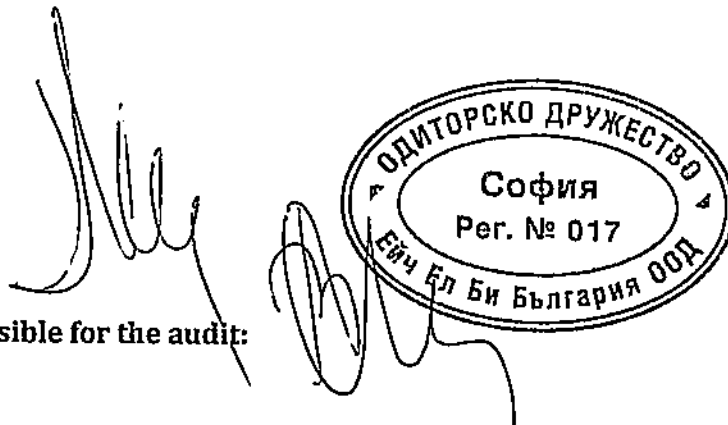
HLB BULGARIA OOD

Manager:

Milena Hristova

Registered auditor, responsible for the audit:

Vaska Gelina



The image shows a handwritten signature in black ink, which appears to be 'Vaska Gelina'. To the right of the signature is a circular official stamp. The stamp contains the following text: 'ОДИТОРСКО ДРУЖЕСТВО' (Audit Firm) at the top, 'София' (Sofia) in the center, 'Reg. № 017' below the center, and 'Елч Ел Би България ООД' (Elch El Bi Bulgaria OOD) at the bottom.

29 March 2018

Separate Statement of Financial Position

Assets	Note	31 December 2017	31 December 2016
		BGN '000	BGN '000
Non-current assets			
Property, plant and equipment	5	2,657,603	2,759,914
Intangible assets	6	11,170	5,908
Investment properties	7	4,095	4,059
Investments in subsidiaries	8	15,161	15,161
Loans granted to related parties	31.2	12,740	14,940
Related parties receivables	31.1	23,039	-
Non-current trade and other receivables	9	5,123	-
Available-for-sale financial assets	10	232	232
Non-current assets		2,729,163	2,800,214
Current assets			
Nuclear Fuel	12	235,443	224,810
Inventories	13	58,762	60,320
Trade and other receivables	14	37,372	57,983
Loans granted to related parties	31.2	2,374	2,352
Related parties receivables	31.1	155,425	119,459
Income tax receivable		-	516
Cash and cash equivalents	15	178,211	76,018
Current assets		667,587	541,458
Total assets		3,396,750	3,341,672

Compiled by: 
 /Margarita Mankova/

CEO: 
 /Ivan Andreev/

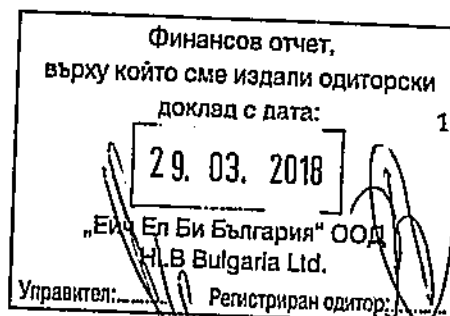
Compiled on 21 March 2018

The financial statements were authorised for issue by a decision of the Board of Directors dated 21 March 2018.

The accompanying notes, pages 7 to 54, form an integral part of these separate financial statements.

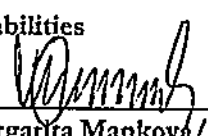
Audit firm
 HLB Bulgaria OOD
 Milena Hristova
 Manager

Vaska Gelina
 Registered auditor responsible for the audit



Separate Statement of Financial Position (continued)

	Note	31 December 2017	31 December 2016
		BGN '000	BGN '000
Equity and liabilities			
Equity			
Share capital	17.1	244,585	236,165
Statutory reserves	17.2	19,785	19,649
Revaluation reserve of non-financial assets	17.3	1,384,245	1,385,591
Reserve from remeasurements of defined benefit plans		(35,095)	(30,524)
Other reserves	17.4	984,126	984,126
Retained earnings		123,827	13,750
Total equity		2,721,473	2,608,757
Liabilities			
Non-current liabilities			
Loans	18	66,132	105,004
Retained amounts under construction contracts	19	159	87
Financing	20	179,950	185,509
Liabilities for retirement employee benefits	21	49,752	44,073
Deferred tax liabilities	11	177,558	182,494
Non-current liabilities		473,551	517,167
Current liabilities			
Trade and other payables	22	131,234	124,302
Related parties payables	31.1	9,079	1,051
Loans	18	40,056	44,268
Financing	20	6,054	6,036
Retained amounts under construction contracts	19	5,034	3,522
Liabilities for retirement employee benefits	21	8,333	6,627
Spent nuclear fuel provision and others		668	29,942
Income tax payable		1,268	-
Current liabilities		201,726	215,748
Total liabilities		675,277	732,915
Total equity and liabilities		3,396,750	3,341,672

Compiled by: 
 /Margarita Mankova/

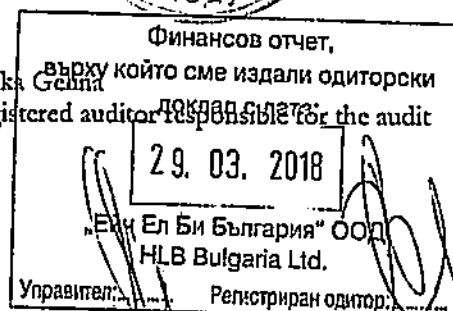
CEO: 
 /Ivan Andreev/

Compiled on 21 March 2018

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Audit firm
 HLB Bulgaria OOD
 Milena Hristova
 Manager



Separate Statement of Profit or Loss and Other Comprehensive
 Income for the year ended 31 December

	Note	2017	2016
		BGN '000	BGN '000
Revenue from electricity sales		909,712	809,553
Revenue from thermal energy sales		2,138	2,010
Revenue from sales of production	23	911,850	811,563
Revenue from financing		5,615	3,744
Income from sale of services, goods and other sales	24	12,933	23,772
Cost of materials	25	(145,770)	(147,492)
Hired services costs	26	(120,828)	(174,594)
Employee benefits expenses	27	(204,479)	(190,309)
Depreciation and amortization	5, 6	(191,378)	(178,841)
Other costs	28	(141,276)	(133,240)
Change in work in progress		3,244	(10,266)
Acquisition of machinery, plant and equipment on free market commercial basis		882	61
Profit from operating activity		130,793	4,398
Financial costs	29	(3,532)	(4,271)
Financial income	29	2,866	1,018
Profit before tax		130,127	1,145
Income tax income/(expense)	30	(12,430)	214
Profit for the year from continuing operations		117,697	1,359
Profit for the year from discontinued operations	16	202	-
Profit for the year		117,899	1,359
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans liabilities	21	(5,079)	(11,824)
Revaluation of non-financial assets	5	-	(22)
Income tax related to items not reclassified subsequently to profit or loss	11	508	1,184
Other comprehensive income/(loss) for the year, net income from tax		(4,571)	(10,662)
Total comprehensive income/(loss) for the year		113,328	(9,303)

Compiled by: 
 /Margarita Mankova/

CEO: 
 /Ivan Andreev/

Compiled on 21 March 2018

The financial statements were authorised for issue by a decision of the Board of Directors dated 21 March 2018.

The accompanying notes, pages 7 to 54, form an integral part of these separate financial statements.

Audit firm
 HLB Bulgaria OOD
 Milena Hristova
 Manager



Vaska Gelina
 Registered auditor responsible for the audit
 върху които сме издали одиторски
 доклад с дата:
 29. 03. 2018
 „Ел Би България“ ООД
 HLB Bulgaria Ltd.
 Управител: _____ Регистриран одитор: _____

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

Separate Statement of Changes in Equity for the year ended 31 December

All amounts are in BGN '000	Share capital	Statutory reserves	Revaluation reserve of non-financial assets	Reserve from re-measurements of defined benefit plans	Other reserves	Retained earnings	Total equity
Balance as of 01 January 2017	236,165	19,649	1,385,591	(30,524)	984,126	13,750	2,608,757
Dividends	-	-	-	-	-	(611)	(611)
Transactions with the sole owner	-	-	-	-	-	(611)	(611)
Profit for the year	-	-	-	-	-	117,899	117,899
Other comprehensive income, net of tax	-	-	-	(4,571)	-	-	(4,571)
Total comprehensive income for the year	-	-	-	(4,571)	-	117,899	113,328
Equity increase via retained earnings	8,420	-	-	-	-	(8,420)	-
Reserves increase via retained earnings	-	136	-	-	-	(136)	-
Transfer of revaluation reserve of non-financial assets to retained earnings	-	-	(1,346)	-	-	1,346	-
Other changes	-	-	-	-	-	(1)	(1)
Balance as of 31 December 2017	244,585	19,785	1,384,245	(35,095)	984,126	123,827	2,721,473

Compiled by:  /Margarita Mankova/

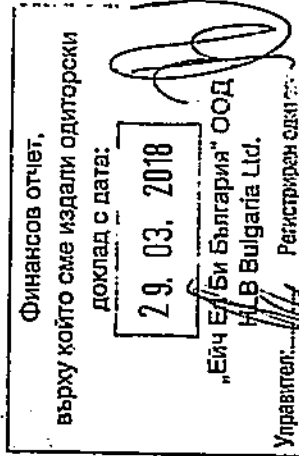
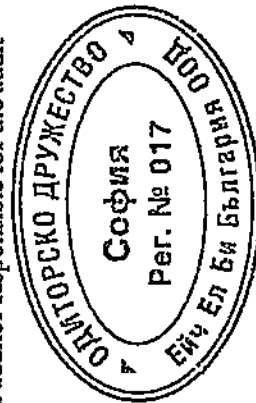
CEO:  /Ivan Andreev/

Compiled on 21 March 2018

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Audit firm
HLB Bulgaria OOD
Milena Hristova
Manager

Vaska Gelina
Registered auditor responsible for the audit



KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

Separate Statement of Changes in Equity for the year ended 31 December (continued)

All amounts are in BGN '000	Share capital	Statutory reserves	Revaluation reserve of non-financial assets	Reserve from re-measurements of defined benefit plans	Other reserves	Retained earnings	Total equity
Balance as of 01 January 2016	196,493	16,561	1,385,905	(19,883)	984,126	94,536	2,657,738
Dividends	-	-	-	-	-	(39,672)	(39,672)
Transactions with the owner	-	-	-	-	-	(39,672)	(39,672)
Profit for the year	-	-	(20)	-	-	1,359	1,359
Other comprehensive income, net of tax	-	-	(20)	(10,642)	-	-	(10,662)
Total comprehensive income for the year	-	-	(20)	(10,642)	-	1,359	(9,303)
Equity increase via retained earnings	39,672	-	-	-	-	(39,672)	-
Reserves increase via retained earnings	-	3,088	-	-	-	(3,088)	-
Transfer of revaluation reserve of non-financial assets to retained earnings	-	-	(294)	-	-	294	-
Other changes	-	-	-	1	-	(7)	(6)
Balance as of 31 December 2016	236,165	19,649	1,385,591	(30,524)	984,126	13,750	2,608,757

Compiled by:  /Margarita Mankova/

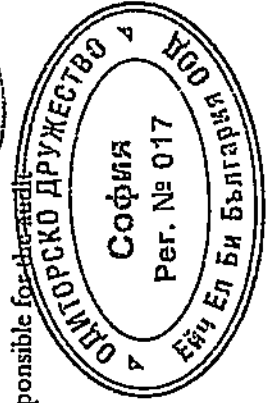
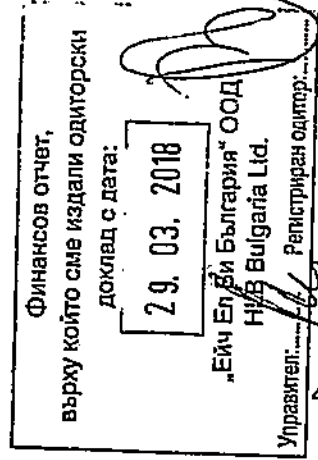
CEO: 

Compiled on 21 March 2018

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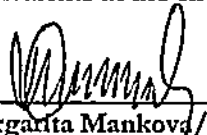
Audit firm
HLB Bulgaria OOD
Milena Hristova
Manager

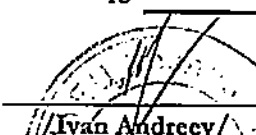
Vaska Gelina
Registered auditor responsible for the audit

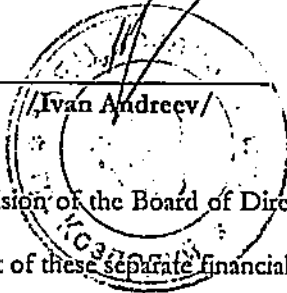


Separate Cash Flows Statement for the year, ended 31 December

	Note	2017	2016
		BGN '000	BGN '000
Operating activity			
Proceeds from clients		1,008,644	855,829
Payments to suppliers		(299,882)	(321,507)
Payments to personnel and social security institutions		(191,548)	(185,103)
Payments to fees, commissions, and the like		(27)	(36)
Payments to the RAW, NFD, and ESS Funds		(138,971)	(124,895)
(Payments to)/receipts from income tax		(15,437)	(5,096)
Cash flows related to other tax and payments to the state budget		(115,190)	(97,138)
Cash flows related to insurance policies		(15,298)	(9,876)
Other cash flows from operating activities		18,392	45,411
Net cash flows from continuing operations		250,683	157,589
Net cash flows from discontinued operations	16	(9,517)	-
Net cash flows from operating activity		241,166	157,589
Investing activity			
Purchase of property, plant and equipment		(96,858)	(127,967)
Proceeds from sale of property, plant, and equipment		14	3
Proceeds from loans	31.2	2,150	2,634
Interest received	31.2	422	475
Dividends received		1,028	529
Net cash flows from investing activity		(93,244)	(124,326)
Financing activity			
Repayments of loans		(42,784)	(44,251)
Interest paid		(2,334)	(2,845)
Dividends paid		(611)	-
Net cash flows from financing activity		(45,729)	(47,096)
Net change in cash and cash equivalents		102,193	(13,833)
Cash and cash equivalents at the beginning of the year		76,018	89,851
Cash and cash equivalents at the end of the year	15	178,211	76,018

Compiled by: 
 /Margarita Mankova/

CEO: 
 /Ivan Andreev/

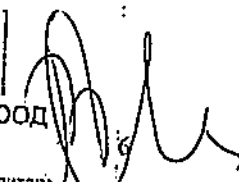
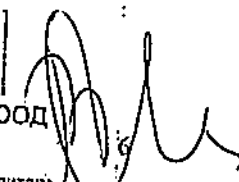


Compiled on 21 March 2018
 The financial statements were authorised for issue by a decision of the Board of Directors dated 21 March 2018.
 The accompanying notes, pages 7 to 54, form an integral part of these separate financial statements.

Audit firm
 HLB Bulgaria OOD
 Milena Hristova
 Manager



Vaska Gelina
 Registered auditor

Финансов отчет,
 годишен отчет за финансово състояние и одиторски доклад с дата:
 29. 03. 2018
 „Ейч Ел Би България“ ООД
 HLB Bulgaria Ltd.
 Управител: 
 Регистриран одитор: 

Notes to the Separate Financial Statements

1. Principal activities

Kozloduy NPP EAD (the Company) is a joint stock company, established by virtue of Decision No 582 from 2000 of Vratsa District Court. The Company is registered in the town of Kozloduy 3321, Vratsa District, Bulgaria. 3321. The Company was established as a joint stock company on 28 April 2000 with a sole owner - the Republic of Bulgaria through spin-off from 'Natsionalna Elektricheska Kompania' EAD (NEK EAD). In accordance with the Separation Protocol of Kozloduy NPP branch and GUP Atomenergoinvest, Kozloduy compiled and based on the available accounting records dated 28 April 2000, the company is legal successor of the respective portion of the assets and liabilities of NEK EAD, Sofia. (DEL) Separation Protocol of Kozloduy NPP branch and GUP Atomenergoinvest (DEL) (DEL) Kozloduy compiled and based on the available accounting records dated 28 April 2000 (DEL). As of 18.09.2008 the rights of sole shareholder of the Company are executed by the Ministry of Economy and Energy through the incorporated Bulgarian Energy Holding EAD.

The financial year of the Company ends on 31 December.

The principal activity of the Company includes use of nuclear energy to generate electrical and thermal power.

Bulgarian Energy Holding EAD is the sole owner of the Company share capital as of 31 December 2017. The Company's ultimate owner is the Republic of Bulgaria through the Ministry of Energy.

The Company has a one-tier management system and is managed by a Board of Directors with the following members as of 31 December 2017:

- Zhaklen Yosif Koen - Chairman
- Ivan Todorov Andreev - Member
- Ivan Todorov Yonchev - Member

As of 31 December 2017, the Company is represented by the CEO - Ivan Andreev.

As of 31 December 2017, the number of the staff employed by the Company under employment contracts is 3,716. (31 December 2016 3,658).

2. Basis for the preparation of the Separate Financial Statements

The Separate Financial Statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as developed and issued by the International Accounting Standards Board (IASB), adopted by the European Union (EU).

The Separate Financial Statements are presented in Bulgarian leva (BGN) which is the functional currency of the Company. All amounts are presented in thousand Bulgarian leva (BGN '000) (including comparative information) unless otherwise specified.

These financial statements are separate for the Company. The Company also prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as developed and issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), where investments in subsidiaries are stated in accordance with IFRS 10 'Consolidated Financial Statements'.

The Separate Financial Statements are prepared under the going concern principle.

As of the date of preparation of the current Separate Financial Statements the management has analysed the Company's ability to continue to operate as a going concern, taking into account the available information about the foreseeable future.

As a result of the carried out review of the Company's activities, the management anticipates that the Company 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 accounting policy

The Company keeps its current accounts and prepares its financial statements in accordance with all International Financial Reporting Standards (IFRS), which comprise: International Financial Reporting Standards and IFRIC Interpretations adopted by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee (SIC) interpretations approved by the International Accounting Standards Committee (IASC), which are adopted by the European Union (EU) and are in force as of 1 January 2017.

3.1. Standards and interpretations that came into force on 1 January 2017

These standards and interpretations include:

Amendments to IAS 12 - Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses - adopted by EU on 06 November 2017;

This amendment clarifies the accounting for deferred tax assets on unrealized losses from debt instruments measured at fair value.

Amendments to IAS 7 - Statement of Cash Flows - Disclosure initiative, adopted by EU on 06 November 2017;

This change is related to the information provided to users of financial statements that can improve understanding of the liquidity and financial operations of the Company. The amendment requires additional disclosures and clarifications to be made regarding changes in the Company's liabilities in relation to:

- (a) changes in the financing activities as a result of operations that result in changes in cash flows; or
- (b) changes resulting from non-cash transactions such as acquisitions and disposals, interest accruals, exchange rate differences effects, changes in fair values, and the like.

Since the adoption of these Standards and/or Interpretations, effective for annual periods beginning on 1 January 2017, there have been no changes in accounting policies, except some new ones and the extension of already established disclosures, without leading to changes in the classification or the valuation of the Company's assets, liabilities and equity.

Management does not expect new standards and interpretations to have a material effect on the separate financial statements of the Company.

3.2. Standards and Interpretations issued by the IASB and adopted by the EU, which have not come into effect yet

The following new standards, amendments to standards and interpretations to existing standards have been issued by the IASB and have been adopted by the EU but have not yet entered into force and have not been adopted for earlier application by the Company:

IFRS 9 - Financial Instruments– adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018);

In July 2014, the IASB published the final version of IFRS 9 *Financial Instruments*, which replaced IAS 39 *Financial Instruments: Recognition and Measurement*, as well as all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. It establishes new principles, rules and criteria for the classification, valuation and write-off of financial assets and liabilities, including hybrid contracts. IFRS 9 introduces a requirement that the classification of financial assets be made on the basis of the entity's business model for their management and the characteristics of the contracted cash flows of the respective assets.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 and its earlier application is permissible. Except for the hedge accounting, retrospective application is required, but provision of comparative information is not mandatory. With regards to hedge accounting, the requirements are generally applied for future periods, with some limited exceptions.

The Company plans to introduce the new standard on the set date of entry into force, and will not recalculate the comparative information. The Company is in the process of determining the effect of the three aspects of IFRS 9. The valuation is based on currently available information, which may change if, in 2018 when IFRS 9

is to be introduced, the Company receives additional, reasonable and supportive information. The Company does not expect a material effect on its separate statement of financial position and equity, except for the effect of applying the impairment requirements of IFRS 9.

(a) Classification and measurement

The Company does not expect a material effect on its balance sheet or equity as a result of the application of the IFRS 9 classification and measurement requirements. It expects to continue to measure the fair value of all financial assets that are currently measured at fair value.

For the shares held, which are not traded on an active market and for which there are no quotations at market prices held as 'available for sale', the Company intends to apply the option to present fair value changes in other comprehensive income. Under the current model the Company has valued these financial assets according to their cost price. No impairment losses on these investments are recognized in profit or loss.

Exceptionally, in limited cases, for closed-end companies / companies for which fair value information is insufficiently up to date or if there is a wide range of possible fair value and cost estimates, the best estimate of the fair value within this range, the cost of acquisition, could happen to be the appropriate approximate measurement of the fair value.

Loans, as well as trade and other receivables, are held for the purpose of receiving the agreed cash flows and are expected to result in cash flows representing only principal and interest payments. The Company has analysed the characteristics of the contracted cash flows from these instruments and has come to the conclusion that they all meet the valuation criteria at amortized cost in accordance with IFRS 9. Therefore, there is no need for reclassification of these instruments.

(b) Impairment

IFRS 9 requires the Company to account for the expected credit losses on all its debt securities, loans and trade and other receivables either on a 12-month basis or over their lifetime. The Company is in the process of analysing and evaluating the effect of the application of the new impairment model and therefore it can not provide quantitative information.

(c) Accounting of hedging

The Company does not report hedging.

IFRS 15 - Revenue from Contracts with Customers - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018);

IFRS 15 replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and Related Interpretations and introduces a new revenue recognition model based on control. The Standard introduces a comprehensive set of principles, rules and approaches for recognising, reporting, and disclosing information about the type, amount, period, and uncertainties associated with income and cash flows arising from contracts with customers. The guiding principle of the standard is the creation of a five-step model to be applied to revenue deriving from contracts with customers, whereby the determination of parameters and timing of revenue are commensurate with each party's obligation under deal concluded between them.

The introduction of this standard may result in the following changes:

- (a) in the case of complex contracts with tie-in sales of goods and services - a clear distinction shall be made between the goods and services of each component and the terms of the contract;
- (b) likelihood of a change in the moment of recognition of the sale;
- (c) increasing the disclosures; and
- (d) introduction of additional rules for the recognition of revenue from a certain type of contract - licenses; consignments; one-off pre-tax charges; guarantees.

The management is in the process of analysing and has now determined that changes in the new standard would not have a material impact on the values and classification of the Company's assets and liabilities, operations and performance with respect to its income from operations and / or receivables insofar as no

change in the business model is expected or change in the time horizon of transferring control to the customers from the services provided by the Company or the reporting of sales of goods.

The Company plans to adopt IFRS 15 using the modified retrospective application for annual periods beginning on or after January 1, 2018. As a result, the Company will not apply the requirements of IFRS 15 for presenting a comparative period.

(a) Sales of electricity

Usually, in contracts with customers for sale of electricity, the sale of the production is the only obligation to be performed. The Company expects revenue recognition to occur at the moment the control is transferred to the client:

- at the moment when electricity is delivered through the customer's electricity and distribution networks.

Under these contracts, the adoption of IFRS 15 is not expected to have any impact on the Company's revenue and profit or loss.

(b) Provision of services

The company provides various services to its clients. Under IFRS 15, revenue will be recognized with the Company's fulfilment of its obligation and satisfying the requirement to transfer the service to the customer. In addition, revenue will be recognized for those contracts to the extent that it is probable that there will not be a significant deviation in the amount of the cumulative revenues. Based on the valuation carried out by the Company, the time and amount of revenues that will be recognized are more or less similar. Therefore, the Company does not expect the application of IFRS 15 to result in material differences in the recognition of revenues from service.

(c) Presentation and disclosure requirements

The presentation and disclosure requirements of IFRS 15 are more detailed compared with the current IFRSs. Presentation requirements represent a significant change from the current practice and significantly increase the volume of disclosures required in the Separate Financial Statements of the Company. Many of the disclosure requirements in IFRS 15 are new and the Company expects that the effect of some of these disclosure requirements will not be material. In 2018, the Company continues to test the systems, internal controls, policies and procedures required to collect and disclose the required information.

(d) Other

The recognition and measurement requirements in IFRS 15 also apply to the recognition and measurement of profits or losses from the sale of non-financial assets (such as property and equipment) when that sale is not carried out in the ordinary course of the activity. However, when switching to the standard, the effects of these changes are not expected to be significant for the Company.

Annotation to IFRS 15 - Revenue from Contracts with Customers - adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018);

These annotations are related to:

- (a) identifying obligations to be implemented on the basis of specific promises for the supply of goods or services,
- (b) identifying whether the Company is a principal or an agent in the supply of goods or services, and
- (c) the transfer of licenses.

Also, this change also provides relief for the transition to the new standard.

IFRS 16 - Leasing – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 01 January 2019);

This standard has a completely changed concept and introduces significant changes in the reporting of leases, especially on the part of lessees. It introduces new principles for the recognition, measurement and presentation of leases in order to better represent these transactions. The Standard will replace the current IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating Leases - Incentives* and

SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The guiding principle of the new standard is the introduction of a one-size-fits-all model of lease accounting for lessees for all lease contracts with a duration of more than 12 months, recognizing a 'right of use' asset that will be amortized over the term of the contract; respectively, the obligation under these contracts will be reported. Under IFRS 16, a contract that is or contains a lease is considered to be a contract that confers the right to control the use of the asset for a certain period of time against remuneration. IASB has included a right of option for some short-term leases and leases of low-value assets, and this exception can only be applied by lessees.

In addition, IFRS 16 requires lessees and lessors to make more detailed disclosures than those under IAS 17. Management is in the process of assessing the effect of applying the standard but can not yet provide quantitative information.

Amendments to IFRS 4: Applying IFRS 9 - Financial Instruments with IFRS 4 - Insurance Contracts – adopted by EU on 03 November 2017 (effective for annual periods beginning on or after 1 January 2018);

The amendments cover concerns arising from the introduction of the new IFRS 9 before the adoption of IFRS 17 *Insurance Contracts*, which replaces IFRS 4.

Amendments to different Standards - Improvements to IFRS (Cycle 2014-2016) - Adopted by the EU on 7 February 2018 - Improvements to IFRS 12 (effective for annual periods beginning on or after 1 January 2017), IFRS 1 and IAS 28 (effective for annual periods of 1 January 2018);

Changes to IFRS 2 Share-based Payment - Adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018);

The draft of the amendment to the standard brings together three initiatives for changes, related to non-market conditions share-based payments and reporting a change in an agreement that converts it from a settled into an equity-settled one.

Changes to IAS 40 - Investment Property - Adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018);

This change is related to providing further clarification on the conditions and criteria that allow a transfer to and from the 'investment property' category.

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

The Management considers it appropriate to disclose that the following new or revised standards, new interpretations and amendments to existing standards that have already been issued by the International Accounting Standards Board (IASB) by the reporting date, but have not yet been approved by the EU and accordingly, were not taken into account in the process of preparation of these separate financial statements. The dates of entry into force will depend on EU approval decisions. The Company does not expect these Standards and Interpretations to have a material impact on the Company's financial position, performance results and / or disclosures of the Company.

IFRS Interpretations Committee, Interpretation 22 - Foreign Currency Transactions and Advance Consideration - (effective for annual periods from 1 January 2018);

This Interpretation relates to the reporting of transactions or parts of foreign currency transactions upon receipt of advance payments prior to the recognition of the asset itself, either expense or income. In these cases, undertakings report a prepaid asset (prepayments on deliveries of assets or services) or a deferred income liability (received advance sales payments from customers) and they are treated as non-monetary. When receiving such foreign currency prepayments, the date of the transaction is used to determine the exchange rate, and if there are multiple payments, the transaction date is determined for each individual payment.

Undertakings may apply the amendments on an entirely retrospective basis. As an alternative, the Company may apply the interpretation for future periods in respect of all assets, expenses and income that are recognised initially at or after:

(i) the beginning of the reporting period in which the entity has applied the interpretation for the first time, or

(ii) the beginning of the previous reporting period, presented in terms of comparative information in the Separate Financial Statements for the reporting period in which the Company has applied the interpretation for the first time.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Earlier application of the interpretation is admissible and should be disclosed.

IFRS Interpretations Committee, Interpretation 23 - Uncertainty over Income Tax Treatments - effective for annual periods beginning on or after 01 January 2019;

Guidance is given to apply the recognition and measurement requirements of IAS 12 Income Taxes when there is uncertainty about income tax treatment (i.e. uncertainty whether the tax treatment selected by the entity will be accepted by the tax authorities under the tax legislation).

Amendment to IFRS 9 Financial Instruments - Prepayments with Negative Compensation (effective for annual periods beginning on or after 1 January 2019);

The existing IFRS 9 requirements on termination rights are amended to allow valuation at amortized cost (or, depending on the business model, at fair value in HIC) even in the case of negative compensation payments.

Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long-term Investments in Associates or Jointly Controlled Entities - (effective for annual periods beginning on or after 1 January 2019);

It is clarified that an entity applies IFRS 9 when accounting a long-term investment in an associate or a joint venture that is part of the net investment in that associate or joint venture and to which, however, the equity method does not apply.

Amendments to different standards - Improvements to IFRS Standards (2015-2017 Cycle) - (effective for annual periods beginning on or after 01 January 2019);

IFRS 17 - Insurance Contracts – (effective for annual periods beginning on or after 01 January 2021);

In May 2017, the IASB published IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. After its entry into force, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4), which was published in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life insurance, non-life insurance, direct insurance and reinsurance), irrespective of the type of business that has issued them, as well as certain guarantees and financial instruments with additional, unguaranteed income (discretionary participation). There will be few exceptions to the scope. The overall objective of IFRS 17 is to provide an accounting model of insurance contracts that is more useful and consistent to insurers.

4. Accounting Policy

4.1. Overview

The most significant accounting policies applied in the preparation of these Separate Financial Statements are presented below.

The Separate Financial Statements have been prepared in accordance with the principles of measurement of all types of assets, liabilities, revenues and expenses, in accordance with IFRS. The valuation bases are disclosed in detail in the accounting policy of the Separate Financial Statements.

It should be noted that accounting estimates and assumptions were used to prepare the presented Separate Financial Statements. Although they are based on information provided to management as of the date of preparation of the Separate Financial Statements, the actual results may differ from the estimates and assumptions made.

4.2. Presentation of the Separate Financial Statements

The separate financial statements are presented in accordance with IAS 1 'Presentation of Financial Statements' (revised 2016). The Company has accepted to present the statement of profit or loss and other comprehensive income in a single statement.

In the separate financial statements, two comparative periods are presented, when the Company:

(a) applies accounting policies retrospectively;

- (b) recalculates positions in the financial statements retrospectively; or
- (c) reclassifies items in the financial statements.

And this has a material effect on the information in the separate statement of financial position at the beginning of the previous period.

4.3. Transactions in foreign currency

Transactions in foreign currencies are reported in the functional currency of the Company at the official exchange rate at the date of the transaction (according to the official exchange rate of the Bulgarian National Bank). Gains and losses from exchange rates arising in the process of settlement of those transactions, and the revaluation of foreign currency monetary items at the end of the reporting period are recognized in profit or loss.

Non-monetary items valued at historical cost in foreign currency are reported at the exchange rate at the date of the transaction. Non-monetary items valued at fair value in foreign currency are reported according to the exchange rate at the date of the transaction.

4.4. Revenue

Revenue is recognized to the extent that it is probable that economic benefits will be received by the Company and the amount of revenue can be reliably measured regardless of when the payment is received. Revenue is measured at the fair value of the remuneration received or due on the basis of the agreed payment terms, excluding discounts, rebates and other taxes on sales or duties.

The Company analyses its sales arrangements according to specific criteria to determine whether it acts as a principal or as an agent.

It has come to the conclusion that it acts as a principal in all such arrangements. Prior to recognizing revenue, the following specific recognition criteria must also be met:

Sales of Electricity

Revenue is recognised in the separate profit or loss statement and other comprehensive income for completed supply of electricity to customers whose facilities are connected to the electricity transmission network - the utility, end users and traders on the electricity market. Sales revenue is recognised on the basis of the electricity consumption readings, measured by means of commercial metering on a monthly basis.

The generated electricity for the period is realised according to prices regulated by the Energy and Water Regulatory Commission (EWRC) and freely negotiated with the customers (traders and consumers). House load electricity for Units 5 and 6 is included in their cost.

Provision of services

Revenue from provision of services is recognised on the basis of the stage of completion of the transaction as of the reporting date. Where the result of the transaction (the contract) can not be measured reliably, revenue is recognised only to the extent that the costs incurred are recoverable.

Revenue from interests

Interest revenue is accounted, using the effective interest method, which is the percentage that accurately discounts expected future cash payments for the expected term of the financial instrument or for a shorter period, where appropriate, to the carrying amount of the financial asset. Interest revenue is included in line 'Financial revenue' line in the separate profit or loss account and other comprehensive income. Interests revenues include interest income on arrears.

Revenue from dividends

Dividend revenue is recognised when the right of receiving them is established.

Revenue from government grants

Government grants related to the acquisition of non-current assets are initially shown in the separate statement of financial position as deferred funding when there is sufficient certainty that they will be received and that the Company will be able to meet all related requirements. Revenues from financing for fixed assets are recognised in profit or loss over the period on a systematic basis within the useful life of the asset.

Government grants for financing the current activity are recognized on a systematic basis in the profit or loss during the periods in which the related expenses are incurred, which should be offset by the received grants.

4.5. Operating expenses

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

Expenditure on electricity

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

Expenses, incurred for nuclear fuel, are carried in accordance with the established by the company methodology. The cost of nuclear fuel of the generated electrical energy is computed by multiplying the fuel component, calculated as per the methodology, and the estimated gross amount of electrical energy, generated per unit.

Expenses, incurred in respect of the Decommissioning of Nuclear Facilities (DNF) Fund, the Radioactive Waste (RAW) Fund are computed in accordance to the provisions and decrees of the Council of Ministries, and are recognised as other expense, in accordance with the Decree for pricing electrical energy and the Energy Act.

Cost of available capacities

The cost of available capacity is formed by the contingency and fixed operating expenses, including:

- Cost of materials, different from nuclear power, reagents and diesel;
- Hired services expenses;
- Employee benefits expenses (Salaries and social security contributions);
- Depreciation expenses;
- Other expenses, excluding expense for the DNF, the RAW and the ESS Funds;
- own transport costs;
- allocated indirect costs on the basis of transmission and delivery protocols for the work performed by other ancillary activities.

Cost of generating and transmitting thermal energy

The direct costs of thermal energy are formed from the cost to generate and transmit thermal energy. The costs to generate and transmit thermal energy, include the contingent - fixed and variable (nuclear fuel) costs of EP - 2, multiplied by a reduction coefficient. The reduction coefficient refers to the relative share, which the electrical energy in progress bears to the gross electrical energy, generated by Electricity generation - 2 (EP-2) The underproduction is computed on a monthly basis by the Technical Support Division. The reduced expenses decrease the electricity generation costs and the cost of available capacities at EP-2. These costs are included in the cost of the generated thermal energy and the expenses for generating thermal energy, provided to the different on-site structural units.

With regards to the activities, relating to 'Generating and transmitting thermal energy':

- The cost price - fixed and variable costs of EP-2, are included in the cost of the generated thermal energy;
- All variable and contingent - fixed costs of the Thermal Power Plant industrial unit, are included in the transmission cost of thermal energy.

The heat for the Kozloduy NPP's own sites (household needs) is recognised on an ongoing basis over the year as cost at the selling price of thermal energy 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 technological costs is as follows:

- For Repair works, performed on:

- External sites — labour hour input per sites and orders;
- For sites within the NPP site - material inputs per sites and orders;
- For Auto transport -fuel consumed;
- For the Principal activity - generating electricity, as follows:

The social expenses are allocated under the coefficient method, based on the number of personnel, engaged in the activities 'Generating electricity' and 'Electric energy transmission'.

Administrative costs are carried as current costs. The accrued 'tax on expenses', as per the meaning of the Corporate Income Tax Act, is also accounted here.

The local taxes and fees, as per the meaning of the Local Taxes and Fees Act, are included in the separate profit or loss and other comprehensive income statement under 'Hired services expenses'.

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 company. 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 capitalisation rate to the expenses on that asset. The capitalisation rate is the weighted average of the borrowing costs, attributable to the loans of the company, 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 separate profit or loss and other comprehensive income statement under 'Finance costs'.

4.7. Profit or loss from discontinued operations

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

- Represent a separate major line of business or geographical area of operations;
- Are 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.

Gains and losses from discontinued operations, as well as components of the prior year's profit or loss are presented in the statement profit or loss and other comprehensive income, as one (total) amount. This is further analysed in the Note 16.

Disclosures of discontinued operations relate to all the activities that have been discontinued as at the date of the separate financial statements for the latest presented reporting period. In case that the activities, previously presented as discontinued are renewed in the current year, the relevant disclosure for the prior reporting period should be adjusted too 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. Since the asset's useful life is regarded to be finite, the capitalised costs are then amortised on the straight-line method, over the defined period of the assets' useful life.

Intangible assets are subsequently measured at their purchase price, less all accumulated amortization and accumulated impairment losses. The impairments conducted are reported as expenses and are recognised in the profit or loss and other comprehensive income statement 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 each financial reporting year-end.

Changes in the expected useful life or in the pattern of consumption of the 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 expenses, incurred in respect of intangible assets after their initial recognition, are recognised in the statement profit or loss and other comprehensive income for the period, when such are incurred, except of the cases when, because of these subsequently incurred expenses, the intangible asset can generate more than the initially estimated future economic benefits, and when such expenses 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. If these conditions are satisfied, the incurred expenses are added to the cost of the asset.

The Management estimates the residual value and useful life of intangible assets at the financial reporting year-end.

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

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

Amortization expenses are included in the separate statement of profit or loss and other comprehensive income under 'Depreciation and amortization expenses'.

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 profit or loss and other comprehensive income statement when the asset is disposed.

The intangible assets, created under the company's development activities to serve the purpose of intergroup users, are recognised by the expertise committee that is appointed by the company's Management, depending on the intangible asset's completion stage, if the below conditions are met:

- availability of technical ability to complete the asset;
- intention 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 inter-company use;
- The expenses, incurred in the development of the asset, can be measured;

Research and Development activities

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

Research and Development expenses, 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 activity

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 measured reliably, the product or the process is technically and commercially possible, future economic benefits are probable and the company intends 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.

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

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

The approved materiality threshold in respect of the intangible assets of the company 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	Land	Revaluation model
2	Improvements on lands and terrains	Revaluation model
3	Buildings and constructions	
	• Solid	Revaluation model
	• Hollow	Cost (acquisition cost) model
4	Plant, machines and equipment	Revaluation model
5	Computer Systems	Acquisition price
6	Vehicles	
	• Freight vehicles	Revaluation model
	• Automobiles	Acquisition price
	• Freight vehicles	Revaluation model
7	Furniture, Fixtures and Fittings	Cost (acquisition cost) model
8	Spare parts carried as PPE	Revaluation model
9	Other PPE	Cost (acquisition cost) model

Property, plant and equipment, subsequently measured under the revaluation model, are carried at evaluated amount — that being their fair value at date of revaluation less any subsequently accumulated depreciation and impairment losses. The conducted revaluations are recognised in the statement profit or 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 sold 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 ones every three years;
- When the fair value of PPE frequently changes significantly, property, plant and equipment are revalued in shorter intervals, so that the earning 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 asset differs materially from its fair value as at year-end.

In this regards, during the annual inventor)- count at year-end (at the end of the financial reporting period), the company 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 values 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. The impairments conducted are reported as expenses and are recognised in the profit or loss and other comprehensive income statement for the respective period.

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

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 Company. 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
Plant, machines and equipment	5-55 years
Mobile telephones	3-5 years
Lifting equipment	22-55 years
Portable tools	5-19 years
I&C 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 approved materiality threshold in respect of the property, plant and equipment of the Company amounts to BGN 700.00.

4.10. Investment properties

An Investment property is recognised 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 Company; and
- Its cost can be measured reliably.

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

The company applies the fair value model for subsequent measurement of investment property.

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 date of preparation of the financial statements.

Gains / Losses, arising from changes in the fair value of 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 company - 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 company and leasing to third parties - for transfers from owner-occupied property to investment property;
- commencement of an operating lease, of an asset, presented as inventories, 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 at the reclassification date becomes its acquisition cost, used for subsequent measurement.

When the used by the company property becomes investment property carried at fair value, all differences between the earning amount of the property, in accordance with IAS 16, and its fair value 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 derecognised 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 earning amount of the asset, and are recognised in the statement of profit or loss and other comprehensive income (unless IAS 17 requires otherwise on a sale or leaseback).

4.11. Investments in subsidiaries

Subsidiaries are all entities, controlled by the Company. The company'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 Company.

The company recognises dividends from subsidiaries in profit or loss, in its separate financial statements, when the company's right to obtain those dividends is established.

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

When estimating the amount of impairment, the company 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 ones per annum. All other separate assets, or cash-generating units, are tested for impairment when events, or changes in the circumstances, indicate that their earning 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 recognised as impairment losses. When determining the value in use, the Company's Management calculates the expected future cash flows for each cash-generating unit and determines appropriate discounting factor in order to calculate the present value of these cash flows. The data, used in the impairment testing, are based on the latest approved budget for the company, 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 risk profile as assessed by the Company's management.

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

4.13. Reporting leases — the company as a leaser

Leasers 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 recognised 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 leaser with regards to the negotiation and settlement of the operating lease, are added to the carrying amount of the leased asset

and are recognised as an expense, over the lease term, on the same basis as the one applied in respect of the lease income.

Lesers must recognise the total expenses, incurred for stimulus under leases (provided by the leaser) 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 Company becomes a party to the contractual terms of financial instruments.

Financial assets are derecognised when the Company 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 derecognised when the financial liabilities are settled, repaid, or the transaction is cancelled or expired.

On initial recognition, the Company 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 recognised at fair value.

Financial assets are recognised 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 of 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 Company'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 date of the financial statements. Financial assets are impaired when there is 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 profit or loss and other comprehensive income under 'Finance costs' or 'Finance income', except for impairment losses of trade and other receivables, which are included in 'Other expenses'.

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

Loans and receivables

Loans and receivables, initially incurred in the company, 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 company fall under this category of financial instruments. No discounting is performed when the effect of such is insignificant.

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

Significant receivables are tested separately for impairment, when such are outstanding as of the date of the financial statements, or when there is objective evidence that the counterpart 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 insolvent/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 profit or loss and other comprehensive income under 'Other expenses'.

When the available information for determining the amount of the impairment is limited, the impairment estimation is based on historic data, deriving from the company'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 total sales of thermal energy to physical persons).

The degree (amount) of impairment of receivables, arising from sales of thermal energy 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, which are 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. Interest accrued under the effective interest rate method and dividends are recognised in profit or loss as 'Finance income'. Reversals of impairment losses are recognised in other comprehensive income, except for reversals of impairment losses, incurred under debt financial instruments. In the case of the latter, 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 company include loans, trade and other payables.

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 related to interest and changes in the fair value of financial instruments, if any, 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 company. Bank loans are disclosed in the separate statement of financial position of the company, 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 profit or loss and other comprehensive income, on an accruals basis, using the effective interest rate method, and are added to the earning amount of the financial liability to the extent to which such are not settled 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 amortised 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. Inventories

Inventories include materials, work-in-progress and goods. The cost of inventories comprises the 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 cost of inventories. At the end of each reporting period, inventories are carried at the lower of cost and net realisable value. The amount of any impairment of inventories to net realizable value is recognised as an expense in the period of impairment.

The net realisable 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 inventory is impaired to net realisable value and in a subsequent reporting period it is established that the circumstances, which previously caused the inventory 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 inventory for the period in which the reversal occurs.

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

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

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 of 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 liabilities are these liabilities to, or receivables from, the tax authorities for the current or 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 profit or loss, disclosed in the financial statements. Current tax calculations are based on the tax rates and the tax legislation, in force as of the reporting date.

Deferred tax is 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 period 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 they 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 of future taxable income incurring, against which the deferred tax assets to be utilised.

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

Changes in deferred tax assets and in deferred tax liabilities are recognised as a component of the taxable profit or loss, in profit or loss, unless if such are not related with items, recognised in other comprehensive income or directly in equity. In the case of the latter, 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 deposits of up to 12 months.

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

When the Company has assumed a commitment to distribute an asset (or a disposal group) to the owner, the asset or the disposal group is classified as 'held for distribution to the owner' and it is presented separately in the separate statement of financial position. For this purpose, 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. The actions that are required to complete the distribution should indicate that it is unlikely significant changes will be made to the distribution or the distribution to be withdrawn.

Liabilities are classified as held for distribution to the owner and are presented as such in the separate 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 company 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 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 'Related parties' payables' in the separate 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 company's owner are presented separately, in the statement of changes in equity.

4.21. Retirement employee benefits and short-term employee benefits

The Company 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. Current liabilities for employee benefits (liabilities to employees) include salaries and wages, and social insurance contributions.

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

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

Defined contribution plans are retirement plans, under which the Company pays fixed contributions to independent entities. The company has no other legal or constructive obligations after the payment of fixed contributions. The company pays fixed contributions under government (state) programs and pension insurance contributions for its employees in respect of defined benefit plans. The Government of the Republic of Bulgaria is responsible to ensure pensions, under defined benefit contribution plans. The expenses relating to the company's obligation to pay contributions under defined benefit plans are recognised 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 legal liabilities for defined benefits payments remain liabilities of the Company.

In accordance with Art. 222, para. 3 of the enacting in Bulgaria Labour Code (LC) and the Collective Labour Agreement (CLA), the Company, as an 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 LC, after an employee has obtained the right to retirement, based on his/her years of services and age, the company is obliged to pay him/her one-off compensation in the amount of two gross salaries. In cases when the retiring employee has worked in the Company for at least 10 (ten) years and has received a notification, within the CLA framework, under Art. 45 that he/she has obtained the right to retirement (based on his/her years of service and age) under Art. 68 or Art. 69 (b) of the SIC, in addition to the compensation, due under Art. 222, para. 3 of the LC, that employee obtains and the right to additional compensation.

In accordance with Art. 44 of the Collective Labour Agreement, when labour relations are terminated on the grounds of Art. 325, para. 1, item 9 and Art. 327, para. 1, item 1 of the Labour Code, and given that in the last 5 years the employee, or the worker, who is being dismissed/retired has not received any compensation on such grounds, the employee or worker is entitled to 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 Kozloduy NPP EAD, prior to his/her dismissal:

- Between 5 and 10 years of service — 8 gross salaries;
- Between 10 and 15 years of service — 10 gross salaries;
- Between 15 and 20 years of service — 12 gross salaries;
- Between 20 and 25 years of service — 14 gross salaries;
- Between 25 and 30 years of service — 16 gross salaries;
- Over 30 years of service — 18 gross salaries;

In accordance with Art. 46, para. 1 of the Collective Labour Agreement, an employee or 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 multiplying the years of service under labour category 1 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 1,0.

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

The liabilities, recognised in the separate statement of financial position, relating to defined benefit plans, represent the present value of the liabilities to pay defined benefits as at year-end.

The Company's Management estimates the liabilities under defined benefits, on an annual basis, with the help of an independent actuary, using the estimated credit unit method. 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 labour relations are terminated due to illness, the retiring worker or employee is entitled to compensation, payable by the company in accordance with Art. 222, para. 2 of the LC and the CLA, given that in the last 5 years of service he/she has not received any compensation on these grounds and he/she has served Kozloduy NPP EAD prior to his/her retirement (dismissal).

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

Interest expenses, relating to retirement (pension) liabilities, are included in the statement of profit or loss and other comprehensive income, under 'Finance costs'. All other expenses, incurred in respect of retirement (pension) remunerations are included under 'Employee benefits expenses'.

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

4.22. Financing (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 separate statement of financial position of the company when there is reasonable assurance that the company 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. Grants, 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 actuary 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 from the company and 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 only when a detailed 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. Provisions for future operating losses are not recognised.

The amount, recognised as provision, is computed based on the most reliable estimate of the expenses, required to settle a present obligation 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 liabilities group as a whole. Provisions are discounted when the effect of the temporary differences in the value of money is significant.

Compensations from third parties, relating to given obligation, for which there is reasonable certainty that will be obtained by the company, 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 should be subsequently measured at the higher of the comparable provision described above and the initially recognised amount less the accumulated depreciation (amortization).

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

4.24. Estimates, which are of significant importance in the application of the Company's accounting policy. Key best estimates and assumptions, carrying high level of uncertainty

4.24.1. Useful life of depreciable assets

The 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 Company's Management. As of 31 December 2017, the Management determined the useful life of assets - that being the expected period of the assets' use by the Company. The book values of property, plant and equipment are analysed in Note 4.9, and the book value of intangible assets is analysed under Note 4.8.

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

The Company 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. In the absence of an active market, the Management uses reports of independent certified appraisers and employs various techniques to measure the fair value of financial instruments and of non-financial. 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 Company subsequently accounts major groups of property, plant and equipment, and investment property at revalued amounts, using reports of independent external appraisers 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 5 'Property, plant and equipment' and Note 7 'Investment property'.

The Management believes that the fair value of property, plant and equipment, and investment property, as well as of financial instruments, including cash and cash equivalents, trade and other receivables, granted and obtained loans, trade and other payables, 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

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 of nuclear fuel for the respective period.

Measurement

Inventory, at carrying amount as at 31 December 2017 of BGN 58,762 thousand (31 December 2016: BGN 60,320 thousand), is measured at the lower of the acquisition cost and its 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 for retirement employee benefits

Liabilities for retirement employee benefits are determined based of actuarial valuations. This valuation requires certain assumptions to be made regarding the discounting rate, the future increase in salaries, the

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

personnel's turnover and the mortality rates. Due to the long-term nature of liabilities for retirement employee benefits, these assumptions are subject to significant uncertainty. As at 31 December 2017, the Company's liabilities for retirement employee benefits amount to BGN 58,085 thousand (31 December 2016: BGN 50,700 thousand). Additional information on the liabilities for retirement employee benefits is disclosed under Note 21.

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

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 recognised as impairment losses. In determining the value in use, the Company'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 Company's assets, in the next reporting period. In most cases, the appropriate adjustments, related with the market risk and the risk factors, specific to the separate assets, are assessed in determining the applicable discounting factor. The company has not reported impairment loss on non-current assets, in 2017 (2016: - same as above).

4.24.6. Impairment of loans and receivables

The company 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 ageing analysis of receivables, based on past experience on the level of derecognition of doubtful debts and bad debts, as well as based on an analysis of the respective client's ability to settle his liabilities, of any changes in the contracted payment conditions, etc. If the financial position and operating results of clients deteriorate (above the expected levels), the receivables, which must be written-off in subsequent reporting periods, may exceed the estimated as of the reporting date. As of 31 December 2017, the Management's best estimate on the need of impairment of receivables, amounts to BGN 7,329 thousands (31 December 2016: BGN13,122 thousand). Further information is disclosed under Note 14.

4.24.7. Deferred tax assets

The estimation of the probability of realizing deferred taxable income, against which the deferred taxable assets to be utilized, 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 credits. The tax rates in the different jurisdictions, in which the company operates, are also taken into account. If the reliable estimate of taxable income implies the probable use of a deferred tax asset, especially in cases when the asset can be used without any time restrictions, the deferred tax asset is recognised 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 of transport, processing and storage of spent nuclear fuel

In accordance with the effective, until 2030, Strategy for Management of the Spent Nuclear Fuel and Radioactive Waste, adopted by a Decision of the Council of Ministers on 02.09.2015, the Company has a regulatory obligation to transport at minimum 50 tons of heavy metal per year spent nuclear fuel (SNF) for processing and storage in Russia, in the presence of favourable financial and economic conditions.

In 2017, one shipment to Russia of 8 containers containing 232 assemblies of WWER-440 SNF was carried out. On 08.02.2018 a Technical Expert Council meeting was held examining the technical, economic and legal aspects of the possibility for Kozloduy NPP to carry out shipments of spent nuclear fuel from WWER-440 and WWER-1000 to Russia in 2018 and the following years. According to the decision taken in 2018 no transfer of SNF from WWER-440 and WWER-1000 from Kozloduy NPP to Russia is envisaged. At the meeting, a decision was taken to start exploring the possibility of transporting spent nuclear fuel from WWER-1000.

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

Provision for 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 with uncertain timing and amount. Provisions are recognised only if the following criteria are satisfied:

- The entity has a present liability, 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.

Based on the requirement of the Standard on the reliable estimates' term, the Company has not accrued any provisions for 'decommissioning of nuclear facilities' and for 'safe storage of the spent nuclear fuel', due to the following reasons:

- The Company is subject to specific laws - The Safe Use of Nuclear Energy Act, the Regulation on pricing and Decrees for the Raising Funds in Radioactive Waste Fund (RAWF) and Nuclear Facilities Decommissioning Fund (NFDF) adopted by the Council of Ministers. In accordance with the requirements of these statutory acts, current expenses, related to contributions due to those funds, paid into budgetary accounts, are accrued in the statement of profit or loss and other comprehensive income. In compliance with the matching principle of revenue and expenses, under the Accountancy Act, the price of electricity on the regulated market, as defined by the EWRC, is recognized as an expense to the extent of the contributions, due to the NFDF and the RAWF;

- In connection with the agreements with the European Commission for early closure of Units 1 to 4, the State has agreed funding from external sources for the construction of dry spent fuel storage facility (DSFSF), and the expenses, incurred for salaries and social security contributions of the personnel, employed on Unit 3 and Unit 4, as well as other financing;

- Pursuant to Decision No. 839 of the Council of Ministers, in December 2008 the assets in Unit 1 and Unit 2 were transferred free of charge from Kozloduy NPP EAD to SE RAW, Sofia, whose principal of activity is 'decommissioning'. By Decision No. 1038 of the Council of Ministers dated 19 December 2012, Kozloduy NPP EAD Units 3 and 4 were declared radioactive waste management facilities and their management was transferred to SE RAW. On 01.03.2013 the assets and the employees of Units 3 and 4 were transferred to SE RAW.

In accordance with the statutory requirements, if the implementation of the decommissioning project is more expensive than the estimates approved by the Management Board of the Nuclear Facilities Decommissioning Fund, the additional costs shall be covered by the entity that most recently operated the nuclear (in this case, Kozloduy NPP). Since as of the date of approval of the interim condensed separate financial statements there is no clear national strategy on the decommissioning of nuclear facilities and no estimate of the forecast costs of the project has been made by the Nuclear Facilities Decommissioning Fund, the Company is unable to measure reliably the liability and has not recognized a provision for decommissioning of nuclear facilities as of 31 December 2017 and 31 December 2016.

5. Property, plant and equipment

	Land and buildings	Plant, machines and equipment	Vehicles	Fixtures and other assets	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance as of 1 January 2017	501,304	2,246,708	8,175	65,766	239,477	3,061,430
Additions	1,627	69,762	1,495	1,181	215,886	289,951
Disposals	-	(10,626)	(14)	(277)	(202,025)	(212,942)
Balance as of 31.12. 2017	502,931	2,305,844	9,656	66,670	253,338	3,138,439
Depreciation						
Balance as of 1 January 2017	(18,923)	(239,954)	(1,685)	(40,954)	-	(301,516)
Depreciation	(13,163)	(171,877)	(1,104)	(3,761)	-	(189,905)
Disposals	-	10,305	9	271	-	10,585
Balance as of 31.12.2017	(32,086)	(401,526)	(2,780)	(44,444)	-	(480,836)
Carrying amount as of 31 December 2017	470,845	1,904,318	6,876	22,226	253,338	2,657,603

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

	Land and buildings	Plant, machines and equipment	Vehicles	Fixtures and other assets	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance as of 1 January 2016	455,040	2,031,412	7,408	65,814	402,215	2,961,889
Additions	46,286	216,324	781	154	270,702	534,247
Disposals	-	(1,028)	(14)	(202)	(433,440)	(434,684)
Impairment recognized in equity	(22)	-	-	-	-	(22)
Balance as of 31.12.2016	501,304	2,246,708	8,175	65,766	239,477	3,061,430
Depreciation						
Balance as of 1 January 2016	(6,115)	(80,847)	(620)	(37,427)	-	(125,009)
Depreciation	(12,808)	(159,889)	(1,073)	(3,727)	-	(177,497)
Disposals	-	782	8	200	-	990
Balance as of 31.12.2016	(18,923)	(239,954)	(1,685)	(40,954)	-	(301,516)
Carrying amount as of 31 December 2016	482,381	2,006,754	6,490	24,812	239,477	2,759,914

Review for impairment

In accordance with the Company accounting policies property, plant and equipment are revalued once in every 3 years or at shorter intervals if there are indications that their carrying amount significantly differs from their fair value. As of 30 June 2015 revaluation was carried out of the property, plant and equipment. As of 31 December 2017 the Company has reviewed the property, plant and equipment for indications whether their carrying amount differs significantly from their fair value. The terms and way of use of the Company's assets were reviewed as of 31 December 2017. No indications that the carrying amount of property, plant and equipment was significantly different from its fair value as at 31 December 2017 were established as a result of this review and a new revaluation of property, plant and equipment is not necessary.

Review for impairment

As of 31 December 2017, impairment tests have been prepared that do not show indications of performing such (31 December 2016: same as above). No indications that the carrying amount of property, plant and equipment exceeds their recoverable value were established as a result of the conducted review.

Expenses for acquiring long-term tangible assets

As of 31 December 2017 the acquisition costs of non-current tangible assets amount to BGN 253,338 thousand and are mainly related to:

- Activities to extend the operational life of Units 5 and 6;
- Project to improve the generation efficiency in the Company.

Advance payments for acquisitions of non-current assets, amount to BGN 1,004 thousand as at 31 December 2017 (31 December 2016: BGN1,049 thousand) which are included in the non-current tangible assets' acquisition cost.

Collaterals on loans

The Company has not pledged any property, plant and equipment as collaterals of its liabilities.

Other disclosures

As a result of the complexity of property, plant and equipment, recognized under their remeasured value, and the long periods of their possession by the Company, disclosures of the carrying amount of these assets, if they were measured after initial recognition at acquisition cost, is impracticable.

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

6. Intangible assets

The carrying amounts of the intangible assets for the reporting period can be analysed as follows:

	Development products	Patents and licences	Software	Other	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount					
Balance as of 1 January 2017	47,578	4,266	14,041	69,743	135,628
Additions	5,646	312	777	-	6,735
Disposals	-	(300)	(503)	-	(803)
Balance as of 31 December 2017	53,224	4,278	14,315	69,743	141,560
Depreciation					
Balance as of 1 December 2017	(45,822)	(2,480)	(11,675)	(69,743)	(129,720)
Depreciation	(540)	(254)	(679)	-	(1,473)
Disposals	-	300	503	-	803
Balance as of 31.12.2017	(46,362)	(2,434)	(11,851)	(69,743)	(130,390)
Carrying amount as of 31 December 2017	6,862	1,844	2,464	-	11,170
	Development products	Patents and licences	Software	Other	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount					
Balance as of 1 January 2016	47,578	2,976	13,677	69,743	133,974
Additions	-	1,309	372	131	1,812
Disposals	-	(19)	(8)	(131)	(158)
Balance as of 31.12.2016	47,578	4,266	14,041	69,743	135,628
Depreciation					
Balance as of 1 January 2016	(45,284)	(2,331)	(11,043)	(69,743)	(128,401)
Depreciation	(538)	(167)	(639)	-	(1,344)
Disposals	-	18	7	-	25
Balance as of 31.12.2016	(45,822)	(2,480)	(11,675)	(69,743)	(129,720)
Carrying amount as of 31 December 2016	1,756	1,786	2,366	-	5,908

The research and development activity products are the result of scientific research on programs and methodologies, created models of external services or authorial teams of Kozloduy NPP.

The Company has conducted an impairment test for the intangible assets as at 31 December 2017. No indicators have been established that the carrying amount of the assets exceeds their recoverable amount.

The Company has not pledged any intangible assets as collaterals of its liabilities.

7. Investment properties

Investment properties represent real estate - land and a building, located in Sofia. The movement of investment properties for the period is as follows:

	31 December 2017	31 December 2016
	BGN '000	BGN '000
At the beginning of the year	4,059	3,034
Increase from fair value measurement	36	1,025
At the end of the year	4,095	4,059

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

Fair value measurement

Investment property was measured at fair value as at 31 December 2017. The fair value measurement is based on the observable and unobservable data, adjusted by specific factors, such as area, location and current use. The performed valuation is consistent and recurring due to the application of the fair value model under IAS 40 and is performed regularly as at the date of each financial statement with the assistance of independent certified appraisers. The input data, used in the valuation, are subject to adjustments, but are directly or indirectly available for observation. As a result, the hypothesis employed is categorized as hypothesis of Level 2.

The table below provides a description of the valuation techniques, used to determine the fair value of investment property for 2017, and the significant unobservable input data used:

Valuation method	Weight of the valuation method	Valuation techniques	Significant unobservable input data
Comparative method	50%	Market prices of similar properties in the same and nearby locations	Information on concluded transactions, prices of identical properties
Income method	50%	Capitalized rental income method, discounted cash flows	Rental rates for the respective region, for the respective type of property
Cost of assets method	0%	Current valuation method	Analysis of the property based on the costs to construct it at the time of the valuation, increased by the value of the land and the improvements, made on the property

Operating lease as a lessor

The Company has concluded a contract to lease real estates - land and building - for a period of 10 years.

The future minimum lease payments under the contract are as follows:

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Up to 1 years of age	285	285
From 1 to 5 years	1,141	1,141
Over 5 years	760	1,045
	<u>2,186</u>	<u>2,471</u>

8. Investments in subsidiaries

The Company has the following investments in subsidiaries:

Subsidiary name	Country of incorporation	Principal activities	31 December 2017		31 December 2016	
			BGN '000	%	BGN '000	%
Kozloduy NPP - New Build EAD	Bulgaria	Constructing of power units	14,000	100	14,000	100
KOZLODUY HPP EAD	Bulgaria	Generation and sale of electricity	1,082	100	1,082	100
Interpriborservice OOD	Bulgaria	Maintenance services	79	63,96	79	63,96
			<u>15,161</u>		<u>15,161</u>	

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

Investments in subsidiaries are accounted in the separate financial statements of the company at cost.

The company owns 100% of the capital of Kozloduy NPP - New Builds EAD, Kozloduy, comprised of 1,400,000 ordinary, registered shares at nominal value of BGN 10 each.

The company owns 100% of the capital of Kozloduy HPP EAD, Kozloduy, comprised of 1,082 ordinary, registered shares value of BGN 1,000 each.

The company has a controlling interest of 63.96% in the capital of Interpriborservice OOD, Kozloduy. The company owns 71 share of its capital which amounts to 111 shares, at nominal value of BGN 100 each. The investment amounts to BGN 79 thousand. 41 shares were initially acquired for BGN 4 thousand and 30 additional shares were purchased from DZU Stara Zagora for BGN 75 thousand in 2001. The transactions with this company relate to deliveries of assets, supplies related to assets' modernization and reconstruction, as well as purchases of inventory and hired services.

In 2017 Kozloduy HPP EAD distributed dividends amounting to BGN 777 thousand and Interpriborservice OOD amounting to BGN 56 thousand. The subsidiaries have not distributed any dividends in 2016.

The Company does not have provisional debts or other undertaken commitments, related to investments in subsidiaries.

9. Non-current trade and other receivables

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Trade receivables	5,123	-
Financial assets	5,123	-
Non-current trade and other receivables	5,123	-

With effect from 28 December 2017, an agreement was signed with Arcadia Service AD for rescheduling of overdue receivables for sold electricity amounting to BGN 7,821 thousand at an agreed annual interest of 10%. The deadline for repayment of the liabilities under the agreement is 30 June 2019. Receivables are secured by pledge of movable property and current and future receivables.

With effect from 28 December 2017, an agreement was signed with Energy Financing Group AD for rescheduling of overdue receivables for sold electricity amounting to BGN 6,813 thousand at an agreed annual interest of 10%. The deadline for repayment of the liabilities under the agreement is 30 June 2019. Receivables are secured by pledge of movable property and current and future receivables.

10. Available-for-sale financial assets

The company has 1.12% (50,400 shares) participation in the capital of the ZAD Energia, Sofia, established in Bulgaria. Allianz Bulgaria Holding AD is the majority shareholder of ZAD Energia. The carrying amount of available-for-sale financial assets is presented as follows:

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Shares in ZAD Energia	232	232
Carrying amount	232	232

The shares of ZAD Energia 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.

The company received dividends of BGN 251 thousand from ZAD Energia in 2017 (2016: BGN 302 thousand).

Non-current
property, plant and
equipment

Current assets
Inventory
Trade and other receivables

Non-current
liabilities for retirement

Current liabilities
Provisions
Unused leaves by the persons
Accrued bonus to the persons

Deferred tax assets
Deferred tax liabilities
Recognised as:
Deferred tax liabilities

Deferred tax for the period
Deferred tax assets

Non-current assets
property, plant and equipment
property, plant and equipment
property, plant and equipment
Investment property

Current assets
Inventory - impairment
Trade and other receivables

Non-current liabilities
liabilities for retirement

Current liabilities
Provision for Spent Nuclear Fuel
Unused leaves by the persons
Accrued bonus to the persons

Deferred tax assets
Deferred tax liabilities
Recognised as:
Deferred tax liabilities, net

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D
D
effect
effect

Non-current
property,
property,
property,
Investment

Current as
Inventory -
Trade and

Non-current
liabilities for

Current liability
Provisions
Unused leaves by
Accrued bonus to

Deferred tax assets
Deferred tax liability
Recognised as:
Deferred tax liability

Deferred tax for the
Deferred tax assets

Non-current assets
property, plant and equipment
property, plant and equipment
property, plant and equipment
Investment property

Current assets
Inventory - impairment
Trade and other receivables

Non-current liabilities
liabilities for retirement expenses

Current liabilities
Provision for Spent Nuclear
Unused leaves by the persons
Accrued bonus to the persons

Deferred tax assets
Deferred tax liabilities
Recognised as:
Deferred tax liabilities, net

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

11. Deferred tax assets / (liabilities)

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

Deferred tax assets / (liabilities)	1.1.2017	Recognised in other comprehensive income	Recognised in profit or loss	31.12.2017
	BGN '000	BGN '000	BGN '000	BGN '000
Non-current assets				
property, plant and equipment - revaluation	(154,463)	-	-	(154,463)
property, plant and equipment - depreciation	(40,849)	-	7,240	(33,589)
property, plant and equipment - impairment	465	-	-	465
Investment property — revaluation	(103)	-	(3)	(106)
Current assets				
Inventory - impairment	1,062	-	(11)	1,051
Trade and other receivables - impairment	1,312	-	(579)	733
Non-current liabilities				
liabilities for retirement employee benefits	5,070	508	231	5,809
Current liabilities				
Provisions	2,994	-	(2,927)	67
Unused leaves by the personnel	1,454	-	367	1,821
Accrued bonus to the personnel	564	-	90	654
	<u>(182,494)</u>	<u>508</u>	<u>4,428</u>	<u>(177,558)</u>
Deferred tax assets	12,921			10,600
Deferred tax liabilities	<u>(195,415)</u>			<u>(188,158)</u>
Recognised as:				
Deferred tax liabilities, net	<u>(182,494)</u>			<u>(177,558)</u>

Deferred tax for the comparative period 2016 can be summarized as follows:

Deferred tax assets / (liabilities)	1.1.2016	Recognised in other comprehensive income	Recognised in profit or loss	31.12.2016
	BGN '000	BGN '000	BGN '000	BGN '000
Non-current assets				
property, plant and equipment - revaluation	(154,465)	2	-	(154,463)
property, plant and equipment - depreciation	(45,685)	-	4,836	(40,849)
property, plant and equipment - impairment	465	-	-	465
Investment property — revaluation	-	-	(103)	(103)
Current assets				
Inventory - impairment	1,118	-	(56)	1,062
Trade and other receivables - impairment	969	-	343	1,312
Non-current liabilities				
liabilities for retirement employee benefits	3,976	1,182	(88)	5,070
Current liabilities				
Provision for Spent Nuclear Fuel	2,994	-	-	2,994
Unused leaves by the personnel	1,284	-	170	1,454
Accrued bonus to the personnel	253	-	311	564
	<u>(189,091)</u>	<u>1,184</u>	<u>5,413</u>	<u>(182,494)</u>
Deferred tax assets	11,059			12,921
Deferred tax liabilities	<u>(200,150)</u>			<u>(195,415)</u>
Recognised as:				
Deferred tax liabilities, net	<u>(189,091)</u>			<u>(182,494)</u>

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

12. Nuclear Fuel

	Fuel loaded in the reactors	Fresh Nuclear Fuel	Total
	BGN '000	BGN '000	BGN '000
as of 01 January 2016	82,478	153,423	235,901
Fuel, purchased within the year	-	133,766	133,766
Transfers	134,587	(134,587)	-
Fuel, spent within the year	(144,857)	-	(144,857)
as of 31 December 2016	72,208	152,602	224,810
Fuel, purchased within the year	-	140,774	140,774
Transfers	133,370	(133,370)	-
Fuel, spent within the year	(130,141)	-	(130,141)
as of 31 December 2017	75,437	160,006	235,443

13. Inventories

Inventories, recognised in the separate statement of financial position can be analysed as follows:

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Spare parts	49,697	50,469
Fuels	2,973	3,010
Metals	1,053	1,061
Equipment	595	619
Reagents	342	312
Other materials	3,989	4,746
Total Materials	58,649	60,217
Goods	113	103
Total Inventories	58,762	60,320

An impairment of the idle inventory was performed as of 31 December 2017 based on the report of an independent certified appraiser amounting to BGN 591 thousand and a previous periods impairment amounting to BGN 27 thousand was reversed. An impairment of the idle inventory was performed as of 31 December 2016 based on the report of an independent certified appraiser amounting to BGN 10 thousand and a previous periods impairment amounting to BGN 13 thousand was reversed.

Inventory is not pledged as collateral of liabilities.

14. Trade and other receivables

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Trade receivables	32,696	49,634
Impairment of trade receivables	(1,075)	(668)
Receivables from litigations and writs	2,660	8,283
Impairment of receivables from litigations and writs	(2,201)	(8,208)
Receivables from CCB (insolvent) net from impairment	501	501
Other receivables	58	330
Impairment of other receivables	(17)	(210)
Financial assets	32,622	49,662
Advances	4,271	7,818
Prepayments	479	503
Non-financial assets	4,750	8,321
Trade and other receivables	37,372	57,983

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

All receivables are short-term, except those disclosed in Note 9. The net book value of trade and other receivables is accepted as a reasonable estimated amount of their fair value.

As of 31 December 2017 the Company has receivables from Corporate Commercial Bank AD - insolvent at the amount of BGN 4,537 thousand. By decision № 664 / 22.04.2015 of the Sofia City Court, the Corporate Commercial Bank AD (CCB AD) was declared insolvent. Of all the claims filed by the Company for inclusion in the creditors list in the amount of BGN 4,537 thousand were accepted in full by the syndics of the CCB (insolvent).

In 2017 in the Commercial Register a reference of a partial account was published for distribution of the available amounts among the creditors of the bank by the syndics of the CCB (insolvent). According to the distribution of the syndics, Kozloduy NPP shall be reimbursed to the amount of BGN 501 thousand. On the grounds of this information and decisions of the Board of Directors of BEH EAD as per Minutes No. 18-2017/20.02.2017 and Minutes No. 21-2017/07.03.2017, as of 31 December 2016, impairment was performed of the receivables from the CCB (insolvent) to the amount of the reimbursement sum set by the syndics, namely BGN 4,036 thousand.

All trade and other receivables as of 31 December 2017 have been reviewed for indication of impairment. Some trade and other receivables have been impaired and the respective impairment, amounting to BGN 471 thousand (31 December 2016: BGN 3,739 thousand) was recognised in the statement of profit or loss and other comprehensive income, under 'Other expenses'.

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

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Balance as of 1 January	9,086	8,787
Impairment loss	471	610
Reversed impairment loss	(6,264)	(311)
Balance as of 31 December	<u>3,293</u>	<u>9,086</u>

An analysis of the age structure of trade and other receivables is presented in explanation 35.2.

The carrying amount of prepayments includes insurance costs (BGN 428 thousand), subscriptions (BGN 34 thousand) and others (BGN 17 thousand). These refer for the year 2018.

15. Cash and cash equivalents

Cash and cash equivalents include the following items:

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Cash at banks and cash in hand, denominated in:		
- Bulgarian Leva (BGN)		
- Euro (EUR)	175,927	65,877
- US dollars (USD)	2,108	10,080
- British Pounds (GBP)	174	57
- Canadian dollars (CAD)	1	1
- Swiss Francs (CHF)	-	2
Cash and cash equivalents	<u>1</u>	<u>1</u>
	<u>178,211</u>	<u>76,018</u>

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

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

Reconciliation between the opening and closing balances in the separate statement of financial position as of 31 December 2017 of the liabilities arising from financial activities

Liabilities arising from financial activities	On 1 January	Cash flows from financing activity		Changes of a non-monetary nature - cashless			On 31 December
		Proceeds	Payments	Acquired (increases)	Effect of exchange rate changes	Other changes	
Long-term bank loans	149,272	-	(45,118)	2,034	-	-	106,188
Total Liabilities arising from financial activities	149,272	-	(45,118)	2,034	-	-	106,188

16. Assets distributed to the owner in 2013 and discontinued operations

On 19 December 2012, Decision № 1138 was taken by the Council of Ministers on the announcement of Unit 3 and Unit 4 of Kozloduy NPP as facilities for management of radioactive waste, subject to decommissioning, and declaring these, together with the respective property as private state property, as well as their transfer to the State Enterprise Radioactive waste (SERAW), by simultaneous decrease and increase of the capital of Kozloduy NPP, in the amount BGN 25,411 thousand.

The assets and personnel, associated with Unit 3 and Unit 4, were transferred to SERAW in compliance with the signed bilateral take-over certificates in 2013.

Revenue and expense, associated with Unit 3 and Unit 4, are eliminated from the profit from continuing operations of the company for 2017 and 2016, and are presented in the statement of profit or loss and other comprehensive income, under 'Loss for the year from discontinued operations'.

	31 December 2017	31 December 2016
Profit from discontinued operations	(202)	-
Profit for the year from discontinued operations	(202)	-

In accordance with the effective, until 2030, Strategy for Management of the Spent Nuclear Fuel and Radioactive Waste, adopted by a Decision of the Council of Ministers on 02.09.2015, the Company has a regulatory obligation to transport at minimum 50 tons of heavy metal per year spent nuclear fuel (SNF) for processing and storage in Russia, in the presence of favourable financial and economic conditions.

In 2017, one shipment to Russia of 8 containers containing 232 assemblies of WWER-440 SNF was carried out. On 08.02.2018 a Technical Expert Council meeting was held examining the technical, economic and legal aspects of the possibility for Kozloduy NPP to carry out shipments of spent nuclear fuel from WWER-440 and WWER-1000 to Russia in 2018 and the following years. According to the decision taken in 2018 no transfer of SNF from WWER-440 and WWER-1000 from Kozloduy NPP to Russia is envisaged. At the meeting, a decision was taken to start exploring the possibility of transporting spent nuclear fuel from WWER-1000.

The cash flows, generated by the disposal group, can be presented as follows:

	31 December 2017 BGN '000	31 December 2016 BGN '000
Operating activity		
Payments to suppliers	(9,517)	-
Net cash flows from discontinued operation	(9,517)	-

17. Equity

17.1. Share capital

The registered capital of the Company consists of 23,616,526 fully paid, ordinary, registered shares with a nominal value of BGN 10 each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

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

	31 December 2017	31 December 2016
Number of shares issued and fully paid:	Number of shares	Number of shares
At the beginning of the year	23,616,526	19,649,286
Issue of shares	841,963	3,967,240
Number of shares issued and fully paid	<u>24,458,489</u>	<u>23,616,526</u>
Total number of shares, authorised on 31 December	<u>24,458,489</u>	<u>23,616,526</u>

The sole owner of the Company is Bulgarian Energy Holding EAD. The latter is owned by the Ministry of Energy.

By virtue of Decision of the Board of Directors of BEH EAD dated 23.05.2017 the share capital of the Company was increased with BGN 8,420 thousand, representing the remainder of the net profit of the Company for 2016, by issuing 841,963 new ordinary, registered shares, which represent 3.44 % of all issued shares. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting. 24,458,489 shares were registered in the Commercial Registry on 4 September 2017 and the Company's capital increased to BGN 244,584,890.

17.2. Statutory reserves

Statutory reserves are formed by shareholders companies, such as Kozloduy NPP EAD, as a distribution of the profit according to the provisions of art. 246 from the Commercial Act. They are put aside until their amount reaches one tenth or bigger portion of the share capital. Sources for the formation of statutory reserves are at least one tenth portion of the net profit, share premium account and the funds foreseen in the Statute or by a decision of the Sole Shareholder.

	Statutory reserves BGN '000
Balance as of 01 January 2016	16,561
Reserves increase via retained earnings	3,088
Balance as of 31 December 2016	<u>19,649</u>
Reserves increase via retained earnings	136
Balance as of 31 December 2017	<u>19,785</u>

17.3. Revaluation reserve of non-financial assets

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

	Revaluation reserve of non- financial assets BGN '000
Balance as of 01 January 2016	1,385,905
Revaluation non-financial assets, net of tax	(20)
Transfer to retained earnings upon disposals of assets	(294)
Balance as of 31 December 2016	<u>1,385,591</u>
Transfer to retained earnings upon disposals of assets	(1,346)
Balance as of 31 December 2017	<u>1,384,245</u>

17.4. Other reserves

Other reserves, amounting to BGN 984,126 thousand (31 December 2016: BGN 984,126 thousand) are formed as a result of prior years' profit distribution. Such may be used to pay dividends, to cover losses and for other purposes, pursuant to a decision of the sole shareholder.

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

17.5. Declared and paid dividends

By virtue of Minutes No. 38-2017/10.05.2017 of the Board of Directors of BEH EAD and according to Order No 2 of the Council of Ministers of the Republic of Bulgaria, distribution of dividends from the 2017 profits, amounting to BGN 611 thousand, were approved. The dividend attributable to one share is BGN 0.02. (2016: 1.68 BGN).

As of the date of preparation of the annual separate financial statements, Kozloduy NPP does not owe any dividend to BEH EAD.

In accordance to items 4 of Order № 2 of the Council of Ministers, dated 9 March 2018, for establishment and contributing to the State a portion of the profits, realized by state enterprises and commercial entities, with state interest in their capital, the Company must pay dividends to the State, amounting to 50% of the 2017 profits after tax, and net of the deductions for the "Reserves" Fund. The amount of these dividends should not exceed 50% of the profit, disclosed in the consolidated financial statements for the financial reporting 2017.

18. Loans

	Effective interest rate	Maturity	31 December 2017 BGN '000	31 December 2016 BGN '000
Non-current portion:				
Loan - EURATOM - principal	EURIBOR + 0.079% to 0.13%	from 1 January 2019 to 10 May 2021	66,132	105,004
Current portion:				
Loan - EURATOM - principal	EURIBOR + 0.079% to 0.13%	from 15 January 2018 to 31 December 2018	38,872	42,783
Loan - EURATOM - interest			1,184	1,485
Total loans			40,056	44,268
			106,188	149,272

In 2000, Kozloduy NPP EAD signed an agreement with the European Atomic Energy Community (EURATOM) for a loan amounting to EUR 212,500 thousand (BGN 415,614 thousand). It was aimed to finance the modernization of Kozloduy NPP EAD Units 5 and 6. The loan was acquired in 8 tranches each with different interest, different repayment schedule, and different maturity. The first tranche is at a fixed interest of 5.76%, while the remaining tranches are at floating interest rates, based on a 6-month EURIBOR plus a mark-up, varying from 0.079% to 0.13% for the different tranches. Each tranche has a separately contracted repayment schedules, with 10 May 2021 being the latest contracted maturity date. The loan is irrevocably and unconditionally secured by the Government of the Republic of Bulgaria and by NEK EAD (a related party under common control).

The loan contract contains special clauses with restricting conditions as regards changes of end owners, as well as financial conditions requiring achieving certain levels of leverage ratios and debt service coverage (see explanation 37).

19 Retained amounts under construction contracts

The amounts, retained under construction contracts as of 31 December are as follows:

	31 December 2017 BGN '000	31 December 2016 BGN '000
Non-current	159	87
Current	5,034	3,522
	5,193	3,609

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

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

20 Financing

	31 December 2017 BGN '000	31 December 2016 BGN '000
On 1 January	191,545	191,736
Received within the year	74	3,553
Recognised in profit or loss	<u>(5,615)</u>	<u>(3,744)</u>
On 31 December	<u>186,004</u>	<u>191,545</u>
Non-current	179,950	185,509
Current	6,054	6,036

The financing is obtained by Funds and under programs for construction of property, plant and equipment with ecological purpose.

21 Liabilities for retirement employee benefits

In accordance with the Bulgarian labour legislation and the collective labour contract, the Company is obliged to pay personnel a number of gross monthly salaries upon its retirement, depending on their years of services in the company and the labour category. The defined benefit plan of the personnel upon retirement is not funded.

The plan exposes the Company 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 treasury shares held. The maturity of the securities corresponds to the estimated time of the liabilities under defined benefit plans and such are denominated in Bulgarian Leva. A decline in the market profitability of the treasury shares held will result in increase of the Company'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.

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

The changes in the present value of the liabilities for retirement employee benefits are as follows:

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Balance as of 1 January	50,700	39,759
Interest expense	1,354	1,655
Expenses for current labour experience	6,026	4,893
Expenses for past labour experience	-	(979)
Actuarial (gains)/losses, related with liabilities upon retirement, due to illness, (retirement employee benefits)	37	99
Income, paid to the personnel	(5,111)	(6,551)
Actuarial (gains)/losses from changes in the actual experience	3,226	9,715
Actuarial (gains)/losses from a change in the financial assumptions	1,848	2,018
Actuarial (gains)/losses from changes in the demographic assumptions	5	91
Balance as of 31 December	58,085	50,700
Non-current	49,752	44,073
Current	8,333	6,627

In determining the liabilities for retirement employee benefits, the following actuarial assumptions are employed:

	31 December 2017	31 December 2016
Discounting rate	1.4%	2.5%
Future increase in the remunerations	2% for the first 3 years; After that 2% per annum	2% for the first 3 years; After that 2% per annum

The company's Management has employed these assumptions with the help of an independent certified appraiser. These assumptions are employed in determining the amount of defined benefit payables for the reporting periods and are considered to be the Management's best estimate.

The total amount of the company's retirement employee benefits, recognised in profit or loss, can be presented as follows:

Retirement employee benefits - expenses

	2017	2016
	BGN '000	BGN '000
Expenses for current labour experience	6,026	4,893
Expenses for past labour experience	-	(979)
Interest expense	1,354	1,655
Actuarial (gains)/losses, related with liabilities upon retirement, due to illness, (retirement employee benefits)	37	99
Total expenses, recognised in profit or loss	7,417	5,668

The expenses, incurred with regards to current and past labour experience, as well as the actuarial losses, related with liabilities upon retirement due to illness (retirement employee benefits), are included in 'Employee benefits expenses'. Interest expenses are included in the statement of profit or loss and other comprehensive income, under 'Finance costs'.

The total amount of the Company's expenses under defined benefits, recognised in other comprehensive income, can be presented as follows:

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

	2017	2016
	BGN '000	BGN '000
Actuarial (gains)/losses from a changes in the actual experience	(3,226)	(9,715)
Actuarial (gains)/losses from a change in the financial assumptions	(1,848)	(2,018)
Actuarial (gains)/losses from changes in the demographic assumptions	(5)	(91)
Total Actuarial (gains) / losses, recognised in other comprehensive income	(5,079)	(11,824)

Based on past experience, the Company expects to pay BGN 8,333 thousand contributions under defined benefits in 2018.

The weighted average continuation of the liabilities to pay defined benefits as of 31 December 2017 is 13,8 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 2017:

Changes in significant actuarial assumptions in BGN '000

Discounting rate		
Increase/(decrease) in liabilities under defined benefit plans	Increase by 1% (1,789)	Decrease by 1% 1,957
Percentage increase of salaries		
Increase/(decrease) in liabilities under defined benefit plans	Increase by 1% 1,941	Decrease by 1% (1,809)
Estimated life expectancy		
Increase/(decrease) in liabilities under defined benefit plans	Increase by 1 year 184	Decrease by 1 year (191)
Percentage of personnel's turnover		
Increase/(decrease) in liabilities under defined benefit plans	Increase by 1% (1,911)	Decrease by 1% 2,063

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

22 Trade and other payables

Trade and other payables, reflected in the separate statement of financial position include:

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Liabilities to suppliers		
Other liabilities	62,706	49,838
Financial liabilities	6,260	26,893
Liabilities for remunerations to the personnel	68,966	76,731
Liabilities for social security contributions	22,381	19,940
Tax liabilities	8,047	5,902
Liabilities under contributions to the DNF Fund, the RAW Fund and the ESS Fund	17,246	6,901
Liabilities under received advance payments	14,561	12,524
Non-financial liabilities	33	2,304
Trade and other payables	62,268	47,571
	131,234	124,302

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

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

23 Revenue from sales of production

	2017	2016
	BGN '000	BGN '000
Sales of electricity on a non-regulated market	431,308	622,126
Sales of electricity on a stock exchange market	336,923	52,274
Sales of available capacities	-	40,549
Sales of electricity on a regulated market	145,560	94,664
Sales of electricity on a balancing market	(4,079)	(60)
Revenue from electricity sales	909,712	809,553
Sales of thermal energy	2,138	2,010
Revenue from sales of production	<u>911,850</u>	<u>811,563</u>

24 Income from sale of services, goods and other sales

	2017	2016
	BGN '000	BGN '000
Revenue from penalties and fines under contracts	5,207	10,013
Revenue from sales of services	5,203	5,183
Income from established rights of use	19	5,375
Gains from sales of non-current assets	13	-
Gains from revaluation of investment property	36	1,025
Revenue from insurance events	725	498
Gains from sales of materials	5	47
Revenue from sales of scrap	178	182
Revenue from sales of goods	316	310
Revenue from assets' surplus	74	52
Rental income	230	242
Other income	927	845
	<u>12,933</u>	<u>23,772</u>

25 Cost of materials

	2017	2016
	BGN '000	BGN '000
Nuclear fuel, lubricants and fuels	134,621	136,203
Spare parts and tools	6,040	5,521
Materials for current maintenance	2,205	2,871
Uniform and special outfits	1,023	827
Reagents for production	904	869
Purchased electric energy	569	625
Specialised literature and stationery	206	392
Construction materials and metals	116	110
Advertising materials	86	72
Others	-	2
	<u>145,770</u>	<u>147,492</u>

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

26 Hired services costs

	<u>2017</u>	<u>2016</u>
	BGN '000	BGN '000
Repair and maintenance services	45,410	42,629
Services, provided in connection to extending the licence certification of Unit 5 and Unit 6	22,841	69,568
Water usage fee	1,267	14,062
Property insurance and nuclear damage	15,768	10,993
Armed security and fire security	10,946	9,604
Consulting and audit services	3,512	3,860
Fees for permits by regulatory bodies	5,090	5,808
Transport costs	3,157	3,144
Taxes and fees	3,583	3,255
Sanitation and landscaping	1,753	3,205
Researches, measurements and control	561	641
Services for providing safety food, as per ordinance	2,143	2,143
Water-supply and sewerage services	1,345	1,320
Training and qualification;	349	1,672
Informational, post and telecommunication services	357	349
Medical treatment services	333	271
Others	2,413	2,070
	<u>120,828</u>	<u>174,594</u>

Water usage fees in 2017 are accrued based on the Tariff for Fees for Water Abstraction for Use of Water Site and Pollution, adopted by Decree № 383, of the Council of Ministers, and dated 29 December 2016, effective as of 1 January 2017. By letter dated 28 February 2018 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 declarations for outstanding fees, submitted by Kozloduy NPP EAD, under Art. 194b of the Water Act, for the period from 01 January 2017 to 31 December 2017. The accrued and due amount for 2017 of BGN 1,267 thousand is included in the current expenses for water usage fees for 2017.

In 2017, the Company continued to work on the procedure, which was initiated in 2012, namely to prepare documents for the extension of the operating licenses of Units 5 and 6.

27 Employee benefits expenses

	<u>2017</u>	<u>2016</u>
	BGN '000	BGN '000
Salaries and wages	128,595	122,892
Social security contributions	33,938	31,649
Social expenses, in cash	20,473	18,893
Food expenses, incurred in accordance with Decree № 11	14,403	11,899
Retirement employee benefits	6,063	4,013
Compensations, provided in accordance with the Labour Code	1,007	963
	<u>204,479</u>	<u>190,309</u>

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

28 Other costs

	2017	2016
	BGN '000	BGN '000
Annual instalment in the Decommissioning of Nuclear Facilities Fund		
Annual instalment in the Radioactive Waste Fund	68,228	60,716
Annual instalment in the ESS Fund	27,291	24,299
Donations	45,489	40,478
Impairment of receivables	707	768
Reversal of receivables impairment	471	3,739
Impairment of PPE	(6,263)	(311)
Membership fees	-	-
Social costs	811	878
Shortages and defaults	1,674	391
Business trips	333	600
Impairment of inventory	606	643
Reversal of inventory impairment	591	10
Tax on expenses	(27)	(13)
Entertainment cost	-	532
Penalties and charges under contracts	228	238
Penalties and charges by laws	81	60
Other expenses	7	-
	1,049	212
	<u>141,276</u>	<u>133,240</u>

29 Finance income and finance costs

	2017	2016
	BGN '000	BGN '000
Interest expense under loans		
Total interest expense under financial instruments that are not carried at fair value in profit or loss	2,034	2,522
Interest expenses on liabilities for retirement employee benefits	2,034	2,522
Fees and commissions expenses	1,354	1,655
Negative exchange rate differences	27	36
Financial costs	117	58
	<u>3,532</u>	<u>4,271</u>

The financial income for the reporting period can be analysed as follows:

	2017	2016
	BGN '000	BGN '000
Interest income on loans granted	395	452
Interest income on agreements	1,206	-
Interest income under cash in bank (current accounts)	155	164
Total interest income under financial assets that are not carried at fair value in profit or loss	1,756	616
Revenue from dividends	1,084	302
Positive exchange rate differences	26	57
Other financial revenues	-	43
Financial income	<u>2,866</u>	<u>1,018</u>

30 Income tax expense

The anticipated income tax expenses are based on the applicable tax rate for Bulgaria amounting to 10% (31 December 2016: 10%) and the actual tax expense recognized in profit or loss can be reconciled as follows:

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

	2017	2016
	BGN '000	BGN '000
Accounting profit from continuing operations	130,127	1,145
Accounting profit from discontinued operations	202	-
Accounting profit before tax	130,329	1,145
Tax rate	10%	10%
Estimated income tax expense	(13,033)	(115)
Tax effect of:		
Increase of the financial result for tax purposes	(21,606)	(19,716)
Decrease of the financial result for tax purposes	17,781	14,632
Estimated income tax expense	(16,858)	(5,199)
Deferred tax income/(loss) as a result of:		
Incurrence and reversal of temporary differences	4,428	5,413
Income tax expense	(12,430)	214
Deferred tax income, recognised in other comprehensive income	(508)	(1,184)

Note 11 provides information on the deferred tax assets and deferred tax liabilities.

31 Related party disclosures

The Company discloses the following related parties:

Sole owner of the Company, exercising control (Parent Company)
 Bulgarian Energy Holding EAD (BEH)

Sole owner of the Parent Company
 The Republic of Bulgaria through the Minister of Energy

Subsidiaries

Kozloduy NPP - New Build EAD
 Kozloduy HPP EAD
 Interpriborservice OOD

Entities under common control with the Company (entities within the Group)

Natsionalna Elektricheska Kompania EAD, TPP Maritsa East 2 EAD, Mini Maritsa - Iztok EAD, Bulgargaz EAD, Bulgartel EAD, Bulgartransgaz EAD, Elektroenergien Sistemen Operator EAD, TPP Maritsa East 2 (9 and 10) EAD, PFC Beroe - Stara Zagora EAD, Bulgartel Skopje DOOEL, Gauging and Information Technologies Energy Operator EAD (in liquidation), Independent Bulgarian Energy Exchange EAD

Associates for BEH Group

ContourGlobal Maritsa East 3 AD, ContourGlobal Operations Bulgaria AD, ZAD Energia, POD Allianz Bulgaria AD, HEK Gorna Arda AD

Joint ventures for BEH Group

ICGB AD, South Stream Bulgaria AD, Transbalkan Electric Power Trading S.A. – NECO S.A.

Other – all enterprises connected with the State.

Company's key management personnel as of 31 December 2017:

Zhaklen Yosif Koen, Chairman of the BoD
 Ivan Todorov Yonchev, Member of the BoD
 Ivan Todorov Andreev, Member of the BoD and Chief Executive Officer

Key management personnel of the Parent Company as of 31 December 2017:

Peter Asenov Iliev, Chairman of the BoD
 Zhivko Dimitrov Dinchev, Member of the BoD
 Petyo Angelov Ivanov, Member of the BoD and Chief Executive Officer

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

Unless explicitly disclosed, the related party transactions were not carried out under special terms and conditions and no guarantees were provided or received in respect of such transactions.

31.1 Related party transactions and related party payables as at year-end

		Sales to related parties including dividends	Purchases from 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
		BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
<i>Sole owner:</i>							
BEH EAD	2017	144	934	28	-	28	43
BEH EAD	2016	148	39,940	29	-	29	26
<i>Subsidiaries:</i>							
Interpriborservice OOD	2017	102	6,707	62	-	62	613
Interpriborservice OOD	2016	62	6,134	7	-	7	656
Kozloduy HPP EAD	2017	1,177	-	-	-	-	-
Kozloduy HPP EAD	2016	464	-	-	-	-	-
Kozloduy NPP - New Build EAD	2017	16	-	1	-	1	2
Kozloduy NPP - New Build EAD	2016	20	-	4	-	4	3
(continued)		Sales to related parties including dividends	Purchases from 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
<i>Other related parties (under joint control)</i>							
NEK EAD	2017	149,086	83	157,929	-	157,929	187
NEK EAD	2016	157,079	52	112,030	-	112,030	315
ESO EAD	2017	487	4,564	379	-	379	4
ESO EAD	2016	547	615	373	-	373	3
IBEX EAD	2017	333,769	258	18,410	-	18,410	8,230
IBEX EAD	2016	52,274	171	1,091	-	1,091	48
TPP Maritsa East 2 EAD	2017	69	-	928	-	928	-
TPP Maritsa East 2 EAD	2016	5,420	220	5,426	-	5,426	-
ZAD Energia	2017	978	14,777	727	-	727	-
ZAD Energia	2016	7	10,216	499	-	499	-
	2017						
	2016						
						178,464	9,079
						119,459	1,051

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 every financial year based on the analysis of the financial position of the respective related party and the market on which it operates.

KOZLODUY NPP EAD
Separate Financial Statement
31 December 2017

In February 2017, the Company signed an agreement with NEK EAD for rescheduling of outstanding receivables resulting from electricity sales amounting to BGN 47,497 thousand and interest amounting to BGN 14,934 thousand at contracted annual interest rate of 3%. The maturity date of the obligations under the Agreement concluded is 31 January 2020. As of 31 December 2017, the non-current portion under this Agreement is BGN 23,039 thousand and the current portion is BGN 20,766 thousand.

In February 2017, the Company signed an agreement with TPP Maritsa East 2 EAD for rescheduling of outstanding receivables resulting from electricity sales amounting to BGN 5,036 thousand and interest amounting to BGN 471 thousand at contracted annual interest rate of 3%. The maturity date of the obligations under the Agreement concluded is 20 February 2018.

31.2 Loans granted to related parties

	<u>31 December 2017</u>	<u>31 December 2016</u>
	BGN '000	BGN '000
Non-current portion:		
Principal	12,740	14,940
Current portion:		
Principal	2,200	2,150
Interest	174	202
	<u>2,374</u>	<u>2,352</u>
Total loans granted	<u>15,114</u>	<u>17,292</u>

The loan is provided to the subsidiary Kozloduy HPP EAD in accordance with a decision of Bulgarian Energy Holding EAD on 7 November 2008. The credit line amounted to BGN 20,000 thousand and it would mature in 2020. An annual interest rate equalling the BIR as at the date of payment of the due instalment plus 0.30% margin was negotiated. Pursuant to Protocol No. 1-2015 of 12 January 2015, BEH EAD approved signing of Annex 4 to the Contract for Credit Line No. 880080 of 7 October 2008 concluded between Kozloduy NPP EAD in its capacity of creditor and Kozloduy HPP EAD in its capacity of debtor. As a result, the Annex was concluded on 20 January 2015 and entered in force on 14 July 2014, the loan maturity date set to 15 January 2024. The repayment of the loan began on 15 July 2013. The loan shall be repaid in 22 instalments, the first 2 instalments amounting to BGN 150 thousand (15 July 2013) and BGN 1,300 thousand (15 January 2014) respectively. A repayment schedule was prepared for the remaining 1/15 of the unpaid principal after 15 January 2014. In accordance with this Annex, the annual interest rate is floating and equals the BIR plus 2.5% margin. In 2017, Kozloduy HPP EAD repaid BGN 2,150 thousand and the credit balance as of 31 December 2017 amounted to BGN 14,940 thousand. The loan is secured by a promissory note. The interests accrued in 2017 amounted to BGN 395 thousand (2016: BGN 452 thousand).

31.3 Transactions with key management personnel

The key management personnel of the Company consists of the members of the Board of Directors. The disclosed remuneration of the key management personnel includes the following expenses:

	<u>2017</u>	<u>2016</u>
	BGN '000	BGN '000
Short-term remuneration:		
Salaries and wages, including bonuses	148	130
Social security contributions	20	19
Social costs	25	22
Compensations	-	18
Total remuneration	<u>193</u>	<u>189</u>

32 Cashless transactions

In 2017, the Company did not engage in any investment and financial transactions in which no cash or cash equivalents were used.

33 Commitments and contingent liabilities

Capital commitments

As of 31 December 2017, the Company had capital commitments amounting to BGN 64,184 thousand (31 December 2016: BGN 74,196 thousand) in association with the acquisition of property, machinery, and facilities.

The amount of contractual commitments related to the acquisition of nuclear fuel was BGN 140,522 thousand of 31 December 2017. (31 December 2016: BGN 133,467 thousand).

Legal claims

Legal claims amounting to BGN 1,676 thousand were filed against the Company (31 December 2016: BGN 239 thousand). None of the above claims is described in details herewith, so as not to seriously prejudice the Company's position in the related disputes.

Guarantees

Bank guarantees and cash collaterals placed in favour of the Company amounted to BGN 53,428 thousand as of 31 December 2017. (31 December 2016: BGN 153,156 thousand).

As of 31 December 2017, the Company had provided the following guarantees and collaterals:

Collateral on balancing contract (cash collateral) – BGN 326 thousand.

Collateral on contract for access and transmission of electricity (cash collateral) – BGN 7 thousand.

Guarantee for concluding electricity trade transactions (cash collateral) – BGN 75 thousand.

Collateral for participation on the electricity exchange market (cash collateral) - BGN 50 thousand.

Insurance policies

The Safe Use of Nuclear Energy Act stipulates a limit on the liability of the operating organisation for nuclear damages. The Act limits the liability of the operator to BGN 96,000 thousand per accident. Pursuant to the Vienna Convention on Civil Liability for Nuclear Damage, the operator is required to maintain an insurance or other financial security for nuclear damage for the period of operation of the nuclear facility. The Company has an insurance policy covering the limits the law dictates. The Insurance Contract with the Bulgarian National Insurance Pool was signed on 31 May 2016, with one-year coverage – from 1 June 2016 to 30 May 2017. The insurance coverage amounts to BGN 785 thousand (BGN 770 thousand insurance premium and BGN 15 thousand premium tax). As of 27 July 2017, a new one-year contract was concluded for the period 1 August 2017 – 1 August 2018. The insurance amount is BGN 794 thousand (BGN 779 thousand insurance premium and BGN 15 thousand tax on premium). The Company took out a property insurance policy against industrial fire covering the period from 1 January 2016 to 31 December 2020. For the period 1 January 2017 to 31 December 2017, the insurance coverage amounted to BGN 14,768 thousand (EUR 7,551 thousand).

Miscellaneous

Tax administration bodies may audit the Company at any time within the 5-year period after the year-end and may impose additional tax obligations and fines. Based on the tax audit for the period November 2011 – December 2012 as at 31 December 2017, a provision amounting to BGN 647 thousand was accrued. The Company's management is not aware of any other circumstances which may lead to potential effective additional tax obligations of substantial amounts.

34 Categories of financial assets and financial liabilities

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

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

Financial assets	Note	31 December 2017 BGN '000	31 December 2016 BGN '000
Available-for-sale financial assets	10	232	232
Credits and receivables – current and non-current:			
Trade and other receivables	14	37,745	49,662
Loans granted to related parties	31.2	15,114	17,292
Receivables from related parties	31.1	178,464	119,459
Cash and cash equivalents	15	178,211	76,018
Total financial assets		409,766	262,663
Financial liabilities	Note	31 December 2017 BGN '000	31 December 2016 BGN '000
Financial liabilities carried at amortized cost:			
Loans	18	106,188	149,272
Retentions on construction contracts	0	5,193	3,609
Trade and other payables	22	68,966	76,731
Payables to related parties	31.1	849	1,051
Total financial liabilities		181,196	230,663

Refer to Note 4.14 for information on the accounting policy for each category of financial instruments. The Company's policy and goals for management of the risk associated with financial instruments are described in Note 35.

35 Risks related to financial instruments

Management objectives and policies in respect of risk management

The Company is exposed to various risks, associated with its financial instruments. The most significant financial risks which the Company is exposed to are the market risk, credit risk, and liquidity risk.

Company's risk management is a responsibility of the Company's Central Administration with the assistance of the Board of Directors. Management prior objective is to ensure short-term and middle-term cash flows while reducing financial market operations. Long-term financial investments are managed in a manner ensuring their long-term return.

The most significant financial risks posed to the Company are described below.

35.1. Market risk analysis

By using financial instruments, the Company is exposed to market risk and more specifically to the risk of changes in the foreign exchange rates, interest risk, as well as risk of changes in specific prices, resulting from the operating and investment activities of the Company.

35.1.1. Currency risk

The Company carries out purchases, sales, grants and obtains loans denominated in foreign currency – euro, US Dollars, and British Pounds. Most of those operations are denominated in euro. Since the BGN to EUR exchange rate is fixed at 1.95583, the currency risk related to the Company's euro exposure is minimal.

Financial assets and liabilities denominated in foreign currency and equated to BGN as of the end of the reporting period are presented as follows:

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

	Short-term risk exposure		
	US Dollars BGN '000	Pound sterling BGN '000	Other BGN '000
31 December 2017			
Financial assets	174	1	2
Financial liabilities	(135)	-	-
Total risk exposure	39	1	2
31 December 2016			
Financial assets	58	1	3
Financial liabilities	(15)	-	-
Total risk exposure	43	1	3

35.1.2. Interest risk

The Company's policy is focused on managing and minimizing the possible interest risk for long-term investments.

In 2017, the Company was exposed to the risk of change in the market interest rates of seven independent tranches denominated in euro under the Loan Agreement with EURATOM of 29 May 2000 at a floating interest rate equal to the six month EURIBOR plus a margin for each tranche in the range of 0.079% to 0.13%.

The Company granted Kozloduy HPP EAD a loan at a floating interest rate based on the BIR plus a margin of 2.5%.

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

The tables below show the sensitivity of the annual net financial result after taxation as well as of the equity to possible changes in the interest rates of loans with floating interest rates based on the Bulgarian BIR, amounting to +/- 0.01% (for 2016: +/- 0.01%) and of loans with floating interest rates based on the EURIBOR, amounting to +/- 0.1% (for 2016: +/- 0.1%). Those changes are considered possible on the basis of observations of the established trend in the BIR and EURIBOR in 2017. Calculations are based on the change of the average market interest rate as well as on the financial instruments used by the Company as of the end of the reporting period which are sensitive to interest rate variations. All other parameters are considered fixed. Calculations are in compliance with the clauses of credit contracts and BNB regulations. The effect of the Company's loans floating interest rates drop or rise is represented as profit or loss respectively and it is the same effect on the equity based on the profit/loss component for the current year.

31 December 2017

	Net financial result BGN '000		Equity BGN '000	
	Interest rate rise	Interest rate drop	Interest rate rise	Interest rate drop
Loans granted in BGN (BIR +/- 0.01%)	2	-	2	-
Loans obtained in EUR (EURIBOR +/- 0.1%)	(90)	-	(90)	-

31 December 2016

	Net financial result BGN '000		Equity BGN '000	
	Interest rate rise	Interest rate drop	Interest rate rise	Interest rate drop
Loans granted in BGN (BIR +/- 0.01%)	2	(1)	2	(1)
Loans obtained in EUR (EURIBOR +/- 0.1%)	(124)	22	(124)	22

35.2. Credit risk analysis

Credit risk refers to the possibility that a particular counterparty will not make the expected payment to the Company. The Company is exposed to this risk in association with various financial instruments, e.g. granting of loans, receivables from customers, cash deposits, investments in securities, etc. The Company's credit risk exposure is limited to the carrying amount of the financial assets approved at the end of the reporting period as specified below:

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Group of financial assets – carrying amounts:		
Available-for-sale financial assets	232	232
Credits and receivables	321,323	186,413
Cash and cash equivalents	178,211	76,018
Carrying amount	409,766	262,663

The Company closely monitors for outstanding obligations of customers and other counterparties, detected individually or in groups, and uses this information to manage the credit risk. The Company trades exclusively with recognized and creditworthy counterparties. The Company's policy requires that all customers who wish to conclude trade transactions with deferred payment undergo procedures to verify their solvency. Furthermore, the balances of trade receivables are continuously monitored, thus the Company's exposure to doubtful debts and bad debts is insignificant.

As of the date of the Separate Financial Statements, the age structure of the receivables is as follows:

As of 31 December 2017

	Not overdue	30-90 days	90-180 days	180-360 days	>360 days	Renegotia ted	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Trade and other receivables	22,002	57	30	913	109	14,634	37,745
Receivables from related parties	64,481	28,713	31,561	8,460	594	44,655	178,464
	<u>86,483</u>	<u>28,770</u>	<u>31,591</u>	<u>9,373</u>	<u>703</u>	<u>59,289</u>	<u>216,209</u>

As of 31 December 2016

	Not overdue	30-90 days	90-180 days	180-360 days	>360 days	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Trade and other receivables	35,310	298	4,722	4,012	5,320	49,662
Receivables from related parties	21,111	15,638	30,802	44,514	7,394	119,459
	<u>56,421</u>	<u>15,936</u>	<u>35,524</u>	<u>48,526</u>	<u>12,714</u>	<u>169,121</u>

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

	2017	2016
	BGN '000	BGN '000
Balance as of 1 January	9,086	8,787
Impairment accrued throughout the year (Ref. 14)	471	610
Impairment reversal	(6,264)	(311)
Balance as of 31 December	3,293	9,086

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

The credit risk arising from cash and cash equivalents is considered insignificant as the Company's counterparties are banks with good reputation and high external valuation of their credit ratings.

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

35.3. Liquidity risk analysis

Liquidity risk refers to the possibility that the Company fails to settle its obligations when they fall due. The Company provides the liquid resources it needs 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 surplus or deficits. This analysis determines whether the available loans will suffice to cover the Company's needs for the period.

In order to manage the liquidity risk, the Company collects its receivables, controls its cash outflows, thus ensuring sufficient working capital. The resources for the long-term liquidity needs are provided through loans in the relevant amounts.

As of 31 December, the maturity dates of the Company's contractual liabilities are summarized as follows:

	<u><3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Total</u>
	BGN '000	BGN '000	BGN '000	BGN '000
Loans	11,246	28,810	66,132	106,188
Retentions on construction contracts	-	5,034	159	5,193
Trade and other payables	55,991	12,975	-	68,966
Payables to related parties	790	59	-	849
	<u>68,027</u>	<u>46,878</u>	<u>66,291</u>	<u>181,196</u>

	<u><3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Total</u>
	BGN '000	BGN '000	BGN '000	BGN '000
Loans	12,713	31,555	105,004	149,272
Retentions on construction contracts	-	3,522	87	3,609
Trade and other payables	63,072	13,659	-	76,731
Payables to related parties	958	93	-	1,051
	<u>76,743</u>	<u>48,829</u>	<u>105,091</u>	<u>230,663</u>

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

36. Fair value measurement of non-financial assets

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

- Level 1: Market prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Input data, other than market 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.

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 of 31 December, periodically measured at fair value:

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Property, machinery, and facilities (Level 3):		
- Land	20,387	19,137
- Buildings	450,458	463,244
- Machinery, facilities, and equipment	1,733,263	2,003,742
- Vehicles	6,876	5,807
Investment property (Level 2):	4,095	4,059
	<u>2,215,079</u>	<u>2,495,989</u>

The fair value of the respective groups of assets (property, machinery, and facilities and investment properties owned by the Company) is determined based on reports of independent certified appraisers, as of 30 June 2015 for property, machinery, and facilities, and as of 31 December 2017 for investment properties.

Appraisers conducted a review for impairment as of 31 December 2017. According to these appraisers, the carrying amounts of assets do not differ significantly from the fair value of the revalued assets as at year-end.

Significant non-observable data related to adjustments in the specific for the Company's assets factors. The degree and direction of such adjustments depends on the number and characteristics of the observable market transactions with similar assets that are 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.

37. Capital management policy and procedures

Main objective of the Company's capital management is to ensure a stable credit rating and capital indicators, in light of continuing operations and maximizing its value for the Shareholder.

The Company manages its capital structure and amends it, if necessary, depending on the changing economic environment. In order to maintain, or change, its capital structure, the company 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 Company monitors its capital through the realised financial result for the reporting period, as follows:

	2017	2016
	BGN '000	BGN '000
Profit for the year, after tax	117,899	1,359

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

Debt servicing

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

In accordance with the terms of the Loan Agreement, the Debt Service Cover Ratio is calculated as a correlation between the free cash flow for the year and debt servicing amount, including interests and principals for the respective year. This ratio shall not be less than 1.5. The ratio amounted to 6.36 in 2017 (2016: 3.53).

	31 December 2017	31 December 2016
	BGN '000	BGN '000
Free cash flow	287,067	166,142
Debt servicing	45,118	47,096
Coverage of the debt servicing	<u>6.36</u>	<u>3.53</u>

KOZLODUY NPP EAD
 Separate Financial Statement
 31 December 2017

Another indicator that is being monitored in compliance with the obligations of the Company in its capacity of a Borrower is the Gearing Ratio calculated as a correlation between the Company's total loans and equity as at the end of the respective year. This ratio shall not exceed 2. The ratio amounted to 0.04 in 2017 (2016: 0.06).

	<u>31 December 2017</u>	<u>31 December 2016</u>
	BGN '000	BGN '000
Loan capital	106,188	149,272
Equity	2,721,473	2,608,757
Indebtedness	<u>0.04</u>	<u>0.06</u>

The above indicators are monitored on an annual basis. They are calculated based on the annual financial statements of the Company submitted to the bank. The Management shall immediately notify the bank in the event of a loan delinquency. The Management believes that the Company complies with the levels of financial indicators stipulated in the Loan Agreement.

During the presented reporting periods, the Company has not changed its capital management objectives, policies, and processes as well as the method for determining the capital.

38. Events after the year-end

In accordance with Clause 4 of Council of Ministers Decree No. 2, dated 9 March 2018, dividends shall be determined and paid to the State by state-owned enterprises and commercial entities with a state share in their equity. Thus, the Company shall pay dividends to the State amounting to 50% of the 2017 profit after tax, subtracting the deductions for the 'Reserves' Fund (if replenishment is required). The amount of these dividends should not exceed 50% of the profit disclosed in the 2017 Consolidated Financial Statements.

As of 31 December 2017, the Company had overdue receivables from NEK EAD amounting to BGN 46,822 thousand. An agreement with NEK EAD is currently being drafted to reschedule the receivables from NEK EAD, amounting to BGN 67,895 thousand, at agreed interest rate of 3.87% and payment term of two calendar years.

As of 15 February 2018, Independent Bulgarian Energy Exchange (IBEX) EAD changed ownership. Bulgarian stock exchange – Sofia AD is the sole owner of the shareholder's capital of IBEX EAD.

39. Disclosure pursuant to statutory requirements

These Separate Financial Statements were audited by the auditing company HLB Bulgaria OOD based on a contract concluded between the Bulgarian Energy Holding EAD and HLB Bulgaria OOD. The Company does not accrue amounts for independent financial audit. The Consolidated Financial Statements of the Bulgarian Energy Holding EAD disclose the accrued amounts for services rendered by the registered auditor for independent financial audit. The registered auditor did not render any other services during the relevant period.

40. Approval of the Separate Financial Statements

The Separate Financial Statements as of 31 December 2017 (including comparison data) were approved and authorised by the Board of Directors on 21 March 2018.