HLB Bulgaria

Audit, Analysis & Consulting

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

NPP KOZLODUY EAD

31 December 2016

"АЕЦ КОЗЛОДУЙ" ЕАД

Contents

GENERAL INFORMATION

The Board of Directors at the date of the Financial Statements

Zhaklen Koen – Chairman of the Board of Directors;

Ivan Andreev – Member of the Board of Directors and Executive Director;

Ivan Yonchev – Member of the Board of Directors;

Address

Kozloduy, 3321, Vratsa District

Bulgaria

Servicing banks

C.B. DSK Bank, Kozloduy branch

Citibank N.A.

C.B. Allianz Bank Bulgaria AD

C.B. UBB

C.B. Municipal Bank

C.B. FIB

C.B. Cibank

C.B. UniCredit Bulbank

C.B. Eurobank EFG Bulgaria

Central Cooperative Bank AD

Auditors

HLB Bulgaria OOD

Management Report

of NPP Kozloduy EAD

1 January 2016 – 31 December 2016

This Management Report is prepared in accordance with the requirements of Art. 39 of the Accountancy Act and Art. 187 (e), Art. 247, para. 1, 2 and 3 of the Commercial Act. The Management Report also contains the required information under Appendix № 10 of Decree 2 of the Financial Supervision Commission, which is relevant to the people / entities under § 1(e) of the Additional Provisions of the Public Offering of Securities Act (POSA), on the grounds of Art. 100 (m), para. 7 (2) of POSA.

The Management Report of NPP Kozloduy EAD (hereinafter referred to as "the Company") is an objective review, presenting a true and fair view of the development and the results of Company's activities, as well as its position, together with a description of the main risk that the Company faces.

The Management Report presents commentary on and analysis of the Financial Statements, and other significant information on the financial position and the operating results of the NPP Kozloduy EAD. The Management Report covers the period beginning on 1 January 2016 and ending on 31 December 2016.

The presented by NPP Kozloduy EAD Separate Financial Statements are prepared in accordance with the International Financial Reporting Standards, the Accountancy Act, consistent with the applicable laws and regulations. The Separate Financial Statements are prepared in accordance with the Company's generally accepted accounting policy.

1. General information

Corporate name	**NPP Kozloduy EAD**
UIC	**106513772**
Address	**Kozloduy, 3321,** **Vratsa District** **Bulgaria**
Principal activity	– Using nuclear power to generate electrical energy and thermal energy. For the execution of these activities the Company holds and maintains: Valid licence to generate electrical and thermal energy by the defined, under the licence, electric power production facility; Valid licence to operate nuclear facilities, as per the meaning of the Safe Use of Nuclear Energy Act (SUNEA), issued by the Nuclear Regulatory Agency

(valid permit for generating nuclear energy by the defined under the permit generating facility, issued by the Committee for Peaceful Use of Atomic Energy);

– Import and export of fresh and consumed nuclear fuel;

– Investment activities, related to the activities of the Company, as defined under its principal activities;

– Construction, installation and repair works in the fields of electrical and thermal energy generation;

– Sales of electrical energy of high and medium voltage, and sales of thermal energy;

– Operation of radioactive waste management facilities, holding a valid licence pursuant to the Safe Use of Nuclear Energy Act (SUNEA).

Directors

As at 31 December 2016, the Company is managed by a Board of Directors, consisting of:

Zhaklen Koen – Chairman of the Board of Directors;

Ivan Andreev – Member of the Board of Directors and Executive Director;

Ivan Yonchev – Member of the Board of Directors;

Management

NPP Kozloduy EAD is a joint stock company, established by virtue of Decision № 582, dated 2000, of the Vratsa District Court, domiciled in Kozloduy, Vratsa District, Bulgaria. Pursuant to its spin-off from Natsionalna Elektricheska Kompania EAD (NEK EAD), the Company was established as a joint stock company on 28 April 2000, with sole shareholder – the Republic of Bulgaria. In accordance with the Separation Protocol of NPP Kozloduy branch and GMP "Atomenergoinvest", Kozloduy, compiled based on the available accounting records as at 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 sole owner of the Company's share capital as at 31 December 2016. The ultimate owner of the Company is the Republic of Bulgaria through the Ministry of Energy.

The Company has a single-level management system and it is managed by a Board of Directors, comprised of three members.

As at 31 December 2016, the share capital of the Company amounts to BGN 236,165,260, distributed among 23,616,526 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 to operate nuclear power facilities, issued by the NRA – Registration № 03000, dated 02 October 2009. The licence relates to the operation of Unit 5, of NPP Kozloduy EAD. The licence is valid until 05.11.2017;

- Licence to operate nuclear power facilities, issued by the NRA – Registration № 03001, dated 02 October 2009. The licence relates to the operation of Unit 6, of NPP Kozloduy EAD. The licence is valid until 02.10.2019. Pursuant to Order №AA-04-152, dated 28.10.2016, of the Chairman of the NRA, the Licence is amended and operations of the unit at upgraded thermal power of 3120 MW is permitted;

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

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

- Licence, issued by the NRA, Series I-11024, Registration № 04358, dated 01.04.2014, by virtue of which the Licence to use SIR for commercial purposes (performing non-destructive testing with radiation methods on site: Control Body of type C at the Diagnostics and Control Testing Centre), Series I-11024, Registration № 02599 is renewed. The licence is valid for a period of ten years – until 31.03.2024;

- Licence, issued by the NRA, Series I-1708, Registration № 04366, dated 08.04.2014, by virtue of which the Licence to use SIR for commercial purposes (performing radiochemical control, radiation monitoring of the environment and meteorological control), Series I-1708, Registration № 02610 is renewed. The licence is valid for a period of ten years – until 07.04.2024;

– Licence to transmit radioactive substances, issued by the NRA, Series T-14002, Registration № 04435, and dated 30.06.2014, by virtue of which Licence, Series T-14002, Registration № 02823 is renewed. The licence is effective as of 12.07.2014 and it is valid for a period of ten years – until 11.07.2024;

– Licence for electric power trading, № L-216-15/18.12.2006 – until 18.12.2026;

– Licence, issued by the NRA, for engaging in specialized training, carried out by the Personnel and Educational – Training Centre Management, Series SO, Registration № 5125, dated 05.10.2016, by virtue of which License, Series SO, Registration № 03803, dated 05.10.2011 is renewed for a period of five years – until 05.10.2021;

– Licence, issued by the NRA, to operate the CFR, Series "E", Registration № 04441, dated 25.06.2014, by virtue of which Licence, Series "E", Registration № 01032/24.06.2004 is renewed for a period of ten years – until 25.06.2024;

– Licence, issued by the NRA, to operate the Repository for dry storage of nuclear fuel, consumed by the reactors BBEP-440, Series "E", Registration № 5016, dated 28.01.2016. The licence is valid for a period of ten years – until 28.01.2026.

Auditor HLB Bulgaria OOD

Basis of preparation of the Financial Statements

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

– The Financial Statements have been compiled in Bulgarian Leva (BGN) and, unless otherwise stated, all disclosed amounts are rounded up to the nearest thousands of BGN.

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

– In conformance with the requirements of Art. 31 of the Accountancy Act, the Company prepares and Consolidated Financial

Statements and publishes them no later than 30 June of the year, following the year to which they refer.

- NPP Kozloduy EAD executes its activities in conformance with the enacting Bulgarian legislation.

1.1. Management's responsibility

The Management confirms that it has applied adequate accounting policies in preparing the annual separate financial statements as at 31 December 2016 and that the separate financial statements are prepared on a going concern basis.

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

1.2. Information required under Art. 187 (e) and Art. 247 of the Commercial Act (CA)

➢ **Information required under Art. 187 (e) of the Commercial Act (CA)**

In accordance with Art. 187(e) of the CA, in its Management Report, the Company must provide information on:

a/ The number and nominal value of the acquired and transferred within the year treasury shares, the portion of the capital 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 2016.

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

The Company does not hold any treasury shares.

➢ **Information required under Art. 247, para. 2 of the Commercial Act (CA)**

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

In thousands of BGN	Statements as at 31.12.2016	Statements as at 31.12.2015
Salaries and wages, including bonuses	130	117
Social insurance expenses	19	19
Social costs	22	22
Compensations	18	-
Total short-term remunerations	189	158

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

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

c/ Information on the participation of the Members of the BoD 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 cooperative, as Procurement, Managers or Members of Boards of Directors (in accordance with the requirements of Art. 247, para. 2, item 4 of the CA);

The Members of the Board of Directors have not declared circumstances under Art. 247, para. 2, item 4 of the CA.

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

- No shares or bond of the Company were acquired, or transferred, by the Members of the BoD.

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

1.3. Personnel

NPP Kozloduy EAD pays great attention to labour relations. A new Collective Labour Agreement, effective as of 01 January 2017 and until 31 December 2018, was signed on 30 December 2016. An Ethics Code that requires the personnel's compliance with certain values, in accordance with the core values in nuclear energy, is also into force. Gender, ethnic, religious and political discrimination is not allowed in the workplace. Equal rights and work, development and carrier growth opportunities are provided, depending on the initiative, the professional qualification, experience and personal skills of the employees, as well as depending on the achieved by them work results.

During the reporting period, the employer's efforts continue to be focused in maintaining the spirit of social understanding and cooperation with employees, trade unions and workers' and employee's representatives.

3 658 people were employed under labour contracts in the Company as at 31 December 2016.

Total personnel, employed in the Company under labour contracts, including:	Statements as at 31.12.2016	Statements as at 31.12.2015	% change
Managers	458	450	1.80%
Specialists	966	963	0.30%
Technical and associate professionals	862	870	-0.90%
Administrative Assistant Personnel	264	269	-1.90%
Personnel, engaged in providing services for the population, trade and security	85	84	1.20%
Qualified employees and the associated with them professionals	797	805	-1.00%
Machine operators and assembly installers	163	168	-3.00%
Professions that do not require special qualifications	63	72	-12.50%
TOTAL	3 658	3 681	-0.60%

1.4. Legal and arbitral proceedings

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

1.5. Research and Development activities

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

1.6. Subsidiaries

NPP Kozloduy EAD owns the following entities:

- **HPP Kozloduy EAD**

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

HPP Kozloduy EAD is registered at the Vratsa District Court, under Company file № 495, dated 2004, with the purpose to build a Hydro Power Plant, which to generate and distribute the generated in Hydro Power Plant electricity in order to utilize the remaining water resources, processed by NPP Kozloduy EAD.

Pursuant to a decision of BEH EAD, dated 7 November 2008, contract № 880080, dated 07.11.2008, was signed by and between the Company and HPP Kozloduy 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 NPP Kozloduy EAD to re-negotiate the contracted terms and conditions, under Contract Agreement for Credit line № 880080, dated 07.11.2008 and Annex №810000003, dated 06.11.2011. An Annex to the Contract Agreement was signed on

26.09.2012 for the provision of additional funds – namely BGN 2 000 thousand more. The maturity of the latter is 2021, while the loan repayment should start 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 №3. The Annex was signed by and between HPP Kozloduy EAD and NPP Kozloduy EAD. By virtue of the Annex, the contracted clauses are amended as follows: extension of the funds' utilization deadline– until putting in operations the site HPP Kozloduy, WC-1, but not later than 30.06.2013; maturity – until 15.07.2021; time frames of the repayment instalments, with the repayment beginning on 15.07.2013; due interest on the borrowed funds – increase of the BIR + 2.5 % margin. With Decision item II.6.1, dated 12.01.2015, the Board of Directors of BEH EAD authorized the signing of Annex № 4. The Annex was signed by and between HPP Kozloduy EAD and NPP Kozloduy EAD. By virtue of the Annex, the contracted clauses are amended as follows: extending the loan's maturity – until 15.01.2024; increasing the number of the repayment instalments – 22 instalments; maturity and amount of the instalments.

➢ **NPP Kozloduy – New Builds EAD**

NPP Kozloduy EAD is the sole shareholder (100%) of NPP Kozloduy – New Builds EAD, comprised of 1,400,000.00 ordinary, registered shares, at nominal value of BGN 10 each.

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

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

➢ **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 in total, each at nominal value of BGN 100. The investment is carried at acquisition cost – total of BGN 79 thousand. The transactions with this company relate to the delivery 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 № 55, dated 13.04.1988, of the Council of Ministers, as a specialised entity for installation, commissioning, repair works and technical servicing of automated systems for management of technical processes, supply of appliances, equipment and spare parts for NPP, TPP and others. Russian and Ukrainian entities, operating in the energy sector, are shareholders in the established entity.

➢ **ZAD Energia**

The Company has a participation in ZAD Energia. The Company's share in ZAD Energia amounts to 1.12%, while the investment sums up to BGN 232 thousand.

1.7. Branches of the Company

The Company does not have any branches.

2. Activity overview

Over the past 2016, the Company's Management faced serious challenges and milestones, both technically as well as in terms of the market situation in the energy sector, the settlement of additional financial commitments and high inter-company indebtedness. Despite the imposed regulatory and legal restrictions, NPP Kozloduy EAD ended 2016 with good production and economic indicators that ensured the financial stability of the Company.

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

➢ An organized stock exchange "day ahead" market (hourly trading stock exchange) was launched on 20.01.2016. NPP Kozloduy EAD is an active participant in this market. The parameters of the submitted tenders must comply with the Stock Exchange Liability Assurance Agreement – the quantities of offered electrical energy, defined for NPP Kozloduy EAD are based on a regulated principle under the solidary participation agreement of the entities in BEH EAD Group in the "day ahead" market. The hourly trading stock exchange market does not guarantee a "dense" realization for the whole day (24 hours bands). The unrealized quantities in the separate time frames are purchased by NEK EAD, at regulated rates, and when this is impossible – they are settled on the balancing market.

➢ Regulation No 1227/2011 of the EU for Integrity and transparency of the energy wholesale markets (REMIT) has entered into force as of 01.04.2016. Under this Regulation, the reporting of all transactions with electrical power on the market and reporting of internal information commences.

➢ The new regulatory period for which a quota of 3 682 870 MWh is defined for the Company pursuant to Decision № TE-026/30.06.2016 of the EWRC began as of 01.07.2016. The main part of the quota is intended to cover the technological costs (losses) on high, medium and low voltage networks. The price for energy supplies on the regulated market for the new period is defined by EWRC pursuant to Decision № C-19/30.06.2016, it is one-component (only for electrical energy) and amounts to BGN 30 / MWh.

➢ The price of the thermal energy for the new regulatory period, defined by EWRC pursuant to Decision № C-19/30.06.2016, is BGN 40.42 / MWh.

➢ The centralized stock exchange market of bilateral contacts ("Auction" screen), where standard and non-standard energy products can be traded, was launched on 24.10.2016. The second screen (Continuous Trading) was launched in November.

Generating and realizing electrical energy

NPP Kozloduy EAD generated 15 775 844 MWh (gross) electrical energy in 2016. This is by 396,747 MWh (or 2.6%) more than the electrical energy, generated in 2015. The increased production results from the shorter duration of the planned outage of EU 6 for PAR.

The delivered net active energy to the country's EPTS amounts to 14 935 717 MWh. A 407,699 MWh (or 2.8%) increase is recorded, compared to the electric energy, realized during the same period in the prior reporting period.

The generation of electrical energy, the realized electrical energy and sales income for the financial reporting 2016, compared to the same in the financial reporting 2015, are summarized in the table here below:

Indicator	Statements as at 31.12.2016	Statements as at 31.12.2015	% change
Total MWh			
Gross production	15 775 844	15 379 097	2.6%
CH	843 367	851 080	- 0.9%
Net energy (own production).	14 932 477	14 528 017	2.8%
Purchased energy (replacement)	3 240	—	—
Total Realization (generation)	14 935 717	14 528 017	2.8%
Sales of electric power at regulated prices, MWh			
Net energy, MWh	4 526 821	4 843 216	-6.5%
Sales of electrical energy at freely-negotiated prices, MWh	10 408 896	9 684 801	7.5%
Customers	9 593 989	9 679 156	-0.9%
Stock exchange	773 566	—	—
Balancing market	41 341	5 645	632.3%
Income, in thousands of BGN			
At regulated prices	135 213.7	144 373.3	-6.3%
At market prices	674 339.6	680 807.8	-1.0%
Total Income from electrical energy	809 553.3	825 181.1	-1.9%

In view of the changed market conditions, there were significant changes in the sales structure in 2016, compared to the prior reporting period.

The realized in 2016 electrical energy at regulated prices is by 6.5 % (316 395 MWh) less, compared to the realized electrical energy in the same period in 2015. The differences arise from the lower quota for the current regulatory period, and respectively for the year as a whole. Income follows the trends, evidenced in the delivered quantities – BGN 9 160 thousand less, compared to 2015.

Market realization increased by 7.5% (724 095 MWh) in comparison to the same in 2015. The quantities under bilateral contracts are below the 2015 sales as opposed to the stock market realization.

Given the permanently negative price trends, which emerged as early as February, as well as the prevailing until October low stock exchange prices, market income is by BGN 6 468 thousand less than the market income in 2015.

In light of the mandatory participation, DAM stock exchange realization holds a 7.43% share of the total market turnover. Despite the initiation of two auctions, the forecasted sales on the centralized bilateral stock exchange market (CBSEM) did not realize given the delayed launch of the market.

The quantities, settled on the balancing market, account to 0.4% of the total realized quantities. The imbalances are more optimal in comparison to 2015 (predominant surplus) as a result of the measures, undertaken to ensure replacement energy through purchases from another producer.

Total sales income from the generated in 2016 electrical energy is ~ 1.9 % (BGN 15 628 thousand) less, compared to the prior reporting period.

Two deliveries of fresh nuclear fuel were performed, within the contracted (agreed upon) time frames.

No consumed nuclear fuel has been transmitted.

Generating and realizing thermal energy

The Company generated 169 884 MWh of thermal energy in 2016. The total volume of the thermal energy, consumed on the site and in Kozloduy, amounts to 79 671 MWh, which is with 6 210 MWh (or -7%) less than the thermal energy, consumed in the prior year. This decrease arises mainly from the reduced consumption on the site (sites of SE RAW).

The actually accrued, in accordance to the amendments in the Thermal Supply Decree, dated 01.06.2014, quantities of thermal energy for 2016 amount to 79 321 MWh and are approximately at the same levels as the ones reported in 2015 (83 732 MWh.).

Income from thermal energy, generated in 2016, amounts to BGN 2 010 thousand.

Program to maintain and enhance safety

Maintaining and enhancing the safety of operations, is of major importance for NPP Kozloduy EAD. The activities undertaken to maintain and enhance the safety of operations in the Company, are carried out in the following directions: nuclear safety, operational experience, radioactive protection; activities in the fields of readiness in emergency circumstance, activities in the fields of RAW management, radio ecological monitoring, non-radiation monitoring and environmental protection.

The nuclear facilities in NPP Kozloduy EAD operate in accordance with the terms and conditions of the issued by the NRA licences to operate Energy Units 5 and 6, and CFR and DSCNFR.

The issued licenses to use ionizing radiation sources, licences to transmit radioactive substances and licences to conduct specialized training are maintained.

Licence Series: E, №5016 to operate a Repository for dry storage of the nuclear fuel, consumer from the BBEP-440 reactors was issued on 28.01.2016. The licence's validity is 10 years.

The Licence to conduct specialized training was renewed on 05.10.2016 for a period of 5 years by Licence for specialized training, Series: SO, with №5125.

The License to operate Unit 6 was amended by an Order of the Chairman of the NRA in October 2016 and the operation of the unit at increased thermal power of 3120 MW (104% Nnom.) was authorized.

An application to renew the License to operate Energy Unit 5 for a new 10-year period was submitted to the Chairman of the NRA on 26.10.2016.

There have not been any incidence of activation of the emergency protections of Units 5 and 6 during the reporting period.

The power plant is operated in compliance with the principals for radiation safety, defined under OHRZ-2004 and BSS-115 of MAAE, as well as the ALARA principal (achieving the least possible dose loading of personnel, to the extent to which it is reasonably achievable).

The departmental radioactive monitoring of the environment is regulated under the long-term program of NPP Kozloduy EAD for radioactive monitoring of the environment. There has been no incidence of deviation of the radioactive indicators above the allowable levels during the reporting period. The results, achieved in 2016, convey that the power of the equivalent dose of gamma radiation, varies within the range of the natural radioactive background (0,05÷0,15) μSv/h. The values, measured within the industrial site and the values, measured in settlements within 100 kilometres from the site, are fully comparable.

NPP Kozloduy EAD works actively to protect the environment, in all its aspects. The plant, as an operating organization, holds 11 permits, issued by the Ministry of Environment and Water of the Republic of Bulgaria and its governing bodies. The annual report on greenhouse gas (GHGE) emissions in 2015 was prepared and submitted to the Executive Environment Agency in pursuance of the execution of the greenhouse gas emissions (GHGE) permit. The report was verified by "Verifikatsia CZ" (an independent verification body). The required emission permits were submitted in the National register for trading with greenhouse gas emissions allowances in respect of NPP Kozloduy EAD.

Implementation of the overhaul program

The scheduled annual outages (SAO) to re-fill the reactors in Energy Unit 5 and 6 were conducted for 37 and 40 calendar days respectively in 2016, starting from the suspension of the TG until it launch in parallel with the EETS. All necessary actions (technical servicing, maintenance, repair, specialized control and inspection of main and auxiliary equipment of the safety systems, the systems that are important for the safety and the production in accordance with the factory, regulatory and licensing requirements) were implemented within planned downtime in 2016 to ensure the efficiency, equipment reliability and safety of operations of the nuclear facilities. Furthermore, all scheduled activities for the modernization and reconstruction of the energy units, planned under the program for the extension of the energy units' operational life and power increase, were conducted.

The following core activities, stipulated under the overhaul program we executed in 2016, in conformance with the Company's obligations, associated with the operation of nuclear plants under the licenses that it holds:

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

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

- Adjusting repair works – the arisen defects in equipment and components, identified during operation, the periodic inspections and conducted tests, patrols per shift, periodic review and others are eliminated in a timely manner, in accordance with the technological conditions and restrictions;

- Overhaul of General Plant Facilities – the scheduled preventive maintenance and technical servicing on the general plant equipment in the "Consumed Fuel Repository" workshop, the "Open switchgear" workshop, the "Bank pump station" workshop, the "Hydraulic equipment and building structures" workshop and the "Thermal power supply" workshop, were carried out in accordance with the approved, in different divisions, schedules.

The activities, executed under the overhaul program of NPP Kozloduy EAD in 2016 amount to BGN 68 million, including BGN 17 million for repairs of investment nature (major repairs, replacement of major / significant spare parts).

Implementation of the investment program

The reported in 2016 investment costs, funded by the Company's own resources, amount to BGN 122 558.4 thousand. These activities are distributed "per type" as follows:

- For Building and construction works – BGN 20 147 thousand;

- For Machines and equipment (M&E) – BGN 93 414.7 thousand;

- For project related research (PR) – BGN 8 862 thousand;

- Other expenses – BGN 134.7 thousand.

A significant part of the activities, implemented under the Investment policy during the reporting period target to realize the strategic objectives of the Company, namely to prolong the useful life of Units 5 and 6, and increase their thermal capacity to 104%. In accordance with the requirements of SUNEA and the operating licenses, a number of activities to maintain and enhance safety in NPP Kozloduy EAD were executed, including and activities under the Program to implement the recommendations, provided as a result of the "stress tests" performed on the nuclear facilities, and measures under the Program for management of the resources of the repository for dry storage of consumed nuclear fuel.

The remaining relate to investment activities for the current maintenance of the units and auxiliary facilities, and of the infrastructure.

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

➢ Prolonging the useful life of Energy Unit 5 and Energy Unit 6;

The costs, incurred in 2016, amounted to BGN 18 303 thousand. The following activities were performed: Supply of pumps for emergency and planned cooling of low pressure contour I; Modernization and supply of spare parts for the main circulation pumps; Supply and replacement of 5,6TB10; 5,6TB20; 5,6TB30; 5,6TN and 0TM pumping systems; Update of the Safety Analysis Report (SAR) based on the changed environmental conditions, new analysis and others.

➢ Increasing the thermal power capacity of the reactor to 104%

The recorded resources, consumed in the project's implementation, amount to BGN 53 940 thousand.

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

The main activities, performed during this period are: Delivery of a new stator for the Unit 5 generator; Reconstruction of the rotor of a generator of TVB-1000-4 UZ type and reconstruction of the BDD-4600-1500 UZ exciter (the installation is to be carried out during the PAO of Unit 5); Safety rationale and changes in structures, systems and components (SSCs) when switching to a new type of nuclear fuel (a contract for development of improved nuclear fuel cycle development and a rationale for the safe operation of Units 5 and 6 of NPP Kozloduy EAD, with modified nuclear fuel capacity 3,120 MW is implemented); Implementation of a contract for the dismantling of the existing crane Q=125/20t., design, delivery and installation of electric two-way crane trolley with a load capacity Q= 160/20t., Machine Hall Unit 5, 29.5 quota; Executed activities under contracts for the modernization of a system for measuring the temperature in circular circuits of contour I; Software and hardware processing by APA, ARM and ROM; Modernization of the separation of steam generators at Units 5 and 6, etc.

- Activities, arising as a result of the stress tests and the National Action Plan (NAP)

The project follows the areas, subject to reassessment during the conducted stress tests, as well as additional activities, conducted in compliance with the NAP;

The project includes the following activities under Program to implement the recommendations, provided as a result of the conducted "stress tests" on the nuclear facilities in NPP Kozloduy EAD: Supply of measurement instruments with seismically qualified; Partially adopted draft for the design and construction of a new emergency management centre; Obstruction of water entering the sewerage network in cases of flooding by the high waters of the Danube River – Stage 1; Construction of buildings for mobile diesel generators (MDG); Electrical power supply of the MDG facilities - 0,4kV – at Units 5 and 6; Development and realization of a project for moving the volumetric gas concentration measurement system from Units 3 and 4 to the Hermetic zone of Units 5 and 6;

BGN 1 651 thousand were invested in the project activities.

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

The project targets the realization of activities, guaranteeing to ensure nuclear safety, radiation protection and environmental protection in the course of operations of the energy units and in the management of radioactive materials in NPP Kozloduy.

The following activities are performed: Supply of parts for consumed nuclear fuel repository from BBEP 1000; License to operate a nuclear facility – Repository for the dry storage of the consumed from the BBEP 440 reactors nuclear fuel – issued by the NRA; Improvement of the aerosol monitoring system and other.

BGN 18 186 thousand were invested for the activities under the project in 2016.

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

Activities, related to the maintenance of main and auxiliary facilities, and activities to ensure the normal operation of the general plant facilities, assisting the production activity are being performed under this project. The recognised under such activities costs amount to BGN 30 478 thousand.

Financial results for the financial reporting 2016

The Company ended 2016 with record low profits. The realized profit after tax amounts to BGN 1 359 thousand, in comparison to BGN 82 434 thousand profits, reported in 2015. The deviation is a result of the lower income and higher expenses reported.

The operating income from the Company's activities amount to BGN 839 079 thousand in 2016 and are by BGN 12 026 thousand less than the reported in 2015 figure. The decrease, compared to the prior reporting period, results from the BGN 15 628 thousand less income, generated from sales of electric energy at the two market segments:

Regulated market – app. BGN 9 159 thousand less income are generated as a result of the lower quantities of sold electricity (316 395 MWh) at the same (maintained) price levels.

Non-regulated market – app. BGN 6 468 thousand less income, arising from:

– Lower income from sales of electric power under **bilateral contracts**, namely by BGN 63,402 thousand, as a result of the reduced quantities of electric power as opposed to the stock exchange market realization, at price levels that are by ~ BGN 6.00 / MWh lower than the reported in 2015.

– The reported by NPP Kozloduy EAD income from the stock exchange market amounts to BGN 52 274 thousand and is generated by the realization of 773 566 MWh of electric power at average stock exchange prices that are higher than the transaction prices under bilateral contracts due to the registered price growth as of October, which is conditioned by the increased demand in the country, the region, and in Europe.

– The negative balance of the **balancing market** in 2016, namely BGN 60 thousand – is far more favourable from the prior year's balance (in 2015 it was BGN 4 720 thousand) and results from the undertaken measures to replace the non-generated electric energy by purchases from another producer.

The operating expenses of the Company (continuing operations) amount to BGN 834 681 thousand in 2016 and are by BGN 107 515 thousand (15%) higher than the operating expenses, reported in 2015. The most significant variances can be observed in:

- Hired services expenses – increased by BGN 57 453 thousand (49%) as a result of the higher expenses, incurred in the execution of contracts to prolong the useful life (operational term) of Units 5 and 6 for 60 years, and the analysis, accounts and quantitative assessments of the residual resource of SSC.

- Depreciation expenses – amounting to BGN 178 841 thousand. The accrued in 2015 depreciation expenses amounted to BGN 160 209 thousand. This variance arises from the replacement and commissioning of new non-current assets that are related to the implementation of the projects to increase the capacity to 104% and to prolong the operational life of Units 5 and 6.

- Other expenses amount to BGN 133 240 thousand and are by BGN 17 566 thousand (15%) higher than those reported in 2015. The cost of contributions to the DNF, RAW and ESS funds, amounting to BGN 125 493 thousand, hold the largest relative share of other - 94%. The increase is a result of the obligation of NPP Kozloduy EAD to monthly allocate funds (contributions) to the ESS Fund in the amount of 5 percent of the income from sales of electric power.

During the reporting period, the Company paid duly the amounts, due under contracts for delivery of nuclear fuel, for obligatory insurance, contributions to the RAW, DNF and ESS funds, to the personnel and insurance institutions, obligations under commercial contracts for the implementation of the overhaul and investment programs. The Company's activities related to the safe operations of the nuclear facilities and the implementation of the investment project to prolong the operational term of NEU 5 and 6, and increase their capacity to 104 %, were financially secured. NPP Kozloduy EAD settled its obligations under the long-term loan, granted by the European Atomic Energy Community (EURATOM) under the Program for the modernization of energy units 5 and 6, in the amounts and time frames, agreed under the terms of the Loan Agreement, dated 29.05.2000.

Under the circumstance listed above, the overall activity of the Nuclear Power Plant in 2016 was financially secured by the Company's own resources – from the generated income from sales of electrical energy.

NPP Kozloduy EAD finished the financial reporting 2016 with BGN 76 018 thousand cash, which is by BGN 13 833 thousand (-15%) less compared to the reported values of the same as at the end of the prior reporting year.

Over the past year, the practice of conducting constant monitoring and control of the lawful, appropriate and efficient use of the Company's financial resources continued. This monitoring and control is performed by preliminary control when undertaking commitments and subsequent monitoring and control of the budget's implementation, which targets to avoid any exceeding of the financial framework under the established programs.

Selected key indicators, reflecting the achieved operational results and the evaluation of the Company's position and operations in 2016, compared to the prior reporting period, are presented in a tabular form as follows:

№	BGN' 000	Statements as at 31.12.2016	Statements as at 31.12.2015	Change 2016/2015 (%)
к.1	к.2	к.3	к.4	к.5=(к.3/к.4)-1
1	Total Operating Income	839 079	851 105	-1.41%
2	Total Operating Expense	(834 681)	(727 166)	14.79%
3	EBITDA [1]	183 239	284 148	-35.51%
4	EBIT [2]	4 398	123 939	-96.45%
5	EBT [3]	1 145	121 909	-99.06%
6	EBIT margin	0.5%	14.6%	-96.40%
7	EBITDA margin	21.8%	33.4%	-34.59%
8	Total Assets	3 341 672	3 424 589	-2.42%
9	Non-current Tangible Assets [4]	2 759 914	2 836 880	-2.71%
10	Working Capital [5]	325 710	329 552	-1.17%
13	Cash and Cash Equivalents	76 018	89 851	-15.40%
14	Equity	2 608 757	2 657 738	-1.84%
15	Return on Equity 6)	0.04%	4.59%	-99.04%
16	Return on Assets 7)	0.03%	3.56%	-99.04%

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

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

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

4) PPE – Property, plant and equipment + Acquisition costs;

5) Working Capital – Current assets less current liabilities

6) Return on Equity – EBT / Equity

7) Return on Assets – EBT / Total Assets

3. Financial instruments, utilized by NPP Kozloduy EAD

3.1. Financial risk management policy and objectives

The Company's financial risk management policy is focused on minimizing the potential negative effects that may have an impact on the Company's financial results and position, given the possible difficulties of forecasting the energy market. The main priority of the Company's Management in this aspect is to ensure the scheduled financial resources, requisite for the normal course of the Company's operating, investment and financial activities and the achievement of the set business objectives.

In the short and long term, the Company's effective cash management targets to secure short- and medium-term cash flows, without having to obtain external funding from financial markets. The long-term liabilities under the Government guaranteed Loan from EURATOM are settled in accordance with the financial and payment terms and the requirements of the Bulgarian legislation, as stipulated under the Government Debt Act and the Council of Ministers' Decree on the implementation of the State Budget.

3.2. Risk Factors

The Company is exposed to various risks with respect to the financial instruments that it holds. The most significant financial risks to which the Company is exposed are the market risk, the credit risk and the interest risk.

- Market risk

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

- Currency risk

The majority of the foreign currency cash payments to suppliers for goods and services, for the acquisition of non-current tangible and intangible assets, and for the settlement of the long-term loan, obtained from EURATOM, are mainly denominated in Euros. The currency risk, related to losses, arising from the revaluation of the Company's costs, from quizlet of the Bulgarian Leva, is minimal, as the exchange rate BGN / Euro is fixed.

Only few of the Company's foreign exchange transactions (purchase of materials and services) are denominated in US Dollars and thus the Company is not exposed to significant risk in terms of fluctuations in the US Dollar exchange rate on the international financial markets.

- Interest risk

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

As at 31.12.2016, the Company's cash flows are exposed to interest risk, arising due to changes in the market interest rates of the seven tranches, under the Loan Agreement, denominated in Euros, with EURATOM, dated 29.05.2000, at contracted floating interest rates, equal to six month EURIBOR + a margin, in the range between 0.079% to 0.13%

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

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

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

➢ Liquidity risk

Liquidity risk – the risk of a non-fulfilment of statutory and contractual obligations of the Company upon their maturity. In order to manage the liquidity risk, the Company collects its receivables, controls its cash outflows and thus ensures sufficient working capital for the timely conduct of short-term payments.

In order to avoid possible liquidity problems and reduce the risk of the Company's financial imbalance, contract №70-2016/01.08.2016 was signed by and between NPP Kozloduy EAD and BEH EAD. The contract refers to the consideration transfer of receivables of NPP Kozloduy EAD from NEK EAD to BEH EAD and to the settlement of the liabilities to BEH EAD for the dividends due to the sole shareholder, amounting to BGN 39 672 thousand, by offsetting the receivables of BEH EAD.

In order to diversify and limit the risk of funds' concentration in the held by NPP Kozloduy EAD deposit accounts and current accounts in bank institutions, the Company's cash management requires the net exposures in one financial institution to not exceed 25 percent of the total cash, in compliance with the Rules and Regulations for concentration under Council of Ministers' Decree №127 / 27.05.2013.

➢ Credit risk

Credit risk refers to the risk that one counterparty will fail to discharge its obligations, under a financial instrument, or a client contract, causing financial losses for the Company. The Company is exposed to credit risk under contracts for sales of electrical energy, thermal energy and services, under loans granted and depositing of funds in financial institutions in terms of the counterparties declaring bankruptcy and other events that implying a certain degree of uncertainty on the collectability of receivables. In order to limit the potential negative effects on the financial position and to undertake timely measures on the collection of matured receivables, the Company currently monitors its creditors by conducting an aging analysis on the concluded contracts for sales of electrical and thermal energy.

The credit risk is adversely affect by the fact that the Company's receivables are concentrated in the related party NEK EAD (related party, controlled by BEH EAD) and that these receivables, amounting to BGN 112 million as at 31.12.2016, arise from sales of electrical energy.

➢ Cash flow risk

Cash flow risk is related to the uncertainty of cash inflows from a given investment and is interrelated to market and credit risk. The Company's cash flows are dependent on the variation in the amount of the expected future cash flows, associated with a monetary financial instrument.

The management approach emphasises on maximizing the amount of cash and reducing the potential negative effects on cash flows, arising from unfavourable market conditions, improper redemption or clients' insolvency. In order to prevent the risk of unpredictability in the movement of incoming and outgoing financial resources, the Company regularly schedules its cash flows in the short and long term to ensure regular, sufficient and secure inflows that are consistent with the operational and long-term financial needs.

4. Events after the balance-sheet date

A change in the Board of Directors of NPP Kozloduy EAD was registered in the Commercial Registry on 06.02.2017. The new Board of Directors is comprised of:

Petyo Ivanov – Chairman of the Board of Directors;

Ivan Andreev – Member of the Board of Directors and Executive Director;

Ivan Yonchev – Member of the Board of Directors;

- An Agreement for rescheduling the liabilities of TPP Maritsa East 2 EAD to NPP Kozloduy EAD is effective as of 01.03.2017. The liabilities, subject to rescheduling and amounting to BGN 5 507 thousand, arise from purchased electrical energy (BGN 5 036 thousand) and interest on delayed payments (BGN 471 thousand). Repayment term – until 20.02.2018; the repayment starts as of 20.03.2017.

- An Agreement for rescheduling liabilities signed by and between NEK EAD and NPP Kozloduy EAD is effective as of 28.02.2017. The liabilities, subject to rescheduling and amounting to BGN 62 431 thousand, arise from purchased electrical energy BGN 47 497 thousand) and interest on delayed payments (BGN 14 934 thousand). Repayment term – until 31.01.2020; the repayment starts as of 28.02.2017.

- In execution of the decision under item I.4.1 and item I.4.2, Protocol №18-2017/20.02.2017, of the BoD of BEH EAD, impairment losses of 100% of the amount of the receivables from Corporate Commercial Bank AD – insolvent, amounting to BGN 3 630 thousand, were recognised.

- In execution of the decision under item I.2, Protocol №21-2017/07.03.2017, of the BoD of BEH EAD, the impairment was reintegrated to the amount of BGN 501 thousand, in accordance with the data from the partial account for distribution of the available amounts among the bank's creditors with approved receivables under Art. 69, para. 1 of the Bank Bankruptcy Law, published on 24.02.2017 in the Commercial Register, under the account of Corporate Commercial Bank AD – insolvent.

5. Future opportunities and Development in 2017

The planned economic policy of the Company for 2017 is in compliance with the approved by the Decision II.1.1./11.01.2017 of the BoD of BEH EAD 5 years Business Program for the Period 2017 – 2021, entered in Protocol №2-2017/11.01.2017.

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

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

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

The transition to a new market model and a fully liberalized market is expected to create significant difficulties in the adaptation process of all players on the energy market, including and NPP Kozloduy EAD. In this respect, the commercial activities of the Company for 2017 shall be directed to ensure maximum realization of the generated electric energy, stable market presence and maintenance of competitive prices. The Company's pricing policy for free offerings shall be oriented towards providing safe, adequate and rhythmic sales income, complying with the market conditions.

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

The Company's Management does not consider that there are significant risks as a result of the dynamic fiscal and regulatory environment in Bulgaria that would require adjustments to the Financial Statements for the year ending 31 December 2016.

Additional information under Appendix № 10 of Decree № 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 income as a whole and the changes that incurred during the financial reporting period;**

In 2016, NPP Kozloduy EAD generated income in the amount of BGN 839 079 thousand. The main categories, under which income was reported, are:

- Income from sales of production, amounting to BGN 811 563 thousand – BGN 809 553 thousand are reported under income from sales of electrical energy and BGN 2 010 thousand under income from sales of thermal energy.

- Income from financing in the amount of BGN 3 744 thousand.

- Income from sales of services, goods and other sales – amounting to BGN 23 772 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 under Table 2.

Table 1

Indicator	Statements as at 31.12.2016	% share of income
Total Income from sales of production	811 563	96,72%
Income from sales of electrical energy	809 553	99,75%
Income from sales of thermal energy	2 010	0,25%
Income from financing	3 744	0,45%
Income from sales of services, goods and other sales	23 772	2,83%
Income from sales of goods	310	1,30%
Income from sales of services	5 183	21,80%
Income from sales of materials and non-current tangible assets	47	0,18%
Income from other sales	17 207	72,38%
Income from revaluation of investment properties	1 025	4,31%
Total Income	839 079	100,00%

Table 2

Indicator	Statements as at 31.12.2016	% share
Net energy (own production), MWh	14 932 477	99,98%
Purchased energy (replacement), MWh	3 240	0,02%
Total realization, MWh	14 935 717	100,00%

No changes in the structure of the main income categories have occurred during the financial year. Income from sales of generated electrical energy form the major category in the income structure.

2. **Information on the income, allocated to the different categories of activities, internal 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 separate seller and buyer / user, and information on each person, individually, on his / her share in the sales or purchases and his relation to the Company, in the cases where the relative share of any of those excess 10 per cent of the costs of sales or the sales income;**

Income from sales of production is generated entirely on the internal (domestic) market. Information on the relative share of suppliers and customers, exceeding 10 percent of the total costs or sales income is presented in Table 3 and Table 4.

Table 3

Supplier	% of costs
AO TVEL	16,02%

Table 4

Customers	% of income
NEK EAD	16,20%
CEZ Trade Bulgaria EAD	10,31%

The concluded within the reporting period contracts 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 thoroughly described in the Separate Financial Statements of the Company for 2016.

3. **Information on the transactions, concluded by and between the Company and its related parties within the 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 and connectedness of the transactions, 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 2016 (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 the realized by it 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 activities and the realized by it income and incurred expenses in 2016.

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 2016. 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 01.01.2016	Received in 2016	Discharged in 2016	Available as at 31.12.2016
Foreign assets, pledged as compensation (BGN' 000)	**109 815**	**263 972**	**220 631**	**153 156**
Received bank guarantees, denominated in BGN	66 134	212 075	184 340	93 869
Received bank guarantees, denominated in foreign currencies (BGN equivalence)	43 681	51 897	36 291	59 287

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 2016, 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 2016.

7. **Information on the contracts, concluded by the Company, its subsidiary or Parent Company, in their capacity of creditors. Information on the credit agreements, disclosing the agreements' specific terms and conditions, including and 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 2016. Thorough information on the granted loans is disclosed in the Company's Annual Separate Financial Statements as at 31 December 2016.

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 2016. Thorough information on the granted loans is disclosed in the Company's Annual Separate Financial Statements as at 31 December 2016.

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 servicing the Company's obligations 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 DCM in execution of the State Budget) is a main priority of the Company. Though policies and procedures, designed to ensure confidence in the achievement of the set under the Company's Business Program objectives, the Company implements an effective financial management and control system. There are ongoing activities to:

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

- 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 threads 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 have occurred in 2016.

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 plants, 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 includes 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 Commission. The processing of financial – accounting documents in the implementation of economic processes is established under the Rules for processing accounting documents in NPP Kozloduy EAD. Permission, approval and authorization procedures, a dual signature system and systems for preventative, subsequent and current (on-going) control of incurred costs are implemented along with the developed internal documents.

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

12. Information on the amount of the 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 incurred from profit distributions.

Thorough information is disclosed here above in the Annual Management Report of the Company for 2016.

13. Information on pending judicial, administrative or arbitral proceedings, relating to receivables or liabilities of the Company, of 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, exceed 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.

Ivan Andreev
Executive Director
NPP Kozloduy EAD
Kozloduy

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

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 2016, 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 effect of the matters 1 and 2, 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 2016, 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

1. As is disclosed in Note 4.24.8 *Provisions - Provision for decommissioning nuclear facilities* of the separate financial statements as at 31 December 2016, 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 2016.

2. As at 31 December 2016 the Company recognises bank loans liabilities, which are guaranteed by the Government of the Republic of Bulgaria (Note 18 *Loans*). In accordance with the requirements of IAS 39 *Financial Instruments: Recognition and Measurement*, the loans should have been initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method. We were not provided with an assessment of the fair value of these loans at their acquisition date. The Company has not measured subsequently these loans using the effective interest method. Consequently, we were not able to become convinced with reasonable assurance about loans liabilities assessment as at 31 December 2016 with net value at this date amounting to BGN 149,272 thousand.

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

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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. As of the date of revaluation was carried out, as well as at 31 December 2016, the Company was in the process of extending its licenses for exploitation terms of Energy block 5 and 6 up to 2037 and 2041 years respectively. 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, which we have obtained prior the date of our auditor's report, comprises the management report, 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*, matters 1 and 2 above, we were unable to obtain sufficient and appropriate audit evidence about the assessment of provision for decommissioning of nuclear facilities and the related receivables and assessment of loans liabilities of the Company as at 31 December 2016. 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.

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, we have also performed the procedures added to those required under ISAs in accordance with the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria, i.e. the Institute of Certified Public Accountants (ICPA), issued on 29 November 2016/approved by its Management Board on 29 November 2016. 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 same name 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.

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.

Audit firm
HLB BULGARIA OOD

Manager:
Milena Hristova

Registered auditor, responsible for the audit:
Vaska Gelina

30 March 2017

Separate Statement of Financial Position

Assets	Note	31 December 2016 BGN' 000	31 December 2015 BGN' 000
Non-current assets			
Property, plant and equipment	5	2 759 914	2 836 880
Intangible assets	6	5 908	5 573
Investment properties	7	4 059	3 034
Investments in subsidiaries	8	15 161	15 161
Loans, granted to related parties	31.2	14 940	17 090
Other non-current receivables	9	-	3 630
Available-for-sale financial assets	10	232	232
Non-current assets		2 800 214	2 881 600
Current assets			
Nuclear fuel	12	224 810	235 901
Inventories	13	60 320	59 156
Trade and other receivables	14	57 983	56 133
Loans, granted to related parties	31.2	2 352	2 860
Related party receivables	31.1	119 459	98 471
Income tax receivable		516	617
Cash and cash equivalents	15	76 018	89 851
Current assets		541 458	542 989
Total assets		3 341 672	3 424 589

Compiled by: ______________ /Margarita Mankova/

Executive Director: ______________ /Ivan Andreev/

Compiled on 21 March 2017
The financial statements were authorized for issue by the Board of Directors decision on 28 March 2017.
The notes, pages 7 to 56, are an integral part of the separate financial statements.

Audit Firm
HLB Bulgaria OOD

Milena Hristova
Manager

Vaska Gelina
Registered auditor, responsible for the audit

Финансов отчет,
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30. 03. 2017
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HLB Bulgaria Ltd.
Управител:......... Регистриран одитор:.........

Separate Statement of Financial Position (continued)

	Note	31 December 2016	31 December 2015
Equity and Liabilities		BGN' 000	BGN' 000
Equity			
Share capital	17.1	236 165	196 493
Statutory reserves	17.2	19 649	16 561
Revaluation reserve of non-financial assets	17.3	1 385 591	1 385 905
Reserve from remeasurement of defined benefit plans		(30 524)	(19 883)
Other reserves	17.4	984 126	984 126
Retained earnings		13 750	94 536
Total equity		2 608 757	2 657 738
Liabilities			
Non-current liabilities			
Loans	18	105 004	147 788
Retained amounts under construction contracts	19	87	1 471
Financing	20	185 509	190 689
Liabilities for retirement employee benefits	21	44 073	24 375
Deferred tax liabilities		182 494	189 091
Non-current liabilities		517 167	553 414
Current liabilities			
Trade and other payables	22	124 302	103 853
Related parties payables	31.1	1 051	11 377
Loans	18	44 268	46 058
Financing	20	6 036	1 047
Retained amounts under construction contracts	19	3 522	5 776
Liabilities for retirement employee benefits	21	6 627	15 384
Provisions for used nuclear fuel		29 942	29 942
Current liabilities		215 748	213 437
Total liabilities		732 915	766 851
Total equity and liabilities		3 341 672	3 424 589

Compiled by: ________
/Margarita Mankova/

Executive Director: ________
/Ivan Andreev/

Compiled on 21 March 2017
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Manager

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

	Note	2016	2015
		BGN' 000	BGN' 000
Revenue from sale of electricity		809 553	825 181
Revenue from sale of thermal energy		2 010	2 026
Revenue from sales of production	23	811 563	827 207
Revenue from financing		3 744	1 006
Income from sale of services, goods and other sales income	24	23 772	22 892
Cost of materials	25	(147 492)	(159 156)
Hired services expenses	26	(174 594)	(117 141)
Employee benefits expenses	27	(190 309)	(184 463)
Depreciation expenses	5,6	(178 841)	(160 209)
Other expenses	28	(133 240)	(115 674)
Change in work in progress		(10 266)	8 935
Costs for acquisition of machinery, plant and equipment in a commercial manner		61	542
Profit from operating activity		4 398	123 939
Finance costs	29	(4 271)	(4 562)
Finance income	29	1 018	2 532
Profit before tax		1 145	121 909
Income tax revenue / (expense)	30	214	(9 518)
Profit for the year from continuing operations		1 359	112 391
Loss for the year from discontinued operations	16	-	(29 957)
Profit for the year		1 359	82 434
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit plans liabilities	21	(11 824)	(15 467)
Revaluation of non-financial assets	5	(22)	1 063 034
Income tax relating to items that will not be reclassified to profit or loss	11	1 184	(104 756)
Other comprehensive income / (loss) for the year, net of tax		(10 662)	942 811
Total comprehensive income / (loss) for the year		(9 303)	1 025 245

Compiled by: ____________ /Margarita Mankova/

Executive Director: ____________ /Ivan Andreev/

Compiled on 21 March 2017
The financial statements were authorized for issue by the Board of Directors decision on 28 March 2017.
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Audit Firm
HLB Bulgaria OODD

Milena Hristova
Manager

върху който сме издали одиторски доклад с дата:
30. 03. 2017

Vaska Gelina
Registered auditor, responsible for the audit
HLB Bulgaria Ltd.
Управител: ... Регистриран одитор: ...

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

All amounts are in thousands of BGN	Share capital	Statutory reserves	Revaluation reserve of non-financial assets	Reserve from remeasurement of defined benefit plans	Other reserves	Retained earnings	Total equity
Balance as at 1 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 sole owner	-	-	-	-	-	(39 672)	(39 672)
Profit for the year	-	-	-	-	-	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)
Capital 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 in equity	-	-	-	1	-	(7)	(6)
Balance as at 31 December 2016	236 165	19 649	1 385 591	(30 524)	984 126	13 750	2 608 757

Compiled by: ____________ /Margarita Mankova/

Executive Director: ____________ /Ivan Andreev/

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Audit Firm
HLB Bulgaria OOD
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София
Рег. № 017

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

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

Compiled by: ____________ /Margarita Mankova/

Executive Director: ____________ /Ivan Andreev/

Compiled on 21 March 2017
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Управител: Регистриран одитор:

Separate Statement of Cash Flows for the year ended 31 December

	Note	2016	2015
		BGN' 000	BGN' 000
Operating activity			
Proceeds from clients		855 829	941 056
Payments to suppliers		(321 507)	(295 914)
Payments to personnel and social security institutions		(185 103)	(183 654)
Payments to fees, commissions and others		(36)	(192)
Payments to RAW fund, DNF fund and SES fund		(124 895)	(100 556)
(Payments to) / receipts from income tax		(5 096)	(16 394)
Cash flows, related to other tax and payments to the state budget		(97 138)	(101 821)
Cash flows, related to insurance policies		(9 876)	(10 706)
Other cash flows from operating activity		45 411	54 665
Net cash flow from continuing operations		157 589	286 484
Net cash flow from discontinued operations	16	-	(15)
Net cash flow from operating activity		157 589	286 469
Investing activity			
Purchase of property, plant and equipment		(127 967)	(173 474)
Proceeds from sales of property, plant and equipment		3	3 200
Proceeds from loans granted	31.2	2 634	1 372
Interest received	31.2	475	531
Dividends received	10	529	712
Net cash flow from investing activity		(124 326)	(167 659)
Financing activity			
Repayments of loans		(44 251)	(44 251)
Interest paid		(2 845)	(3 628)
Net cash flow from financing activity		(47 096)	(47 879)
Net change in cash and cash equivalents		(13 833)	70 931
Cash and cash equivalents at the beginning of the year		89 851	18 920
Cash and cash equivalents at the end of the year	15	76 018	89 851

Compiled by: /Margarita Mankova/ **Executive Director:** /Ivan Andreev/

Compiled on 21 March 2017
The financial statements were authorized for issue by the Board of Directors decision on 28 March 2017.
The notes, pages 7 to 56, are an integral part of the separate financial statements.

Audit Firm
HLB Bulgaria OOD

Milena Hristova
Manager

Vaska Gelina
Registered auditor, responsible for the audit

върху който сме издали одиторски доклад с дата:
30. 03. 2017
"ЕйчЕлБи България" ООД
HLB Bulgaria Ltd.
Управител: Регистриран одитор:

Notes to the Separate Financial Statements

1. Principal activity

"NPP Kozloduy" EAD is a joint stock company, established by virtue of Decision № 582, dated 2000, of Vratsa District Court. The company is registered in the town of Kozloduy, 3321, Vratsa District, Bulgaria. Pursuant to its spin-off from "Natsionalna Elektricheska Kompania" EAD (NEK EAD), the company was established as a joint stock company on 28 April 2000, with sole shareholder – the Republic of Bulgaria. In accordance with the Separation Protocol of the "NPP Kozloduy" branch and GMP "Atomenergoinvest", Kozloduy, compiled based on the available accounting records and dated 28 April 2000, the company is legal successor of the respective portion of the assets and liabilities of "NEK" EAD, Sofia. As of 18.09.2008, the rights of single shareholder of the company are exercised by the Ministry of Economics 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 electricity and thermal energy.

"Bulgarian Energy Holding" EAD is sole owner of the company's share capital as at 31 December 2016. The ultimate owner of the company is the Republic of Bulgaria through the Ministry of Energy.

The company has a single-level management system and it is managed by a Board of Directors, which as at 31 December 2016 consists of:

- Zhaklen Yosif Koen – Chairman
- Ivan Todorov Andreev – Member
- Ivan Todorov Yontchev – Member

As at 31 December 2016, the Company is managed and represented by the Executive Director – Ivan Andreev.

3 658 people were employed under labour contracts in the company as at 31 December 2016 (31 December 2015: 3 681)

2. Basis of 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), developed and published by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU).

The separate financial statements are compiled in the functional currency of the Company – the Bulgarian Leva (BGN). All amounts (including and the comparative information) are presented in thousands of Bulgarian Leva (BGN'000), unless otherwise specified.

These financial statements are the separate financial statements of the company. The company prepares and consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), developed and published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), where investments in subsidiaries are accounted for and disclosed in accordance with IFRS 10 "Consolidated Financial Statements".

The separate financial statements are prepared under the going concern principle.
As at the date of preparation of the current separate financial statements, the Management has evaluated the company's ability to continue to operate as a going concern, taking into account the available information regarding the foreseeable future.
As a result of the conducted 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 the accounting policies

The company performs its current bookkeeping and prepares its financial statements in accordance with all International Financial Reporting Standards (IFRS), comprised of: the International Financial Reporting Standards and Interpretations, developed by the IFRS Interpretations Committee (IFRIC), approved by the International Accounting Standards Board (IASB), and the International Accounting Standards and the Interpretations, developed by the Standing Interpretations Committee (SIC), approved by the International Accounting Standards Committee (IASC), effective as at 01.01.2016, and endorsed by the European Union Committee (Committee).

The company has adopted all new and / or revised Standards and Interpretations, developed and issued by the IAS Board (IASBB) and adopted by the European Union Committee that are appropriate for its activities. The company did not have to conduct any changes in its accounting policies in order to adapt the implementation of all new and / or revised IFRS, effective for the current reporting period, beginning on 01.01.2016, as they either are not applicable for its activities and the ordinary composition and characteristics of its assets and liabilities, or because during the period there have not been any items or transactions, which are affected by the revisions and amendments to the IFRS. The effect of the amendments in the IFRS for the company, relate only to the introduction of new, or broadening of the existing disclosures, and changes in the presentation of the financial statements, without this having an effect on the amounts, stated therein. As at the date on which the current financial statements were authorized for issue, the following amendments and improvements to enacting Standards have come in effect:

3.1. Standards and Interpretations that have come into effect as of 01 January 2016

Amendment to IAS 27 "Separate Financial Statements" – Equity Method in Separate Financial Statements – adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 01 January 2016);

Amendments to IAS 1 "Presentation of Financial Statements" – Disclosure Initiative – adopted by the EU on 18 December 2015 (effective for annual periods, beginning on or after 01 January 2016);

Amendments to various Standards "Improvements to IFRSs (2012-2014 cycle)", resulting from the Annual Improvement to IFRS project (IFRS 5, IFRS 7, IAS 19 and IAS 34), targeting mainly to eliminate any discrepancies and to provide clarifications of the terminology – adopted by EU on 15 December 2015 (the amendments will be applied for annual periods beginning on or after 01 January 2016);

Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" – Clarification of the Acceptable Methods of Depreciation and Amortization – adopted by the EU on 02 December 2015 (effective for annual periods beginning on or after 01 January 2016);

Amendments to IFRS 11 "Joint Agreements" – Accounting for Acquisition of Interests in Joint Operations – adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 01 January 2016);

Amendment to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" – Agriculture: Bearer Plants – adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 01 January 2016);

Amendments in IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment Entities: Applying the Consolidation Exceptions – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 01 January 2016);

3.2. Standards and Interpretations, published by the IASB and endorsed by the EU, which are not yet effective

As at the date on which these separate financial statements were authorized for issue, the following Standards and amendments to existing Standards, and Interpretations, were published by the International Accounting Standards Board (IASB) and were adopted by the EU, but are not yet effective:

IFRS 15 "Revenue from Contracts with Customers" – adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 01 January 2018);

IFRS 9 "Financial Instruments" – adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 01 January 2018);

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

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

IFRS 14 "Regulatory Deferral Accounts" – the EC decided not to launch the endorsement process of this interim Standard and to wait for the final version;

IFRS 16 "Leases" – effective for annual periods beginning on or after 01 January 2019;

Amendments in IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sales or contribution of assets between an investor and its associate or joint venture – postponed indefinitely;

Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses – effective for annual periods beginning on or after 01 January 2017;

Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative, effective for annual periods beginning on or after 1 January 2017;

Clarifications to IFRS 15 "Revenue from Contracts with Customers" – effective for annual periods beginning on or after 1 January 2018;

Amendments to IFRS 2 "Share-based Payment" – effective for annual periods beginning on or after 1 January 2018;

Amendments to IFRS 4: Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance Contracts" – effective for annual periods beginning on or after 1 January 2018;

Amendments to various Standards "Improvements to IFRS (2014 – 2016 cycle) – effective for annual periods beginning on or after 1 January 2018 and 1 January 2017;

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" – effective for annual periods beginning on or after 1 January 2018;

Amendments to IAS 40 "Investment property" – Transfers of investment property – effective for annual periods beginning on or after 1 January 2018;

4. Accounting policies

4.1. General terms

The most significant accounting policies, applied in the preparation of these separate financial statements, are presented hereafter.

The separate financial statements has been prepared in accordance with the measurement basis, specified by IFRS, for each type of assets, liabilities, income and expense. The measurement basis and valuation principles are disclosed in detail in the accounting policies to the separate financial statements here below.

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

4.2. Presentation of the separate financial statements

The separate financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements" (revised 2007). The company has adopted the policy to present the statement of profit or loss and the statement of other comprehensive income in a single statement.

Two comparative periods are presented in the statement of financial position when the company:

a) Applies accounting policies retrospectively;

b) Restates, retrospectively, items in the financial statements; and

c) Reclassifies items in the financial statements.

and this has a material effect on the information, disclosed in the separate statement of financial position at the beginning of the prior period.

4.3. Foreign currency transactions

Foreign currency transactions are recorded in the functional currency of the company, by applying to the foreign currency amount the spot exchange rate between the Bulgarian Leva (BGN) and the foreign currency (as issued by the Bulgarian National Bank) at the date of the transaction.

Foreign exchange gains and losses, arising in the settlement of such transactions and in the translation of the company's cash items, denominated in foreign currencies, as at year-end are recognised as profit or loss.

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

4.4. Revenue

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

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

The company has concluded that it acts as a principal in all such agreements. The following specific recognition criterial must also be satisfied before recognising revenue:

Sales of electricity
Revenue generated from electric power supplies to clients, whose facilities are connected to the electrical transmission grid – the Public Provider –, to end clients and proprietors, acting on the electric power market, is recognised in the statement of profit or loss and other comprehensive income. Sales income is recognised based on the electric power consumption data, measured on a monthly basis by commercial meters, or based on the registered schedules.

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

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

Interest income
Interest income is recognised, using the effective interest rate method – i.e. the interest rate that accurately discounts the estimated future cash flows, over the expected useful life of the financial instrument, or shorter period when appropriate, to the book value of the financial asset. Interest income is included in the statement of profit or loss and other comprehensive income under "Finance income". Interest income, generated under overdue receivables, is included in interest income.

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

Income, generated under Government grants

When there is sufficient certainty that government grants, associated with the acquisition of non-current assets, shall be obtained and that the company shall be in a position to execute all related with them requirements, the government grants are initially recognised as deferred financing, in the separate statement of financial position. Income, generated from financing for non-current assets, is recognised, on a systematic basis, over the respective asset's useful life, in profit or loss for the period.

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

4.5. Operating expense

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

Cost of electrical energy
In accordance with the "Ordinance on regulating the prices of electric power", issued by the State Energy and Water Regulation Commission (SEWRC), 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 by the Energy Units (per Energy Unit).
Expenses, incurred in respect of the "Decommissioning of Nuclear Facilities" (CNF) Fund, the "Radioactive Waste" (RAW) Fund and the "Energy Security System" (ESS) 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
Cost of available capacities is formed from the contingent, 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 cost;
- Allocated indirect costs, based on the Delivery Protocols for works performed by other auxiliary 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 Electricity generation – 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 work in progress is computed on a monthly basis by the "Engineering Insurance" 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, provided to the different on-site divisions for generating thermal energy.

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

- The contingent – fixed and variable costs of Electricity generation – 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.

Thermal energy, consumed by the owned by "NPP Kozloduy" sites, 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 technologic costs is as follows:

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

The local taxes and fees, as per the meaning of the Local Taxes and Fees Act, are included in the statement profit or loss and other comprehensive income 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 capitalization rate to the expenses on that asset. The capitalisation rate is the weighted average of the borrowing costs, attributable to the loans of the 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 statement profit or loss and other comprehensive income 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
- 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. When activities, previously (in a prior reporting period) 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 capitalized costs are then amortized 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 conducted impairments are reported as expenses and are recognised in the statement profit or loss and other comprehensive income for the respective period.

Intangible assets with finite useful life are amortised over their useful life and are reviewed for impairment, when there are indications that their value may be impaired. The amortisation period and amortisation method of intangible assets with a finite useful life is reviewed at least at 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.

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

Amortization expenses are included in the statement profit or loss and other comprehensive income under "Depreciation 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 statement profit or loss and other comprehensive income 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 satisfied:

- The company has the technical ability to complete the asset;
- The company intends to complete the asset;
- The asset can be used or sold, and there is a market for the asset, or the asset is useful for 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 activities
Development activities include a production plan, or project, for the creation of new, or significantly improved, products and processes. Development costs are capitalised only if these expenses can be 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.

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	Property	Revaluation model
2	Improvements on lands and terrains	Revaluation model
3	Buildings and constructions	
	• Solid	Revaluation model
	• Hollow	Cost (acquisition cost) model

No	PPE class	Subsequent measurement model
4	Machinery, plant and equipment	Revaluation model
5	Computer systems	Cost (acquisition cost) model
6	Transport vehicles	
	• Freight vehicles	Revaluation model
	• Automobiles	Cost (acquisition cost) model
	• Specialised motor vehicles	Revaluation model
7	Furniture, Fixtures and Fittings	Cost (acquisition cost) model
8	Spare parts, carried as PPE	Revaluation model
9	Other PPE	Cost (acquisition cost) model

Property, plant and equipment, subsequently measured under the revaluation model, are carried at revalued amount – 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 retired or disposed, the remaining revaluation reserve is transferred to retained earnings.

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

- When the fair value of the assets changes insignificantly, the assets are revalued 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 carrying amount of the respective asset does not differ materially from its fair value.

When applying the revaluation model, the frequency of subsequent revaluations of PPE depends on whether the carrying amount of a revalued asset differs materially from its fair value as at year-end.
In this regards, during the annual inventory count at year-end (at the end of the financial reporting period), the 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. Impairment losses are treated as expenses and are included in the statement profit or loss and other comprehensive income for the respective period.

Subsequent costs related to an item of property, plant and equipment are added to the carrying amount of the asset when it is probable that future economic benefits, exceeding the originally assessed standard of performance of the existing asset, will flow to the 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 years – 70 years
Machinery, plant and equipment	5 years – 55 years
Mobile telephones	3 years – 5 years
Lifting equipment	22 years – 55 years
Portable tools	5 years – 19 years
KIP and A systems	5 years – 40 years
Automobiles	9 years – 42 years
Transport vehicles	5 years – 40 years
Computers	2 years – 28 years
Furniture	3 years – 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 of the company's property, plant and equipment amounts to BGN 700.00.

4.10. Investment property

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 carrying 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 carrying 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 carrying amount cannot be recovered.

The amount by which the carrying amount of an asset, or of a cash-generating unit, exceeds the recoverable amount of the same, the latter being higher than the respective fair value net of all cost of disposal of the asset and its value in use, is 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 compute 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 carrying 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 leasor

Leasors 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 leasor 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.

Leasors must recognise the total expenses, incurred for stimulus under leases (provided by the leasor) 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 losses 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, expect 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 at acquisition date. The category, under which a financial instrument is classified, determines its measurement method and whether the income and expenses shall be disclosed in the 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.

Significant receivables are tested separately for impairment, when such are outstanding as at the date of the financial statements, or when there are objective evidence that the counterparty will not fulfil its liabilities. Evidence of impairment may include indications that a debtor, or a group of debtors, experience severe financial difficulties, or fail to, or have delayed to, pay interests or principals, or it is probable to declare 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 in 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 lands, 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 carrying 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 amortized cost, net of all payments for the debt's settlement.

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

4.16. 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 realizable value. The amount of any impairment of inventory to net realizable value is recognised as an expense in the period of impairment.

The net realizable value is the estimated selling price of inventory less the estimated cost of completion of the production cycle and the estimated cost of sales. When inventory is impaired to net realisable value and in a subsequent reporting period it is established that the circumstances, which previously caused 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 carrying 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, enacting as at 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 utilized.

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 on 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.

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. 22, 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. 22, 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 with 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 CL, 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 "NPP Kozloduy" 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.

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 "NPP Kozloduy" 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 at 31 December 2016, 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. 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. Inventory

Nuclear fuel

The calculations are based on the established "Methodology for accounting the deliveries, stock and cost of fresh nuclear fuel in "NPP Kozloduy" EAD, taking into account the value of the fresh nuclear fuel, loaded in the course of the respective fuel campaign, and the estimated fuel component, determined by dividing the value of the loaded in the reactor nuclear fuel by the estimated electrical energy production for period, in KWh. The result of the calculation of the gross generated electricity from the respective unit during the fuel campaign and the fuel component represents the cost of nuclear fuel for the respective period.

Measurement

Inventory, at carrying amount of BGN 60 320 thousand (31.12.2015: BGN 59 156 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 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 2016, the Company's liabilities for retirement employee benefits amount to BGN 50 700 thousand (31.12.2015: BGN 39 759 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 property and property, plant and equipment

The amount by which the carrying amount of an asset, or a cash-generating unit, exceeds its recoverable value, the latter being the higher of the asset's, or cash-generating unit's, fair value, net of the acquisition costs, and its value in use, is recognised as impairment loss. 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 reported impairment loss on non-current assets, amounting to BGN 0 thousand in 2016 (2015: BGN 2 183 thousand).

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 aging 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 and others. 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 at the reporting date. As at 31 December 2016, the Management's best estimate on the need of impairment of receivables, amounts to BGN 13 122 thousands (31.12.2015: BGN 9 694 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 for transport, processing and storage of consumed nuclear fuel
In accordance with the effective, until 2030, Strategy for Management of the Consumed Nuclear Fuel and Radioactive Waste, adopted by a Decision of the Council of Ministers on 02.09.2015, the company has a regulatory obligation to transport at minimum 50 tons of heavy metal annual consumed nuclear fuel for

processing and storage in Russia.
As at 31.12.2015, provisions for used nuclear fuel, amounting to BGN 29 942 thousand are recognised in the separate financial statements. These represent the estimated liability for one expected transport in 2016, considering the fact that a part of the used nuclear fuel can be stored in the owned by the company repositories, which are used to store used nuclear fuel.
In execution of a decision, taken at the workshop of the MoE, consultations with the executor under the contract for processing used nuclear fuel began in 2016. These consultations are on the possibility of transporting and processing the used nuclear fuel with physical defects in its design and structure. The necessary activities for preparing analysis to justify the safety of the transported packages were discussed and agreed upon. The clarification of these problems and the need the executor to attract organizations to prepare these analysis took longer than expected, and together with the adverse weather conditions, resulted in the non-delivery of the planned for 2016 transport. An agreement was reached on 16.12.2016 and Annex № 5 to the contract was signed. The latter defines the deadline for transporting used nuclear fuel to 30.07.2017.

Provision for decommissioning nuclear facilities
In compliance with the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", provisions are liabilities of uncertain timing and amount. Provisions are recognised only if the following criteria are satisfied:
- The company has a present commitment, arising from a past event;
- It is possible that an outflow of the company's cash resources, embodying economic benefits, may be required to settle the liability; and
- The liability can be reliably estimated.

In compliance with the requirements for "reliable estimates", disclosed under the Standard, the company has not accrued any provisions for "decommissioning nuclear facilities" and for "safe storage of the used nuclear fuel", because:
- The company is subject to specific statutory decrees – the Safe Use of Nuclear Energy Act, Pricing Regulations and Decisions, adopted by the Council of Ministers to raise funds in the "RAW" and the "DNF" funds. In accordance with the requirements of those statutory acts, current expenses for 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 principle of "comparability of revenue and expenses", under the Accountancy Act, in the price of electricity on the regulated market, defined by the EWRC, is recognised as an expenses to the amount of the contributions, due to the "DNF" and the "RAW" funds;
- With regards to the agreements with the European Commission for early closure of Units 1 to 4, the State has concluded funding agreements with external creditors. This shall finance the building and construction of a dry storage of used nuclear fuel (UNF) repository, and shall cover the expenses, incurred for salaries and social security contributions in respect of the personnel, employed in Unit 3 and Unit 4, as well as other activities;
- Pursuant to Decision No. 839 of the Council of Ministers, the assets in Unit 1 and Unit 2 were transferred for no consideration from "NPP Kozloduy" EAD to SE "RAW" – Sofia in December 2008, on the grounds of "decommissioning assets". Pursuant to Decision No. 1038 of the Council of Ministers, as of 19 December 2012, Unit 3 and Unit 4 of "NPP Kozloduy" EAD are announced as radioactive waste management facilities and their operation and management should be transferred to SE "RAW". On 1.03.2013, the assets, owned by Unit 3 and Unit 4, together with the personnel, related to these units, were transferred to SE "RAW".

In accordance with the regulatory requirements, when the implementation costs of the project for decommissioning assets exceeds the approved by the Management Board evaluations of the "DNF" funds, the additionally required costs should be borne by the last legal entity that has operated the nuclear facility (in this case "NPP Kozloduy" EAD). Due to the fact that as at the date of approval of these financial statements, there is no clear national strategy for the decommissioning of nuclear facilities and the estimated cost of the project have not been evaluated by the "DNF" Fund, the company cannot reliably estimate its liability and has not recognised provisions for decommissioning nuclear facilities as at 31 December 2016 and 31 December 2015.

5. Property, plant and equipment

	Lands and buildings	Plant, machines and equipment	Transport 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 at 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, recognised in equity	(22)	-	-	-	-	(22)
Balance as at 31 December 2016	501 304	2 246 708	8 175	65 766	239 477	3 061 430
Depreciation						
Balance as at 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 at 31 December 2016	(18 923)	(239 954)	(1 685)	(40 954)	-	(301 516)
Carrying amount as at 31 December 2016	482 381	2 006 754	6 490	24 812	239 477	2 759 914

	Lands and buildings	Plant, machines and equipment	Transport 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 at 1 January 2015	260 021	1 467 825	7 757	65 942	403 200	2 204 745
Additions	293	149 915	1 006	128	151 605	302 947
Disposals	-	(7 606)	(65)	(256)	(152 590)	(160 517)
Transfer to investment properties	(3 034)	-	-	-	-	(3 034)
Transfer	-	9	(9)	-	-	-
Revaluation, recognised in equity	244 987	836 679	688	-	-	1 082 354
Impairment, recognised in equity	(17 243)	(1 880)	(198)	-	-	(19 321)
Impairment, recognised in profit or loss	(883)	(1 300)	-	-	-	(2 183)
Impairment, reversed in profit or loss	1 099	1 304	46	-	-	2 449
Written off carrying value upon revaluation	(30 200)	(413 534)	(1 817)	-	-	(445 551)
Balance as at 31 December 2015	455 040	2 031 412	7 408	65 814	402 215	2 961 889
Depreciation						
Balance as at 1 January 2015	(24 034)	(354 060)	(1 640)	(33 972)	-	(413 706)
Additions	(12 281)	(141 230)	(818)	(3 709)	-	(158 038)
Disposals	-	909	21	254	-	1 184
Depreciation written off upon revaluation	30 200	413 534	1 817	-	-	445 551
Balance as at 31 December 2015	(6 115)	(80 847)	(620)	(37 427)	-	(125 009)
Carrying amount as at 31 December 2015	448 925	1 950 565	6 788	28 387	402 215	2 836 880

Review for Revaluation

In accordance with the Company accounting policies, property, plant and equipment are revalued at least once in every 3 years or sooner if there are indications that their carrying amounts differs significantly from their fair value. Property, plant and equipment were revalued as at 30 June 2015. As at 31 December 2016, the company has reviewed property, plant and equipment on whether there are indications that their carrying amounts are significantly different from their fair value. The terms and the way in which assets are used in the company were reviewed as at 31 December 2016. No indications that the carrying amount of property, plant and equipment was significantly different from its fair value as at 31 December 2016 were established as a result of this review and a new revaluation of property, plant and equipment is not necessary.

Review for impairment

As at 31 December 2016, the Company, together with a certified appraiser, has reviewed for impairment property, plant and equipment in compliance with the requirements of IAS 36 "Impairment of assets".

No indications that the carrying amount of property, plant and equipment exceeds their recoverable value were established as a result of the conducted review, with the exception of three properties (real estate), for which rights to build and servitudes were established during the reporting period and in respect of which impairment, amounting to BGN 22 thousand, was recognised by decreasing the accumulated revaluation of these assets.

Acquisition costs of non-current tangible assets

Acquisition costs of non-current tangible assets amount to BGN 238 428 thousand and are mainly related to:

- Activities to extend the operational (service) life of Energy Units 5 and 6;

- Project to improve the production efficiency in the Company.

Advance payments for acquisitions of non-current assets, amount to BGN 1 049 thousand as at 31 December 2016 (31 December 2015: BGN 38 422 thousand) and are included in the acquisition cost of non-current tangible assets.

Collaterals on loans

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

Other disclosures

Disclosures of the carrying amounts of property, plant and equipment, measured at revalued amount, which would be recognised if these assets were measured after initial recognition at acquisition cost is practically inapplicable due to the complexity of these assets and the long period of their possession by the Company.

6. Intangible assets

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

	Development products	Patents and licenses	Software	Others	Total
	BGN' 000	BGN' 000	BGN' 000	BGN' 000	BGN' 000
Gross carrying amount					
Balance as at 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 at 31 December 2016	47 578	4 266	14 041	69 743	135 628
Amortization					
Balance as at 1 January 2016	(45 284)	(2 331)	(11 043)	(69 743)	(128 401)
Amortization	(538)	(167)	(639)	-	(1 344)
Disposals	-	18	7	-	25
Balance as at 31 December 2016	(45 822)	(2 480)	(11 675)	(69 743)	(129 720)
Carrying amount as at 31 December 2016	1 756	1 786	2 366	-	5 908

	Development products	Patents and licenses	Software	Others	Total
	BGN' 000	BGN' 000	BGN' 000	BGN' 000	BGN' 000
Gross carrying amount					
Balance as at 1 January 2015	47 597	3 133	13 586	69 743	134 059
Additions	-	-	626	-	626
Disposals	(19)	(157)	(535)	-	(711)
Balance as at 31 December 2015	47 578	2 976	13 677	69 743	133 974
Amortization					
Balance as at 1 January 2015	(44 139)	(2 295)	(10 764)	(69 743)	(126 941)
Amortization	(1 164)	(193)	(814)	-	(2 171)
Disposals	19	157	535	-	711
Balance as at 31 December 2015	(45 284)	(2 331)	(11 043)	(69 743)	(128 401)
Carrying amount as at 31 December 2015	2 294	645	2 634	-	5 573

Development products are obtained from scientific research of programs and methodologies, created templates from hired services, or copyright collectives of "NPP Kozloduy" EAD.

The company has reviewed for impairment the intangible assets as at 31 December 2016. No indications were established that the carrying amount of the assets exceeds their recoverable value.

The company has not pledged any intangible assets as collaterals under liabilities.

7. Investment properties

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

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
At the beginning of the year	**3 034**	-
Transferred from used in the ordinary activities	-	3 034
Increase from fair value measurement	1 025	-
At the end of the year	**4 059**	**3 034**

Fair value measurement

Investment property was measured at fair value as at 31 December 2016. 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 2016, 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 leasor

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 2016	31 December 2015
	BGN' 000	BGN' 000
Up to 1 year	285	342
Between 1 year and 5 years	1 141	1 369
Over 5 years	1 045	1 711
	2 471	3 422

8. Investments in subsidiaries

The company has the following investments in subsidiaries:

Subsidiaries' Corporate Name	Country of Incorporation	Principal activity	31 December 2016		31 December 2015	
			BGN' 000	%	BGN' 000	%
"NPP Kozloduy New Builds"	Bulgaria	Building and construction of energy units	14 000	100	14 000	100
"HPP Kozloduy" EAD	Bulgaria	Electric power generation and sales of electric power	1 082	100	1 082	100
"Interpriborservice" OOD	Bulgaria	Warranty Services	79	63.96	79	63.96
			15 161		15 161	

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

The company owns 100% of the capital of "NPP Kozloduy 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 "HPP Kozloduy" 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. The sum capital of "Interpriborservice" OOD 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 entity relate to the supply of assets, supplies of modernization and reconstruction of assets, as well as purchases of materials and hired services.

The subsidiaries have not distributed any dividends in 2016 and in 2015.

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

9. Other non-current receivables

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Corporate Commercial Bank AD	4 036	4 537
Impairment of receivables from Corporate Commercial Bank AD – in bankruptcy	(4 036)	(907)
Other non-current receivables	**-**	**3 630**

As at 31 December 2016, the company has receivables from Corporate Commercial Bank AD – in bankruptcy –, amounting to BGN 4 537 thousand. By virtue of Order №664/22.04.2015 of the Sofia District Court, Corporate Commercial Bank AD (CCB AD) is declared in bankruptcy. The claimed by the company receivables, amounting to BGN 4 537 thousand, are approved in full amount by the administrators in insolvency of CCB (insolvent) and are included in the list of creditors.

As at the date of preparation of the company's separate financial statements, a statement of a partial account for distribution of the available amounts among the bank's creditors is published by the administrators of CCB (insolvent) in the Commercial Registry. According to the distribution of the administrators, BGN 501 thousand should be reimbursed to "NPP Kozloduy" EAD. Based on this information and the decisions of the Board of Directors of BEH EAD, under Protocol № 18-2017/20.02.2017 and Protocol № 21-2017/07.03.2017, the receivables from CCB (insolvent) were impaired as at 31 December 2016 up to the amount determined by the administrators, subject to reimbursement, namely BGN 4 036 thousand. The receivables, in the amount of BGN 501 thousand, are classified as current and are presented under Note 14 "Trade and other 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 majority shareholder of ZAD "Energia". The carrying amount of available-for-sale financial assets is presented as follows:

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Participation 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 302 thousand from ZAD "Energia" in 2016 (2015: BGN 272 thousand).

11. Deferred tax assets and deferred tax liabilities

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

Deferred tax assets (liabilities)	1 January 2016	Recognised in other comprehensive income	Recognised in profit or loss	31 December 2016
	BGN' 000	BGN' 000	BGN' 000	BGN' 000
Non-current assets				
Property, plant and equipment – revaluations	(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)
Trade and other receivables – impairment	91	-	313	404
Current assets				
Inventory – impairment	1 118	-	(56)	1 062
Trade and other receivables – impairment	878	-	30	908
Non-current liabilities				
Liabilities for retirement employee benefits	3 976	1 182	(88)	5 070
Current liabilities				
Provision for used nuclear fuel	2 994	-	-	2 994
Unused by the personnel leaves	1 284	-	170	1 454
Accrued bonus to the personnel	253	-	311	564
	(189 091)	1 184	5 413	(182 494)
Deferred tax assets	11 059			12 921
Deferred tax liabilities	(200 150)			(195 415)
Recognised as:				
Deferred tax liabilities, net	(189 091)			(182 494)

Deferred tax for the comparative period – 2015 – can be summarized as follows:

Deferred tax assets (liabilities)	1 January 2015	Recognised in other comprehensive income	Recognised in profit or loss	31 December 2015
	BGN' 000	BGN' 000	BGN' 000	BGN' 000
Non-current assets				
Property, plant and equipment – revaluations	(48 162)	(106 303)	-	(154 465)
Property, plant and equipment – depreciation	(48 809)	-	3 124	(45 685)
Property, plant and equipment – impairment	492	-	(27)	465
Trade and other receivables – impairment	-	-	91	91
Current assets				
Inventory – impairment	1 099	-	19	1 118
Trade and other receivables – impairment	1 299	-	(421)	878
Non-current liabilities	2 809	1 547	(380)	3 976
Liabilities for retirement employee benefits				
Current liabilities				
Provision for used nuclear fuel	-	-	2 994	2 994
Unused by the personnel leaves	1 290	-	(6)	1 284
Accrued bonus to the personnel	411	-	(158)	253
	(89 571)	(104 756)	5 236	(189 091)
Deferred tax assets	7 400			11 059
Deferred tax liabilities	(96 971)			(200 150)
Recognised as:				
Deferred tax liabilities, net	(89 571)			(189 091)

12. Nuclear fuel

	Fuel, loaded in the reactors	Fresh nuclear fuel	Total
	BGN' 000	BGN' 000	BGN' 000
As at 1 January 2015	73 563	173 621	247 184
Fuel, purchased within the year	-	125 856	125 856
Transfers	146 054	(146 054)	-
Fuel, consumed within the year	(137 139)	-	(137 139)
As at 31 December 2015	82 478	153 423	235 901
Fuel, purchased within the year	-	133 766	133 766
Transfers	134 587	(134 587)	-
Fuel, consumed within the year	(144 857)	-	(144 857)
As at 31 December 2016	72 208	152 602	224 810

13. Inventories

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

	31 December 2016 BGN' 000	31 December 2015 BGN' 000
Spare parts	50 469	49 228
Fuel	3 010	3 171
Metals	1 061	1 113
Equipment	619	618
Reagents	312	369
Other materials	4 746	4 556
Total materials	60 217	59 055
Goods	103	101
Total Inventory	60 320	59 156

An impairment of the idle inventory was performed as at 31 December 2016, based on the report of the independent certified appraiser. The impairment amounts to BGN 10 thousand. A prior period impairment, amounting to BGN 13 thousand, was reversed. An impairment of the idle inventory was performed as at 31 December 2015, based on the report of the independent certified appraiser. The impairment amounts to BGN 656 thousand. A prior period impairment, amounting to BGN 15 thousand, was reversed.

Inventory is not pledged as collateral of liabilities.

14. Trade and other receivables

	31 December 2016 BGN' 000	31 December 2015 BGN' 000
Trade receivables	49 634	43 971
Impairment of trade receivables	(668)	(300)
Receivables from litigations and writs	8 283	8 347
Impairment of receivables from litigations and writs	(8 208)	(8 217)
Receivables from CCB (insolvent)	501	-
Other receivables	330	902
Impairment of Other receivables	(210)	(270)
Financial assets	49 662	44 433
Advances	7 818	587
Prepayments	503	11 113
Non-financial assets	8 321	11 700
Trade and other receivables	57 983	56 133

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

All trade and other receivables as at 31 December 2016 were reviewed for indications of impairment. Some trade and other receivables have been impaired and the respective impairment, amounting to BGN 3 739 thousand (2015: BGN 1 420 thousand), was recognised in the statement of profit or loss and other comprehensive income, under "Other expenses".

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

-

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Balance as at 1 January	8 787	8 788
Impairment loss	610	513
Reversed impairment loss	(311)	(514)
Balance as at 31 December	9 086	8 787

Losses from the impairment of the receivables from CCB (insolvent) were recognised in 2016. The impairment loss amounts to BGN 3 129 thousand (2015: BGN 907 thousand).

An aging structure analysis of trade and other receivables is disclosed under Note 35.2.

The carrying amount of prepayments includes insurance costs (BGN 400 thousand), subscriptions (BGN 58 thousand) and others (BGN 45 thousand). These refer for the year 2017.

15. Cash and cash equivalents

Cash and cash equivalents comprise the following items:

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Cash at banks (in current accounts) and cash in hand, denominated in:		
- Bulgarian Levs (BGN)	65 877	72 913
- Euros (EUR)	10 080	16 888
- United State Dollars (USD)	57	47
- British Pounds (GBP)	1	-
- Canadian Dollars (CAD)	2	2
- Swiss Francs (CHF)	1	1
Cash and cash equivalents	76 018	89 851

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

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

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

The assets and personnel, associated with Unit 3 and Unit 4, were transferred to SE "RAW" in compliance with the signed inspection certificate upon delivery in 2013.

Revenue and expense, associated with Unit 3 and Unit 4, are eliminated from the profit from continuing operations of the company for 2016 and 2015, and are presented in the statement of profit or loss and other comprehensive income, under "Loss for the year from discontinued operations".

	31 December 2016	31 December 2015
Provisions for the transport of used nuclear fuel	-	(29 957)
Loss for the year from discontinued operations	-	(29 957)

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

As at 31.12.2015, provisions for used nuclear fuel, amounting to BGN 29 942 thousand are recognised in the separate financial statements. These represent the estimated liability for one expected transport in 2016, considering the fact that a part of the used nuclear fuel can be stored in the owned by the company repositories, which are used to store used nuclear fuel.
In execution of a decision, taken at the workshop of the MoE, consultations with the executor under the contract for processing used nuclear fuel began in 2016. These consultations are on the possibility of transporting and processing the used nuclear fuel with physical defects in its design and structure. The necessary activities for preparing analysis to justify the safety of the transported packages were discussed and agreed upon. The clarification of these problems and the need the executor to attract organizations to prepare these analysis took longer than expected, and together with the adverse weather conditions, resulted in the non-delivery of the planned for 2016 transport.
An agreement was reached on 16.12.2016 and Annex № 5 to the contract was signed. The latter defines the deadline for transporting used nuclear fuel to 30.07.2017.

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

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Operating activity		
Payments to suppliers	-	(15)
Net cash flow from discontinued operations	-	(15)

17. Equity

17.1. Share capital

The registered capital of "NPP Kozloduy" EAD consists of 23 616 526 fully paid, ordinary, registered shares at 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.

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

	31 December 2016	31 December 2015
Number of issued and fully paid shares:	Number of shares	Number of shares
At the beginning of the year	19 649 286	16 560 686
Share emission	3 967 240	3 088 600
Number of issued and fully paid shares	23 616 526	19 649 286
Total number of shares, authorised on 31 December	23 616 526	19 649 286

"Bulgarian Energy Holding" EAD, which is owned by the Ministry of Energy, is the single shareholder of the company.

In accordance with a decision of the Board of Directors of "Bulgarian Energy Holding" EAD, dated 14 May 2016, the capital of the company is increased by BGN 39 672 thousand, representing the remaining portion of the realized by the company net profits for 2015, by issuing 3 967 240 shares, representing 16.80% of all issued shares. All shares provide voting rights and rights to obtain dividends and liquidation shares in the company's property.

23 616 526 shares were registered in the Commercial Registry on 14.07.2016 and the company's capital increased to BGN 236 165 260.

17.2. Statutory reserves

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

	Statutory reserves
	BGN' 000
Balance as at 1 January 2015	15 385
Reserves increase via retained earnings	1 175
Other changes	1
Balance as at 31 December 2015	16 561
Reserves increase via retained earnings	3 088
Balance as at 31 December 2016	19 649

17.3. Revaluation reserves of non-financial assets

Revaluation reserves are formed by the difference between the carrying value and the fair value of property, plant and equipment 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 at 1 January 2015	429 303
Revaluation non-financial assets, net of tax	956 731
Transfer to retained earnings upon disposals of assets	(130)
Other changes	1
Balance as at 31 December 2015	1 385 905
Revaluation non-financial assets, net of tax	(20)
Transfer to retained earnings upon disposals of assets	(294)
Balance as at 31 December 2016	1 385 591

17.4. Other reserves

Other reserves, amounting to BGN 984,126 thousand (31.12.2015: 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.

17.5. Declared and paid dividends

By virtue of Protocol №28-2016/05.05.2016 of the Board of Directors of "BEH" EAD and according to Order № 5 of the Council of Ministers of the Republic of Bulgaria, distribution of dividends from the 2015 profits, amounting to BGN 39,672 thousand, were approved. The dividend attributable to one share is BGN 1.68 (2015: BGN 2.36)

By virtue of Protocol № 37, dated 24 June 2016, the Board of Directors of BEH EAD approved Contract for transfer of receivables between BEH EAD, in a capacity of an assignee, and "NPP Kozloduy" EAD in a capacity of an assignor. The contracted amount of BGN 39,672 thousand includes the principal plus interest under Contract № 15IE-1106001/11.06.2015, signed by and between "NPP Kozloduy" EAD and "Natsionalna Elektricheska Kompania" EAD for purchasing of electricity at regulated prices. Pursuant to the approval obtained by the Ministry of Energy, in its capacity of Principal of BEH, a contract for cession was signed by and between "NPP Kozloduy" EAD and BEH EAD on 28 July 2016. As at the date of preparation of the annual financial statements, "NPP Kozloduy" EAD does not owe dividends to BEH EAD.

	Dividends' liabilities
	BGN' 000
Balance as at 1 January 2016	-
Declared dividends	39 672
Dividends, offset against counter receivables	(39 672)
Balance as at 31 December 2016	-

In accordance to items 1 "b" and 1 "c" of Order № 2 of the Council of Ministers, dated 23 February 2016, 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 2016 profits after tax, and net of the deductions for the "Reserves" Fund – when the fund is not filled. The amount of these dividends should not exceed 50% of the profit, disclosed in the consolidated financial statements for the financial reporting 2016.

18. Loans

	Effective interest rate	Maturity	31 December 2016	31 December 2015
			BGN' 000	BGN' 000
Non-current portion:				
Loan liabilities to EURATOM – principal	EURIBOR + 0.079% to 0.13%	As of 1 January 2018 and until 10 May 2021	105 004	147 788
			105 004	147 788
Current portion:				
Loan liabilities to EURATOM – principal	EURIBOR + 0.079% to 0.13%	As of 15 January 2017 and until 31 December 2017	42 783	44 251
Interest, accrued on a loan from EURATOM			1 485	1 807
			44 268	46 058
Total Loans			149 272	193 846

In 2000, "NPP KOZLODUY" EAD signed agreement with the European Atomic Energy Community (EURATOM) for a loan of EUR 212 500 thousand (BGN 415 614 thousand). The loan is to finance the modernization of Unit 5 and Unit 6 of "NPP KOZLODUY" EAD. The loan was acquired in 8 tranches each with different interest and has a 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. The floating interest rates are based on a 6-month EURIBOR plus a mark-up, varying from 0.079% to 0.13%. 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 "Natsionalna Elektricheska Kompania" EAD (a related party under common control).

The loan agreement has special clauses with restrictive conditions on changes in the end owners, as well as financial conditions, requiring the achievement of certain levels of the liability coefficients and covering the debt repayment (refer to Note 37).

19 Retained amounts under construction contracts

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

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Non-current	87	1 471
Current	3 522	5 776
	3 609	7 247

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 2016	31 December 2015
	BGN' 000	BGN' 000
On 1 January	191 736	192 193
Received within the year	3 553	549
Recognised in profit or loss	(3 744)	(1 006)
On 31 December	191 545	191 736
Non-current	185 509	190 689
Current	6 036	1 047

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 upon retirement is not fixed.

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.

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

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Balance as at 1 January	39 759	28 091
Interest expense	1 655	1 127
Expenses for current labour	4 893	1 114
Expenses for past labour	(979)	201
Actuarial (gains) / losses, related with liabilities upon retirement, due to illness, (retirement employee benefits)	99	1 390
Income, paid to the personnel	(6 551)	(7 631)
Actuarial (gains) / losses from a changes in the actual experience	9 715	-
Actuarial (gains) / losses from a change in the financial assumptions	2 018	13 766
Actuarial (gains) / losses from changes in the demographic assumptions	91	1 701
Balance as at 31 December	50 700	39 759
Non-current	44 073	24 375
Current	6 627	15 384

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

	31 December 2016	31 December 2015
Discounting rate	2,5%	4%
Future increase in the remunerations	2% for the first 3 years; After that 2% per annum	0% for the first 3 years; After that 1% 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

	2016	2015
	BGN' 000	BGN' 000
Expenses for current labour	4 893	1 114
Expenses for past labour	(979)	201
Interest expense	1 655	1 127
Actuarial (gains) / losses, related with liabilities upon retirement, due to illness, (retirement employee benefits)	99	1 390
Total expenses, recognised in profit or loss	5 668	3 832

The expenses, incurred with regards to current and past labour provided by the personnel, 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:

	2016	2015
	BGN' 000	BGN' 000
Actuarial (gains) / losses from a changes in the actual experience	(9 715)	-
Actuarial (gains) / losses from changes in the financial assumptions	(2 018)	(13 766)
Actuarial (gains) / losses from changes in the demographic assumptions	(91)	(1 701)
Total Actuarial (gains) / losses, recognised in other comprehensive income	(11 824)	(15 467)

Based on past experience, the company expects to pay BGN 6 627 152 thousand contributions under defined benefits in 2017.

The weighted average continuation of the liabilities to pay defined benefits is 14.1 years as at 31 December 2016.

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 2016:

Changes in significant actuarial assumptions
In thousands of BGN

Discounting rate	**Increase of 0.25%**	**Decrease of 0.25%**
Increase / (decrease) in liabilities under defined benefit plans	(414)	423
Percentage increase of salaries	**Increase of 1%**	**Decrease of 1%**
Increase / (decrease) in liabilities under defined benefit plans	1 754	(1 639)
Estimated life expectancy	**Increase by 1 year**	**Decrease by 1 year**
Increase / (decrease) in liabilities under defined benefit plans	169	(173)
Percentage of personnel's turnover	**Increase of 1%**	**Decrease of 1%**
Increase / (decrease) in liabilities under defined benefit plans	(1 747)	1 879

The elasticity 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 2016	31 December 2015
	BGN' 000	BGN' 000
Liabilities to suppliers	49 838	45 093
Other liabilities	26 893	7 121
Financial liabilities	**76 731**	**52 214**
Liabilities for remunerations to the personnel	19 940	18 799
Liabilities for social security contributions	5 902	6 187
Tax liabilities	6 901	8 881
Liabilities under contributions to the "DNF" fund, the "RAW" fund and the "ESS" fund	12 524	11 925
Liabilities under received advances	2 304	5 847
Non-financial liabilities	**47 571**	**51 639**
Trade and other payables	**124 302**	**103 853**

The net book value of the current trade and other payables is accepted as a reasonable estimate of their fair value.

23 Revenue from sales of production

	2016	2015
	BGN' 000	BGN' 000
Sales of electricity on a non-regulated market	622 126	685 528
Sales of electricity on a stock exchange market	52 274	-
Sales of available capacities	40 549	70 272
Sales of electricity on a regulated market	94 664	74 101
Sales of electricity on a balancing market	(60)	(4 720)
Revenue from sales of electricity	**809 553**	**825 181**
Sales of thermal energy	2 010	2 026
Revenue from sales of production	**811 563**	**827 207**

24 Income from sale of services, goods and other sales

	2016	2015
	BGN' 000	BGN' 000
Revenue from penalties and fines under contracts	10 013	6 509
Revenue from sales of services	5 183	4 989
Income from established rights of use	5 375	-
Gains from sales of non-current assets	-	3 102
Gains from revaluation of investment property	1 025	-
Revenue from insurance events	498	2 851
Gains from revaluation of PPE	-	2 449
Revenue from sales of materials	47	869
Revenue from sales of scrap	182	585
Revenue from sales of goods	310	294
Revenue from assets' surplus	52	139
Rental income	242	125
Other income	845	980
	23 772	22 892

25 Cost of materials

	2016 BGN' 000	2015 BGN' 000
Nuclear fuel, lubricants and fuels	136 203	147 874
Spare parts and instruments	5 521	5 172
Materials for current maintenance	2 871	2 632
Uniform and special outfits	827	1 195
Reagents for production	869	766
Purchased electric power	625	755
Specialised literature and stationery	392	380
Construction materials and metals	110	102
Advertising materials	72	79
Other	2	201
	147 492	159 156

26 Hired services expenses

	2016 BGN' 000	2015 BGN' 000
Repair and maintenance services	42 629	43 993
Services, provided in connection to extending the licence certification of Unit 5 and Unit 6	69 568	17 863
Water usage fee	14 062	12 055
Property insurance and nuclear damage	10 993	12 064
Armed security and fire security	9 604	9 205
Consulting and audit services	5 011	2 405
Fees for permits by regulatory bodies	5 808	4 275
Transport costs	3 144	3 080
Taxes and fees	3 255	1 681
Sanitation and landscaping	3 476	2 198
Researches, measurements and control	641	1 919
Services for providing safety food, as per ordinance	2 143	1 607
Water-supply and sewerage services	1 320	1 581
Education and qualifications	1 672	408
Informational, post and telecommunication services	349	347
Medical treatment services	271	313
Other	648	2 147
	174 594	117 141

Water usage fees in 2016 are accrued based on the Tariff of fees for water abstraction for use of water site and contamination, adopted by Decree № 177, of the Council of Ministers, dated 24 June 2011, effective as of 1 January 2012. By virtue of six Protocols of Findings, dated 15.02.2016, the Ministry of Environment and Water, in particular the Basin Directorate for water management of the Danube region, with centre – Pleven, confirms the information in the declarations for outstanding fees, submitted by "NPP Kozloduy" EAD, under Art..194 b of the Water Act, for the period from 01.01.2016 to 31.12.2016. The accrued and due amount for 2016 of BGN 14 062 thousand is included in the current water usage fees for 2016.

The company continued and in 2016 to work on the procedure, which was initiated in the end of 2014 – namely to prepare documents for the extension of licenses for Power Units 5 and 6.

27 Employee benefits expenses

	2016	2015
	BGN' 000	BGN' 000
Salaries and wages	122 892	118 242
Social security contributions	31 649	31 381
Social expenses, in cash	18 893	19 102
Food expenses, incurred in accordance with Decree № 11	11 899	12 094
Retirement employee benefits	4 013	2 705
Compensations, provided in accordance with the Labour Code	963	939
	190 309	184 463

28 Other expenses

	2016	2015
	BGN' 000	BGN' 000
Annual instalment in the "Decommissioning of Nuclear Facilities" fund	60 716	61 889
Annual instalment in the "Radioactive Waste" Fund	24 299	24 755
Annual instalment in the "ESS" Fund	40 478	17 504
Donations	768	7 881
Impairment of receivables	3 739	1 420
Reversal of receivables impairment	(311)	(4 727)
Impairment of PPE	-	2 183
Membership fees	878	902
Social costs	391	392
Shortages and defaults	600	620
Business trips	643	667
Impairment of inventory	10	656
Reversal of inventory impairment	(13)	(15)
Tax on expenses	532	554
Entertainment cost	238	152
Penalties and charges under contracts	60	159
Others expenses	212	682
	133 240	115 674

29 Finance income and finance costs

	2016	2015
	BGN' 000	BGN' 000
Interest expense under loans	2 522	3 195
Total interest expense under financial instruments that are not carried at fair value in profit or loss	2 522	3 195
Interest expense under retirement employee benefits	1 655	1 127
Fees and commissions	36	193
Foreign exchange losses	58	47
Finance costs	4 271	4 562

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

	2016	2015
	BGN' 000	BGN' 000
Interest income and income, generated in the reversal of the receivable's discount	-	1 478
Interest income under granted loans	452	496
Interest income under cash in bank (current accounts)	164	252
Total interest income under financial assets that are not carried at fair value in profit or loss	616	2 226
Dividend income	302	272
Foreign exchange gains	57	34
Other finance income	43	-
Finance income	1 018	2 532

30 Income tax expense

The estimated income tax expenses, based on the applicable for Bulgaria tax rate of 10% (31.12.2015: 10%), and the actual recognised tax expenses in profit or loss can be equalised as follows:

	2016	2015
	BGN' 000	BGN' 000
Accounting profit from continuing operations	1 145	121 909
Accounting loss from discontinued operations	(-)	(29 957)
Accounting profit before tax	1 145	91 952
Tax rate	10%	10%
Estimated income tax expense	(115)	(9 195)
Tax effect of:		
Increase of the financial result for tax purposes	(19 716)	(21 277)
Decrease of the financial result for tax purposes	14 632	15 718
Current income tax expense	(5 199)	(14 754)
Deferred tax income / (loss) as a result of:		
Incurrence and reversal of temporary differences	5 413	5 236
Income tax expense	214	(9 518)
Deferred tax income, recognised in other comprehensive income	(1 184)	104 756

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

Sole owner of the parent company
The Republic of Bulgaria through the Minister of Energy

Subsidiaries
"NPP Kozloduy – New Builds" EAD
"HPP Kozloduy" 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
"Bulgartansgaz" 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
"Energy Investment Company" 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
"ICBG" AD
"South Stream Bulgaria" AD
"Transbalkan Electric Power Trading S.A. – NESO" S.A.

Company's key management personnel
Zhaklen Yosif Koen – Chairman of the BoD
Ivan Todorov Yontchev – Member of the BoD
Ivan Todorov Andreev – Member of the BoD and Executive Director

Key Management personnel of the parent company:
Zhecho Delchev Stankov – Chairman of the BoD
Zhivko Dimitrov Dinchev – Member of the BoD
Petyo Angelov Ivanov – Member of the BoD and Executive Director

Unless explicitly disclosed the related party transactions are not carried out under special terms and conditions and no guarantees are 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
Sole shareholder:							
"BEH" EAD	2016	148	39 940	29	-	29	26
"BEH" EAD	2015	49	46 769	28	-	28	60
Subsidiaries:							
"Interpriborservice" OOD	2016	62	6 134	7	-	7	656
"Interpriborservice" OOD	2015	51	5 801	237	-	237	1 020
"HPP Kozloduy" EAD	2016	464	-	-	-	-	-
"HPP Kozloduy" EAD	2015	795	-	4	-	4	-
"NPP Kozloduy – New Builds" EAD	2016	20	-	4	-	4	3
"NPP Kozloduy – New Builds" EAD	2015	8	-	1	-	1	3
Other relate parties (under joint control)							
"NEK" EAD	2016	157 079	52	112 030	-	112 030	315
"NEK" EAD	2015	150 887	131	96 623	-	96 623	162
"ESO" EAD	2016	547	615	373	-	373	3
"ESO" EAD	2015	368	5 197	387	-	387	2
"IBEE" EAD	2016	52 274	171	1 091	-	1 091	48
TPP Maritsa East 2 EAD	2016	5 420	220	5 426	-	5 426	-
ZAD "Energia"	2016	7	10 216	499	-	499	-
ZAD "Energia"	2015	3 120	11 267	1 191	-	1 191	10 130
	2016					119 459	1 051
	2015					98 471	11 377

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

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

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

	2016	2015
	BGN' 000	BGN' 000
Balance as at 1 January	-	4 213
Reversal of impairment loss and reversal of discounting	-	(4 213)
Balance as at 31 December	-	-

31.2 Loans, granted to related parties

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Non-current portion:		
Principal	14 940	17 090
Current portion:		
Principal	2 150	2 634
Interest	202	226
	2 352	2 860
Total Loans granted	17 292	19 950

The loan is provided to the subsidiary "HPP Kozloduy" EAD in accordance with a decision of "Bulgarian Energy Holding" EAD on 7 November 2008. The credit line amounts to BGN 20 000 thousand and it matures in 2020. An annual interest rate in the amount of BIR as at the date of payment of the due instalment + 0.30% margin is contracted. Pursuant to Protocol № 1-2015/12.01.2015, BEH EAD approved the conclusion of Annex № 4 to Contract for Credit line № 880080, dated 07.10.2008, signed by and between "NPP Kozloduy" EAD, in its capacity of creditor, and "HPP Kozloduy" EAD, as debtor. As a result, the Annex was concluded on 20.01.2015 and has entered in force as of 14.07.2014. The maturity to repay the loan, set under the Annex, is 15 January 2024. The repayment of the loan began on 15 July 2013. The loan shall be repaid in 22 instalments, with the first 2 instalments amounting to BGN 150 thousand (15.07.2013) and BGN 1 300 (15.01.2014) respectively. A repayment schedule was prepared for the remaining 1/15 of the unsettled principal after 15.01.2014. In accordance with the Annex, the annual interest rate is floating and amounts to BIR + 2.5% margin. As at 31.12.2016, "HPP Kozloduy" EAD has repaid BGN 2 634 thousand and the remaining portion as at that date amounts to BGN 17 090 thousand. The loan is secured by a promissory note. The accrued interest under the loan for 2016, amount to BGN 452 thousand (2015: BGN 496 thousand).

31.3 Transactions with key management personnel

The key management personnel of the company consist of the members of the Board of Directors. The disclosed remuneration of the key management personnel includes:

	2016	2015
	BGN' 000	BGN' 000
Short-term remuneration:		
Salaries and wages, including and bonuses	130	117
Social security contributions	19	19
Social costs	22	22
Compensations	18	-
Total remunerations	189	158

32 Cashless transactions

In 2016, the company has engaged in the following investment and financial transactions, in which no cash or cash equivalents were used, and which are not reflected in the separate statement of cash flows:

- In compliance to a cession contract, signed with "BEH" EAD on 28.07.2016, the dividend liabilities of "NPP Kozloduy" EAD were offset with receivables from "NEK" EAD. The offsetting amounts to BGN 39 672 thousand.

33. Commitments and contingent liabilities

Capital commitments

The company has capital commitments for BGN 74 196 thousand as at 31 December 2016 (31.12.2015: BGN 128,821 thousand), which are associated with commitments to acquire property, plant and equipment.

The amount of the contractual commitments for the acquisition of nuclear fuel amount to BGN 133,467 thousand as at 31 December 2016 (31.12.2015: BGN 125,511 thousand).

Legal claims

There are filed legal claims against the company for the amount of BGN 239 thousand (31.12.2015: BGN 12 thousand).

None of the above claims is described here in details so as not to seriously prejudice the company's position in the related disputes.

Guarantees

Bank guarantees, placed in favour of the company amount to BGN 153 156 thousand (31.12.2015: BGN 109,815 thousand).

As at 31 December 2016, the company has placed the following guarantees and collaterals:

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

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

Guarantee for engaging in trading transactions with electricity (cash guarantee) – BGN 75 thousand.

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

Insurance

The Law for Safe use of nuclear energy limits the responsibility of the nuclear facility operator for damages, caused by any nuclear breakdowns. The law limits the operator's responsibility to BGN 96,000 thousand per breakdown. In accordance with the Vienna Convention on Civil Liability for Nuclear Damage, the operator is obliged to maintain insurance and other financial guarantees for nuclear damages, for the period of operation of the nuclear facilities. The company has concluded an insurance policy, covering the legally requisite limits. The insurance policy is concluded with the Bulgarian National Insurance pool on 31.05.2016 and has a one year validity period from 01.06.2016 to 30.05.2017. The insurance amounts to BGN 785 thousand, on which BGN 770 is insurance premium and BGN 15 thousand is premium tax. The company has a property insurance policy "Industrial Fire" effective for the period 01.01.2016 – 31.12.2020. The insurance for the period 01.01.2016 – 31.12.2016 amounts to BGN 10 130 thousand (EUR 5,179 thousand).

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:

Financial assets	Note	31 December 2016 BGN' 000	31 December 2015 BGN' 000
Available-for-sale financial assets	10	232	232
Loans and receivables:			
Non-current other receivables	0	-	3 630
Trade and other receivables	0	49 662	44 433
Loans, granted to related parties	31.2	17 292	19 950
Receivables from related parties	31.1	119 459	98 471
Cash and cash equivalents	15	76 018	89 851
		262 431	256 335
Total Financial assets		262 663	256 567

Financial liabilities	Note	31 December 2016 BGN' 000	31 December 2015 BGN' 000
Financial liabilities, carried at amortized cost:			
Loans	18	149 272	193 846
Retained amounts; under construction contracts	0	3 609	7 247
Trade and other liabilities	0	76 731	52 096
Liabilities to related parties	31.1	1 051	11 377
Total Financial liabilities		230 663	264 566

Refer to Note 4.14 for information on the accounting policy for each category of financial instruments. A thorough description of the policy and goals of the company's risk management of financial instruments is disclosed in Note 35.

35. Risks, associated with the financial instruments

The Company's risk management policy and goals

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

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

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

35.1. Market risk analysis

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

35.1.1. Currency risk

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

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

	Current risk exposure		
	US Dollars BGN' 000	British Pounds BGN' 000	Others BGN' 000
31 December 2016			
Financial assets	58	1	3
Financial liabilities	(15)	-	-
Total risk exposure	43	1	3
31 December 2015			
Financial assets	52	-	3
Financial liabilities	(14)	-	-
Total risk exposure	38	-	3

35.1.2. Interest risk

The company's policy targets to manage and reduce the interest risk, existing in long-term financing.

As at 31 December 2016, the company is exposed to the risk from changes in market interest rates, under the seven separately formed tranches, denominated in Euros, in conformance with the signed with Euratom agreement, dated 29 May 2000 that are at floating interest rate of six months EURIBOR plus a margin of 0.079% to 0.13% for each tranche.

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

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

The presented hereafter table conveys the elasticity of the annual net financial result after tax and of the equity to possible change in the interest rates, under loans granted at floating interest rate, based on BIR, effective in Bulgaria, in the amount of +/- 0.01 % (2015: +/- 0.01%) and under loans, at floating interest rate, based on EURIBOR, amounting to +/- 0.1% (2014: +/- 0.2%). These changes are determined as possible based on the observations of the established fluctuations in BIR and EURIBOR in 2016. The computations are based on changes in the average market interest rate and of the financial instruments, held by the company at the end of the reporting period, which are elastic to changes in the interest rates. All other parameters are accepted as constant. The calculations are in compliance with the clauses, contracted under the concluded credit agreements.

The effect of decrease or increase in the floating interest rates under the obtained by the company loans is reflected as profit or loss respectively and has identical effect on equity through the current year's profit / loss components.

31 December 2016	Net financial result BGN' 000		Equity BGN' 000	
	Increase of the interest rate	Decreased of the interest rate	Increase of the interest rate	Decreased of the interest rate
Granted loans, denominated in BGN (BIR+/- 0.01%)	2	(1)	2	(1)
Obtained loans, denominated in Euros (EURIBOR +/- 0.1%)	(124)	22	(124)	22

31 December 2015	Net financial result BGN' 000		Equity BGN' 000	
	Increase of the interest rate	Decreased of the interest rate	Increase of the interest rate	Decreased of the interest rate
Granted loans, denominated in BGN (BIR+/- 0.01%)	2	(2)	2	(2)
Obtained loans, denominated in Euros (EURIBOR +/- 0.2%)	(326)	326	(326)	326

35.2. Credit risk analysis

Credit risk is the risk that some of its counterparties may not be able to meet their obligations to the company. The various financial instruments of the company expose the company to credit risk – for instance in the provision of loans, incurring receivables from clients, depositing cash, investments in securities and others. The company's exposure to credit risk is limited to the carrying amount of the financial assets recognised as at year-end, as illustrated hereafter:

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Groups of financial assets – carrying amounts:		
Available-for-sale financial assets	232	232
Credits and receivables	186 413	166 484
Cash and cash equivalents	76 018	89 851
Carrying amount	262 663	256 567

The company constantly monitors for the non-settlement of its clients' and other contractors' liabilities, individually or in groups, and uses this information to control the credit risk. The company engages in commercial transactions only with established counterparties, who have ability to settle their debts. The company's policy is to review all clients, who wish to trade under deferred payment terms. Such clients are subject to review procedures, which aim at establish their ability to settle their debts. Furthermore, the balances of trade receivables are monitored on a current basis, and as a result the company's exposure to doubtful debts and bad debts is insignificant.

The ageing structure of receivables as at the date of the Financial Statements is as follows:

As at 31 December 2016

	Not overdue	30 days – 90 days	90 days – 180 days	180 days – 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
	56 421	15 936	35 524	48 526	12 714	169 121

As at 31 December 2015

	Not overdue	30 days – 90 days	90 days – 180 days	180 days – 360 days	>360 days	Total
	BGN' 000	BGN' 000	BGN' 000	BGN' 000	BGN' 000	BGN' 000
Trade and other receivables	41 208	1 910	261	1 052	2	44 433
Receivables from related parties	25 266	28 091	26 941	15 900	2 273	98 471
	66 474	30 001	27 202	16 952	2 275	142 904

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

	2016	2015
	BGN' 000	BGN' 000
Balance as at 1 January	8 787	13 001
Accrued impairment within the year (Note 0 and Note 31.1)	610	513
Reversed impairment	(311)	(4 727)
Balance as at 31 December	9 086	8 787

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

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

In order to manage the liquidity risk to which it is exposed, the company collects its receivables, controls the spend cash resources and thus it ensures sufficient working capital. The resources for the long-term liquidity needs are ensured by loans in the respective amounts.

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

As at 31 December 2016

	Immediate	<3 months	3 months – 12 months	1 year – 5 years	>5 years	Total
	BGN'000	3GN'000	BGN'000	BGN'000	BGN'000	BGN'000
Loans	-	12 713	31 555	105 004	-	149 272
Retained amounts under construction contracts	-	-	3 522	87	-	3 609
Trade and other payables	-	63 072	13 659	-	-	76 731
Related party receivables	-	958	93	-	-	1 051
	-	76 743	48 829	105 091	-	230 663

As at 31 December 2015

	Immediate	<3 months	3 months – 12 months	1 year – 5 years	>5 years	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Loans	-	12 713	33 345	136 909	10 879	193 846
Retained amounts under construction contracts	-	-	5 776	1 471	-	7 247
Trade and other payables	-	32 076	20 020	-	-	52 096
Related party receivables	-	3 778	7 599	-	-	11 377
	-	48 567	66 740	138 380	10 879	264 566

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

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 (unobservable inputs).

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

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

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Property, plant and equipment:		
- Lands	19 137	19 159
- Buildings	463 244	429 766
- Property, plant and equipment	2 003 742	1 947 455
- Transport vehicles	5 807	6 235
Investment property (Level 2):	4 059	3 034
	2 495 989	2 405 649

The fair value of the respective groups of assets – property, plant and equipment, and investment properties owned by the company – is determined based on reports of independent certified appraisers, as at 30.06.2015 for property, plant and equipment, and as at 31.12.2016 for investment property.

Appraisers conducted a review for impairment as at 31.12.2016. According to these appraisers, the carrying amounts of assets do not differ significantly from the fair value of the revalued assets at the end of the reporting period.

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 the 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 – policies and procedures

The company's capital management mainly targets 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 changes in the economic policies. 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 realized financial result for the reporting period, as follows:

	2016	2015
	BGN' 000	BGN' 000
Profit for the year, after tax	1 359	82 434

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

Debt servicing

According to the Loan Agreement, signed with Euratom on 10.05.2000, the financial coefficients Debt Service Cover Ratio and the Gearing Ratio are observed in order to monitor whether they are within the acceptable values.

In accordance with the terms of the Loan Agreement, the debt service coverage ratio is calculated as a correlation of free cash flow for the year and the debt servicing amount, including interests and principals for the respective year. This ratio should not be less than 1.5. The ratio amounted to 3.53 in 2016 (2015: 5.04).

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Free cash flow	166 142	241 255
Debt servicing	47 096	47 879
Coverage of the debt servicing	3.53	5.04

Another indicator that is being monitored in compliance with the obligations of the company in its capacity of Borrower is the indebtedness coefficient. The indebtedness coefficient is calculated as the correlation of total loans and equity as at the end of the respective year. This ratio should not be greater than 2. The ratio amounted to 0.006 in 2016 (2015: 0.07).

	31 December 2016	31 December 2015
	BGN' 000	BGN' 000
Loan capital	149 272	193 846
Equity	2 608 757	2 657 738
Indebtedness	0.06	0.07

The above indicators are monitored on an annual basis. They are computed based on the annual financial statements of the company that are being provided to the bank. The Management is obliged to immediately inform the bank in case of non-fulfilment. The Management believes that the company is in compliance with the required under the Loan Agreement levels of financial indicators.

During the presented reporting period, the company has not changed its capital management objectives, policies and process or the method of defining capital.

38. Post-reporting date events

By virtue of Decision I.1.1 of the BoD of BEH, entered in protocol № 9-2017/30.01.2017, Zhaklen Koen is dismissed as a member of the BoD of "NPP Kozloduy" EAD, and by virtue of Decision I.1.2, Petyo Ivanov is appointed as a new member. This event was entered in the Commercial Registry on 06.02.2017.

In accordance to items 1 "b" and 1 "c" of Order № 2 of the Council of Ministers, dated 23 February 2016, 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 2016 profits after tax, and net of the deductions for the "Reserves" Fund – when the fund is not filled. The amount of these dividends should not exceed 50% of the profit, disclosed in the consolidated financial statements for the financial reporting 2016.

The company has overdue receivables from "NEK" EAD, amounting to BGN 94 116 thousand as at 31 December 2016. The concluded agreement with "NEK" EAD to reschedule receivables from "NEK" EAD, amounting to BGN 62 431 thousand, at contracted interest rate of 3%, is into force as of 28.02.2017. The repayment term under the concluded agreement is 31.01.2020.

The company has overdue receivables from "TPP Maritza Iztok 2" EAD, amounting to BGN 5,425 thousand as at 31 December 2016. The concluded agreement to reschedule receivables from "TPP Maritza Iztok 2" EAD, amounting to BGN 5 507 thousand, at contracted interest rate of 3%, is into force as of 01.03.2017. The repayment term under the concluded agreement is 20.02.2018.

A statement of a partial account for distribution of the available amounts among the bank's creditors is published by the administrators of CCB (insolvent) in the Commercial Registry after the date of the reporting period. According to the distribution of the administrators, BGN 501 thousand should be reimbursed to "NPP Kozloduy" EAD.

39. Authorization of the separate financial statements

The separate financial statements as at 31 December 2016 (including and the comparative information) were approved and authorised for issue by the Board of Directors on 28 March 2017.