HLB BULGARIA

Annual Management Report
Non-Financial Statement
Independent Auditor's Report
Separate Financial Statements

KOZLODUY NPP EAD

31 December 2018

"АЕЦ КОЗЛОДУЙ" ЕАД

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GENERAL INFORMATION

Board of Directors as at the date of the financial statements

Zhaklen Koen - Chairman of the Board of Directors;

Nasko Mihov - Member of the Board of Directors and CEO;

Ivan Yonchev - Member of the Board of Directors;

Address

Bulgaria

3321, Kozloduy Vratsa District

Servicing banks

Investbank AD

International Asset Bank AD

DSK Bank EAD

United Bulgarian Bank AD

Municipal Bank AD

First Investment Bank AD

UniCredit Bulbank AD

Eurobank Bulgaria AD

Central Cooperative Bank AD

Bulgarian American Credit Bank AD

Pireos Bank AD

Auditor

HLB Bulgaria OOD

Management Report

of Kozloduy NPP EAD

01 January 2018 - 31 December 2018

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

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

The report presents commentary on and analysis of the financial statements and other significant information on the financial position, and the operating results of the Company. It covers the period from 01 January to 31 December 2018.

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

1. General information

Corporate name	**Kozloduy NPP EAD**
UIC	**106513772**
Address	**Bulgaria** **Vratsa District** **Kozloduy 3321**
Principal activities	– Using nuclear power to generate electricity and thermal energy. For the execution of these activities the Company holds and maintains: a valid licence for generation of electricity and thermal energy by the electricity generating facility as defined therein; valid licences to operate nuclear facilities, as per the Safe Use of Nuclear Energy Act (SUNEA), issued by the Bulgarian Nuclear Regulatory Agency (valid permit for generation activity by the generating facility as defined by the licence, issued by the Inspectorate on the Safe Use of Atomic Energy for

Peaceful Purposes);

- Import and export of fresh and spent nuclear fuel;
- Investment activities, related to the Company's activities as defined under the Company's principal business;
- Construction, installation and maintenance in the fields of electrical and thermal energy generation;
- Sales of high- and medium-voltage electrical energy, 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 2018 the Company is managed by the Board of Directors (BoD), consisting of:

Zhaklen Koen - Chairman of the Board of Directors;

Nasko Mihov - Member of the Board of Directors and CEO;

Ivan Yonchev - Member of the Board of Directors;

Management

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

Bulgarian Energy Holding EAD is the sole owner of the Company share capital as at 31 December 2018. The Company's ultimate owner is the Republic of Bulgaria through the Ministry of Energy.

The Company has a one-tier management system and is managed by a Board of Directors consisting of three members.

As at 31 December 2018 the Company's share capital amounts to BGN 244,584,890 distributed among 24,458,489 ordinary, registered, voting shares at BGN 10 par value per share. All ordinary shares are fully paid.

Licences

The Company holds the following licences:

- Licence for operation of a nuclear facility, issued by the Bulgarian Nuclear Regulatory Agency (BNRA) - Serial No. E, Registration No.5303, dated 03 November 2017, valid as of 06 November 2017, for the operation of Kozloduy NPP EAD Unit 5. Licence validity - 06 November 2027;

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

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

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

- Licence, issued by the BNRA, Serial number И-11024, Registration No.04358, dated 01 April 2014, for the use of sources of ionizing radiation for commercial purposes - performing non-destructive testing with radiation methods for: Inspection Body Type C, Diagnostics and Control Testing Centre, valid for a ten-year period - until 31.03.2024. Orders have been issued by the chairman of the BNRA - No. AA-04-1/27.01.2016 and AA-04-132/29.08.2018 for amendments of the Licence, related to a change in the list of the used X-ray flaw detectors;

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

- Licence, issued by the BNRA, for transportation of radioactive substances, Serial number T-14002, Registration No.04435, dated 30.06.2014, valid for a ten-year period - until 11.07.2024;

- Licence for trading with electricity No. Л-216-15/18.12.2006 - until 18.12.2026;

– Licence, issued by the BNRA, for delivering specialised training, carried out by the Personnel and Training Centre Division, Serial number CO, Registration No.5125 dated 05.10.2016 for a 5-year period - until 05.10.2021; By order No. AA-04-126/24.08.2018 of the chairman of the BNRA the Licence was amended with regards to adding new positions as Kozloduy NPP EAD and SE RAW, which (positions) have functions that affect radiation protection and nuclear safety;

– Licence issued by the BNRA for operation of the Spent Fuel Storage Facility, Serial number E, Registration No. 04441 dated 25.06.2014, for a ten-year period - until 25.06.2024.

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

Auditor — HLB Bulgaria OOD

Basis for preparation of the financial statements

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

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

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

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

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

1.1. Management's responsibilities

The management confirms that it has applied adequate accounting policies in preparing the annual individual financial statements as at 31 December 2018, and that the annual individual financial statements are prepared under the going concern principle.

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

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

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

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

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

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

The Company did not acquire and/or transfer any treasury shares in 2018.

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

The Company does not hold any treasury shares.

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

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

In thousands of BGN	Statements as at 31.12.2018	Statements as at 31.12.2017
Salaries and wages, including bonuses	272	148
Social security contributions	21	20
Social costs	29	25
Compensations	46	-
Total short-term remuneration	**368**	**193**

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

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

c/ Information on the participation of the Members of the Board of Directors as unlimited liability partners in commercial entities, information on the ownership of over 25 percent of the capital of another entity, as well as information on their participation in the management of other entities, or cooperatives, as Procurators, managers or members of a boards (in accordance with the requirements of Art.247, para.2, i.4 of the CA).

The members of the Board of Directors have not stated circumstances under art.247, para.2, i.4 of the CA.

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

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

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

1.3. Personnel

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

The employment relationships at Kozloduy NPP EAD are upheld at a very high level. A new Collective Labour Agreement was signed on 20 December 2018, valid as of 1 January 2019 to 31 December 2020. A Code of Ethics is also in place in the Company, which necessitates keeping certain values by the personnel in the power plant in compliance with the major values in nuclear energy. No discrimination based on sex, ethnic origin, religious or political beliefs is allowed at the work place. Women occupy both higher operative and higher management positions in the Company. Equal rights and opportunities for work, development and career promotion are provided, depending solely on the initiative, professional qualification, experience acquired and personal qualities of the employees, as well as their performance results.

A Programme for the improvement of human resource development at Kozloduy NPP EAD for the period 2018-2021 was prepared in the past year.

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

In relation to the long term operation of the plant and the securing of required staff, special attention is paid to attracting young people to ensure transfer of specific knowledge and experience gained over many years. A scholarship programme was set up in order to increase young people's interest towards the Company, under respective rules approved by the Board of Directors. Four scholarship students have been approved under the scholarship programme for majors applicable at the NPP. Contracts have been signed for acquiring qualification under the provisions of art.229 of the Labour Code. The four students come from the Technical University - Sofia.

As of 31 December 2018, the number of the staff employed by the Company under employment contracts is 3,663. The relative share of employees with higher or secondary vocational education is preserved.

The Company observes the requirement set under the Staff Establishment Plan to have secondary education as the lowest educational degree when holding any staff positions.

Total personnel, employed under employment contracts, including	Statement as at 31.12.2018	Statement as at 31.12.2017	% change
Managers	469	473	-0.8%
Specialists	1,004	998	0.6%
Technicians and associate professionals	844	870	-3.0%
Administrative Assistance Personnel	259	258	0.4%
Personnel, engaged in providing services to the population, trade and security	92	81	13.6%
Qualified workers and the associated with them professionals	756	806	-6.2%
Machine operators and assembly installers	167	163	2.5%
Professions, which do not require special qualifications	72	67	7.5%
TOTAL	**3,663**	**3,716**	**-1.4%**

1.4. Legal and arbitration proceedings

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

1.5. Research and development

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

1.6. Subsidiaries

Kozloduy NPP EAD owns the following entities:

- **Kozloduy HPP EAD**

Kozloduy NPP EAD is the sole owner (100%) of the capital of Kozloduy HPP EAD, comprised of 1,082 ordinary, registered, materialised, voting shares, at BGN 1,000 par value per share.

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

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

15.01.2013. With Decision item II.3.1, dated 29.03.2013, the Board of Directors of BEH EAD authorised the signing of Annex No.3 by and between Kozloduy HPP EAD and Kozloduy NPP EAD, which amended the contracted clauses related to: extension of the fund's utilisation deadline - until commissioning of Outlet channel-1 at Kozloduy HPP, 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 base interest rate + 2.5 % margin. With Decision item II.6.1, dated 12.01.2015, the Board of Directors of BEH EAD authorised the signing of Annex No.4 by and between Kozloduy HPP EAD and Kozloduy NPP EAD, which amended the contracted clauses related to: extending the loan maturity date - until 15.01.2024; increasing the number of the repayment instalments - 22 instalments.

- **Kozloduy NPP - New Build EAD**

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

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

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

- **Interpriborservice OOD**

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

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

- **ZAD Energia**

The Company has a participation in ZAD Energia, with investment value of BGN 466 thousand as at 31 December 2018.

1.7. Branches of the Company

The Company does not have any branches.

2. Activity overview

Kozloduy NPP EAD ended the reporting year 2018 with excellent financial results.

The financial result of the Company were positively influenced by the considerably more advantageous development of the electricity market, which resulted in increase of the average market prices, lack of registered departures from the scheduled operating mode of the nuclear power units with electricity underproduction, respectively, as well as to additionally generated electric power by unit 6 as a result of its operation at 104%.

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

Significant changes in the regulatory environment, having a direct impact on the Company's activity, occurred during 2018:

– According to the latest amendments to the Energy Act, all the generating companies, including renewable sources (RES) with installed capacity of above 4 MW, are obliged to offer the electric power exceeding the amounts for the regulated market to an organised exchange market. In spite of this, the number of newly registered participants at the exchange market for the reporting period is not high. The market is dominated by traders and electricity distribution companies. Other significant amendments to the Energy Act are introducing a compensation system for RES and High Efficiency Combined Generation to make up for the difference between the market prices as defined by the Energy and Water Regulatory Commission (EWRC) and their preferential prices; grid operators are obliged to buy energy for their grid technological consumption on the exchange market; the scheme for calculating and paying liabilities to society is changed, etc.

– New Rules for the exchange segment of the Centralised Market for Bilateral Contracts (CMBC) are in force as of 09.01.2018; their application generated considerable tension in the commercial activity. The new rules introduced modifications of principle - the exchange operator is no longer a party to the transactions contracted through the Auctions trading screen (the financial relationships are implemented directly between the parties to the transactions); the procedure for the Continuous trading screen is changed, etc.

– As of 6 February 2018, the IBEX EAD was acquired by the Bulgarian Stock Exchange AD.

– The "intraday market" (IDM) exchange segment, where small hourly amounts are traded on an irregular basis, has started in March 2018.

– The preferential conditions for the participation of the Company on the CMBC according to the liquidity contract concluded with IBEX EAD were suspended with the establishment of the exchange trade as the sole and mandatory market mechanism and the IBEX EAD transfer of ownership. As a result, the exchange sale expenses of the Company were significantly increased (annual fees, bid initiation fees, turnover and settlement fees for the sales volumes), a significant financial resource is frozen to provide the financial limits due for participation.

– The Commitments to the EC ensuing from case AT-39767-BEH-Electricity are being fulfilled for the third year now, with increased mandatory loads to be offered at the Day Ahead hourly market (DAM) by the generating companies within the BEH EAD.

– By virtue of Decision Ц - 11/01.07.2018 of the EWRC, the total price of the electricity generated by Kozloduy NPP EAD is fixed at BGN 54.00 per MWh for the regulatory period 01.07.2018 - 30.06.2019; this Decision also stipulates the availability for electricity production, whereby Kozloduy NPP EAD is obliged to carry out transactions at regulated prices with the public supplier corresponding to net electricity of 1,927,000 MWh.

– By virtue of Decision Ц - 10/01.07.2018 of the EWRC, a new price of thermal energy is approved at BGN 40.42 / MWh for the regulatory period 01.07.2018 - 30.06.2019.

Electricity Generation and Sales

In 2018 Kozloduy NPP EAD generated electricity (gross) amounting to 16,125,281 MWh, by 579,782 (3.7%) MWh more compared to 2017. The increase in production is attributed to the shorter duration of the 2018 annual outage of Unit 5, absence of departures from the schedule of operation, and the steady operation of Unit 6 at the uprated power level - 104%.

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

Indicators	Statement as at 31.12.2018	Statement as at 31.12.2017
LF 1)	90.23	88.53
UCF 2)	89.21	87.37
UCLF 3)	0.00	0.17
GRLF 4)	0.13	0.00

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

The LF and UCF indicators are of excellent values as a result of the shorter downtimes for outage and absence of unplanned downtime compared to 2017. The UCLF indicator has the most advantageous value due to the absence of unplanned downtime or deviation in Turbine Generators 9 and 10 output. The value of the indicator up to 3% indicates high level of reliability and safety. The GRLF indicator value is less favourable as compared to 2017, because during the reporting period Unit 5 was operated at reduced power upon dispatcher's order, to balance the grid due to consumption drop.

The table below summarises the electricity generation, sales and revenue data in 2018, compared to 2017:

Indicator	Statement as at 31.12.2018	Statement as at 31.12.2017	% change
Generation, MWh			
Gross electricity generation	**16,125,281**	**15,545,499**	**3.7%**
Electricity sales, incl.:	**15,312, 415**	**14,720, 339**	**4.0%**
At regulated prices	2,397,760	3,537,342	-32.2%
At freely-negotiated prices	12,893,493	11,182,997	15.3%
Sales (Energy Act, art.119, para.2)	21,162	0	–

The total amount of electricity sold by Kozloduy NPP in 2018 is by 4% more compared to 2017 as a result of the optimal operation of the units, the operation of Unit 6 at 104%, and the absence of unplanned events.

The ratio between the sales at the regulated and the non-regulated market segment in 2018 is 16%/84% respectively.

Taking into account the trend for broader market opening and reducing the quota for the new regulatory period, the sales at regulated prices in 2018 are by 32% smaller in comparison to 2017. The electricity supplies to the regulated market are pursuant to the requests of NEK - Public supplier. The quota for the regulatory period 01.07.2017 – 30.06.2018 was fulfilled at 99.72 %.

The electricity amounts sold at non-regulated prices are by 15% more compared to 2017. The exchange market transactions are predominant in 2018 (91%). The main portion of the exchange market transactions are on the Centralised Market for Bilateral Contracts, as an exchange market segment for long-term products suitable for a baseload producer. Transactions through the Auction trading screen of the CMBC are dominant.

The Day Ahead (DA) hourly spot market transactions represent 10% of the exchange market transactions. Although the hourly trade is not suited for a nuclear baseload producer, the amounts sold at the DA market for 2018 are commensurate with the amounts traded in 2017.

The intraday market transactions form a minimum portion. The sales on this market comprise of unsold loads on the DA market, as well as fluctuations in the production (surplus, shortage) that are known in advance.

In spite of the greater accuracy of the forecasts and the absence of unplanned departures from the set operating mode of the nuclear power unit, the amount of the surplus electricity, as settled at the balance market, is a little greater in comparison to 2017. This is due mainly to the refusal of the Public Supplier to accept greater hourly loads at the start-up of Unit 5 after the outage and reaching the rated power. The absence of unplanned events during the reporting period results in minimum amounts of shortage as compared to 2017.

The fresh nuclear fuel supplies for Units 5 and 6 were accomplished in conformity with the contractual conditions.

Generation and sales of thermal energy

In 2018 the Company generated 199,371 MWh of thermal energy. The total amount of thermal energy consumed on-site and in the town of Kozloduy is 94,079 MWh, which is by 4,589 MWh (5%) more compared to the preceding year.

The actual amount of thermal energy charged in 2018, in accordance with the amendments in the Regulation on Heat Supply dated 01.06.2014, is 93,465 MWh, considerably exceeding the reported levels for 2017 (91,060 MWh).

Programme to maintain and enhance safety

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

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

Upon the completion of the regulatory review and analyses of Unit 6 thermal uprate tests, the BNRA approved the transition of Unit 6 to long term operation at uprated thermal power of 3120 MW (104%Nnom).

In relation to the expiration of the validity of the Licence for operation of Unit 6 in October 2019, and within the statutory deadlines, on 18.09.2018 Kozloduy NPP EAD submitted an application to the BNRA for the renewal of the Licence for the unit operation for the maximum statutory term of ten years.

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

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

The plant radiological environmental monitoring is specified in Kozloduy NPP EAD long-term programme for radioecological monitoring. No deviations of the radiological indicators above the admissible levels were registered during the reporting period. The results achieved in 2018 show that the equivalent dose rate of gamma-radiation varies within the limits of the natural background radiation (0.05÷0.15) μSv/h. The values, measured along the boundaries of the industrial site and in the towns and villages within the 100-km zone, are fully comparable.

Kozloduy NPP EAD is actively involved in activities dedicated to environmental protection in all its aspects. The plant, as an operating organisation, holds 10 permits, issued by the Bulgarian Ministry of Environment and Water and its administrative bodies. The total amount of greenhouse gases emissions, CO2 generated in 2018, pursuant to the Company's verified report, is 474 tons. The necessary number of emission permits were ensured on the account of Kozloduy NPP EAD in the National Register of Greenhouse Gas Emissions Quota Trading.

Implementation of the Maintenance Programme

In 2018 the scheduled annual outages (Outages) with refuelling of Units 5 and 6 reactors were performed in ≈ 40.5 and 38 calendar days, respectively, considered as of the stopping of the turbo-generator until its connection to the grid. All the necessary activities (maintenance, repair, specialised control and inspections of the major and auxiliary equipment of the safety systems, systems important to safety and for the generation, in compliance with the factory, regulatory and licensing requirements) were carried out during the scheduled downtimes in 2018, in order to ensure the operability, reliability of the equipment and safe operation of the nuclear facilities; the scheduled modernisation and reconstruction activities under the plant life extension programme and the units power uprate project were also implemented.

The following core activities scheduled in the maintenance programme were performed in 2018, as per the licensing commitments of the Company for the operation of nuclear facilities:

- Maintenance and preventive maintenance of structures, systems and components (SSCs);

- Maintenance, examination and preventive maintenance of major and auxiliary equipment (SSCs of safety systems; systems important to safety and to production) of Units 5 and 6;

- Corrective maintenance - the defects that occurred on equipment and components, identified during operation, periodic checks and tests, shift walkdowns, periodic inspections, etc., have been removed in good time, in accordance with the process conditions and limitations;

- Maintenance of common plant facilities - the planned scopes for preventive maintenance, maintenance and repairs of the common plant equipment in the Spent Fuel Storage Facility, Open Switchyard, Bank Pump Station, Hydro-Engineering Facilities and Civil Structures, and the Heat Supply Department, were performed in accordance with the approved schedules in the different structural units.

The required preventive actions to minimise the impact of unfavourable meteorologic factors and to ensure safe operation of Units 5 and 6 have been carried out in conformity with the approved plant documents. The scheduled activities (34 in number) under summer meteorological conditions were implemented. The main 97 activities under winter meteorological conditions have been fulfilled in good time, without deviations, whereas 5 periodic activities are in the process of implementation.

The value of the activities implemented under Kozloduy NPP EAD maintenance programme for 2018 amounts to BGN 78,994 thousand, incl. BGN 19,509 thousand for maintenance activities of investment nature (overhauls, replacement of major/significant spare parts).

Implementation of the Investment Programme

The reported investment costs in 2018 amount to BGN 54,006 thousand. These are allocated per type of activity, as follows:

- construction and installation works (CIW) - BGN 10,738 thousand;

- plant and equipment (PE) - BGN 39,874 thousand;

- project related research and studies (PRS) - BGN 3,307 thousand;

- other costs - BGN 87 thousand.

A major priority in the Investment Programme (IP), as part of the Business Programme of the Company, is the implementation of measures resulting from the requirements of the Safe Use of Nuclear Energy Act and the licences for the operation of Units 5 and 6, and the spent fuel storage facility, as well as maintaining and constant enhancement of safety, quality and security at Kozloduy NPP EAD.

A number of investment measures were completed in 2018 to maintain and enhance safety at Kozloduy NPP EAD, in compliance with the requirements of the Safe Use of Nuclear Energy Act and the licences for operation. The efforts were focused mainly at the achievement of the strategic goals for extending the operating life of units 5 and 6 beyond their design lifetime for long-term operation in the next 30 years, and increasing the generation efficiency by uprating their design thermal power to 104%. The remaining part covers activities for the current maintenance of the units, major and auxiliary facilities and infrastructure, as well as measures implemented in order to maintain and enhance the NPP security and physical protection.

➢ **Units 5 and 6 lifetime extension (Plant Life Extension Project, PLEX);**

The planned activities for the 2018 annual outage under the Plant Life Extension Project for Kozloduy NPP EAD Units 5 and 6 - Stage 2, have been completed within the planned deadlines and scopes, and the efforts were targeted at the implementation of the measures with extended deadline for completion and the recommendations generated as a result of the implementation of the Kozloduy NPP Unit 5 Lifetime Extension Preparation Programme, and Kozloduy NPP Unit 6 Lifetime Extension Preparation Programme which could be performed on a shutdown reactor.

The main activities under the Project relating to Unit 5 have been completed with the obtaining of the Operating Licence of Kozloduy NPP Unit 5, Serial number E, registration No. 5303 for a new ten-year (10-year) period until 06.11.2027, issued by the Bulgarian Nuclear Regulatory Agency.

In relation to the expiration of the validity of the Licence for operation of Unit 6 (Serial number E, No. 3001 dated 02.10.2009), on 18.09.2018 Kozloduy NPP EAD submitted an application to the BNRA for the renewal of the License for the unit operation for the maximum statutory term of ten years.

As a result of the measures implemented on Units 5 and 6 and the common plant facilities (CPF), as part of Units 5 and 6 Plant Life Extension Project, Stage 2, recommendations were laid down for technical activities which should be implemented following the renewal of the operation licences and transition to a long-term operation period of the units.

A new (6th) revision of the Project Management Plan for the Plant Life Extension Project for Kozloduy NPP EAD Units 5 and 6 was developed, which systematises the measures resulting from Stage 1 and 2 of the PLEX Project for Units 5 and 6, to be implemented during the long-term operation (LTO) period. Long-term operation is operation beyond the set time frame, as defined by the provisions of the licence, the original design, applicable standards or national regulatory framework. The justification of the long-term operation is prepared on the grounds of a safety assessment with account taken of the ageing processes of structures, systems and components.

The reported financial resources under this project for 2018 amount to BGN 5,190 thousand.

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

The activities set in the strategic stages are performed in accordance with the time schedules of the Complex Concept of Kozloduy NPP EAD for Units 5 and 6 Thermal Power Uprate to 104%. Considering the activities implemented up to now, underlying the Concept, programmes for implementation of activities connected with the preparation and conducting of tests during the transitional period and the operation at uprated thermal power, as well as the plan for implementation of the applicable licensing and control according to SUNEA, the end-of-the-year status is as follows:

<u>Unit 5</u>

- ➢ The technical measures necessary for the conducting of the reactor plant complex testing at uprated thermal power are completed;
- ➢ The 9TG high pressure cylinder is to be reconstructed and after that a Comprehensive Programme for Kozloduy NPP Unit 5 reactor plant comprehensive trial testing at uprated thermal power is to be performed.

<u>Unit 6</u>

- ➢ All technical measures are implemented at Unit 6 and the necessary testing at uprated thermal power - conducted. An assessment on the success criteria implementation is submitted to the Nuclear Regulatory Agency and since the beginning of 2018 the Unit is steadily operated at uprated power of Nt=104% nom.

The funds invested in 2018 in activities under this project amount to a total of BGN 1,873 thousand.

Activities under the stage defined as Preparation for a Transition to Continuous Operation at Uprated Power are forthcoming, as they are required for the long-term operation.

➢ **Licensing provisions and measures resulting from operating experience, conducted reviews and regulatory requirements related to safety**

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

In pursuance of licensing condition under i.26.1 of Kozloduy NPP EAD Unit 5 Operating License, an Integrated Programme for Implementation of Safety Enhancement Measures at Unit 5 for the Period 2017÷2027 has been developed.

A total of 36 measures of the Programme for Maintaining and Enhancing Safety at Kozloduy NPP EAD in 2018, 2019, and 2020, were funded under the Investment Programme. Some of the measures are covered by different programmes, related to: conducted stress tests, with implementation of Units 5 and 6 lifetime extension project, the thermal power uprate project, implementing the licensing provisions of the operating licences for Units 5 and 6, and the Spent Fuel Storage Facility. The implementation of the measures covered by the programmes is monitored by performing periodic thematic checks.

The total amount of the funds invested in 2018 in costs for measures related to licensing conditions, regulatory requirements and activities targeted at safety enhancement, and actions ensuing from the stress tests, is BGN 8,176 thousand.

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

The Company engages in activities, related to the maintenance of main and auxiliary facilities, and activities to ensure the normal operation of the general plant facilities, supporting the production activities. The reported costs amount to BGN 38,767 thousand. A considerable part of the costs went towards supplies of long-lead spare parts. Ensuring spare parts for the production aims at reducing the risk of prolonged downtimes when a need of break-down maintenance arises, as well as to prevent unplanned downtimes related to the scheduled annual outages.

Financial Results for 2018

In pursuance of the main priority in its financial policy - maintaining financial stability through increasing the collectibility of sales revenues and effective management of expenditure, in 2018 Kozloduy NPP EAD achieved very good financial and economic indicator results.

The Company ended the year 2018 with net profit to the amount of BGN 163,546 thousand, compared to a profit of BGN 117,899 thousand, recognised for the year 2017. This is mainly due to the more favourable electricity market development, which resulted in increased average market prices and higher revenue from sold production.

For 2018, the operating income from the Company's operation amounts to BGN 1,117,285 thousand, exceeding by BGN 186,887 thousand (20 %) the figures reported for 2017. It is for the first time in the Company's history that the revenue from the production sold in 2018 topped BGN 1 billion. The increasingly wider opening of the market and the reduced quota for the new regulatory period changed the ratio of the revenue as follows:

Regulated market – Less revenue from sales by almost 10 % compared to 2017 (BGN -14 692 thousand), as a result of the less quantity of sold electricity due to a lower quota approved for the regulatory period 01.07.2018-30.06.2019.

Non-regulated market – Increased revenues from electricity sales by BGN 202,836 thousand, resulting both from market sales structural change, and the persistent high price trends on the market in 2018:

- Decreased revenues from sales of electricity under **bilateral contracts** by BGN 345,934 thousand compared to 2017, as a result of reduced amounts of electrical power, at the expense of the exchange sales;
- Kozloduy NPP EAD recognised revenues from **exchange market** to the amount of BGN 881,329 thousand from the sale of 11,799,643 MWh electricity, at a higher average exchange price;
- The positive balance of BGN 286 thousand on the **balancing market** in 2018 is much more advantageous in comparison to 2017 (BGN - 4,079 thousand), as a result of increased accuracy of forecast and the absence of unscheduled events.

Electricity sale to end customers - The revenues from electricity sales to end customers, connected via direct lines to the Kozloduy NPP own switchyard, as per art.119, para.2 of the Energy Act amount to BGN 1,202 thousand.

The revenues from sales of services, goods and other sales amount to BGN 10,660 thousand, which is by 18% less than the previous year. The income from financing for the reporting period amounts to BGN 5,560 thousand, mainly from financing of the DSFSF, with an insignificant decrease by 1% compared to 2017.

The operating expenses of the Company (continuing operations) in 2018 have a recognised value of BGN 939,273 thousand and are thus by BGN 139,668 thousand (17%) above the figures reported in 2017. The most significant changes are observed in the following expenses:

- Higher costs for materials and consumables and changes in work-in-progress, mainly due to the increased costs for nuclear fuel on account of the differences in the fresh fuel assembly load pattern, and the increased generation output;

– Higher costs of hired services as a result of higher costs reported for maintenance, repair and operation of facilities, and a larger amount of the expenses for fire protection, in relation to amendment of art.128, para.2 of the Ministry of Interior Act (amend., issue 97 dated 5.12.2017);

- Increased depreciation costs, as a result of commissioning of new tangible fixed assets, where the more significant ones throughout the year are related to major equipment – the turbine generator TBB-1000 of Unit 5;

- Other expenses increased by 28% above the reported ones in 2017. The largest relative share of these is attributed to expenses for instalments in the DNF Fund, RAW and SES funds (91% of total other expenses), which have been increased by BGN 29,255 thousand, as a result of higher electricity sale revenues.

- In 2018, BGN 41,775 thousand were accrued as expenses for provision for the obligation to carry out transport of spent nuclear fuel from VVER-1000 for technological storage and processing, in compliance with the Strategy for Spent Nuclear Fuel and Radioactive Waste Management until 2030, and IAS 37;

- As at 31.12.2018, an assessment of the fair value and a review for revaluation of property, plant, equipment and transport vehicles was performed; as a result, fixed assets revaluation expenses were accrued to the amount of BGN 7,632 thousand. Revaluation expenses were reported throughout the year in accordance with IFRS 9 - Financial Instruments.

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

Over the year the Company ensured with priority financial resources generated by its own revenue for activities related to the safe operations of the nuclear facilities and the implementation of the investment projects to extend the operating lifetime of nuclear power units 5 and 6, and to uprate their thermal power to 104 %. In line with the Loan Agreement with Euratom, dated 29.05.2000, and the financial contracts in force, Kozloduy NPP EAD settled its obligations under the long-term loan, granted by the European Atomic Energy Community (EURATOM) under the Programme for Modernisation of Power Units 5 and 6, in the agreed amounts and time frames. The fourth tranche of the Euratom loan was finally repaid on 18.06.2018. The calculated values of the financial covenants - Debt Service Cover Ratio and Gearing Ratio, which completely satisfy the creditor's financial criteria, were disclosed to Euratom, in line with Kozloduy NPP EAD commitments under the Loan Agreement.

The fulfilment of the nuclear power plant operation in 2018 was secured through the plant's own means from electricity sales. As at 31.12.2018, the Company ended the reporting year without any outstanding payments.

As at 31.12.2018, the cash and cash equivalents of Kozloduy NPP EAD, net of impairment, amounted to BGN 239,725 thousand, which is by BGN 61,514 thousand more than the reported amount in the end of 2017. The significant factors that had an impact on the cash amount include:

– Increase of incoming flows from non-regulated sales by 24% above the reported levels for 2017 as a result of favourable market trends over the year;

– Improvement of the debts collectibility from the Public supplier for the regular supplies and regular payment of the cash instalments under concluded Debt Rescheduling Agreements, though which considerably higher proceeds, by 68%, were realised from regulated supplies in 2018 compared to the previous year;

– Increased outflows in 2018 for the fulfilment of the commitments towards the state funds for the RAW management Fund, DNF Fund, and the SES Fund, payment of liabilities related to taxes to the local and the state budget, and other statutory and licensing liabilities;

– additional dividend paid out to BEH EAD in 2018 to the amount of BGN 220,000 thousand, at the expense of retained earnings from previous years and the Other Reserves fund, outside the statutory obligation for a dividend calculated as a portion from the profit for 2017 to the amount of BGN 56,613 thousand.

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

The table hereafter presents selected key indicators that reflect the achieved operational results and an evaluation of the Company's position and operations in 2018, compared to the same reporting period in the previous year, as follows:

No.	BGN '000	Statement as at 31.12.2018	Statement as at 31.12.2017	Change 2018/2017 (%)
c.1	c.2	c.3	c.4	c.5=(c.3/c.4)-1
1	Total operating income	1,117,285	930,398	20.09%
2	Total operating costs	(939,273)	(799,605)	17.47%
3	EBITDA [1]	376,583	322,171	16.89%
4	EBIT [2]	178,012	130,793	36.10%
5	EBT [3]	181,032	130,127	39.12%
6	EBIT margin	15.9%	14.1%	12.77%

No.	BGN '000	Statement as at 31.12.2018	Statement as at 31.12.2017	Change 2018/2017 (%)
7	EBITDA margin	33.7%	34.6%	-2.60%
8	Total assets	3,261,379	3,396,750	-3.99%
9	Tangible fixed assets 4)	2,544,339	2,657,603	-4.26%
10	Working capital 5)	438,370	465,861	-5.90%
13	Cash and cash equivalents 6)	239,725	178,211	34.52%
14	Equity	2,611,209	2,721,473	-4.05%
15	Return on equity 7)	6.93%	4.78%	44.98%
16	Return on assets 8)	5.55%	3.83%	44.91%

1) EBITDA – earnings before interest, taxes, depreciation (and amortisation);
2) EBIT – earnings before interest and tax;
3) EBT – earnings before tax;
4) TFA – non-current tangible fixed assets;
5) Working capital – current assets less current liabilities;
6) Cash and cash equivalents reflecting the effect from IFRS 9;
7) Return on equity - EBT/Equity;
8) Return on assets - EBT/Total assets

3. Financial Instruments Used by Kozloduy NPP EAD

3.1. Financial risk management goals and policy

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

A significant risk event in the midterm perspective is the change of the market model with a view of the transition to a completely liberalised market, which could have an unfavourable impact on the financial stability of the Company due to possible issues with the solvency of the energy companies, including NEK EAD and the other participants in case of full liberalisation, with which Kozloduy NPP EAD maintains commercial and economic relationships. A possible aggravation of the market situation and establishment of high intracompany indebtedness between energy companies could compromise additionally the position of Kozloduy NPP EAD and create problems to the liquidity and serious difficulties for the fulfilment of the current payments.

The financial risk management policy is implemented purposefully to give assurance when accomplishing the strategic and operative goals of the Company and to guarantee trouble-free operation of the nuclear power plant, while observing the regulatory and the licensing conditions. The Company observes the basic guidelines, action framework, principles and practices set out in the Risk Management Strategy and Policy established at the companies within the BEH Group. Specific activities for the identification, analysis, current evaluation and monitoring of the negative events impact are regularly carried out. This is followed by timely and adequate intervention to mitigate any unfavourable consequences depending on the individual approach used for the specific risk management - tolerating, treating, transferring or terminating. The applied risk management procedures as regards the Company's budget and finance are implemented against significant risks that are a major threat for the Company's balance.

The main goal of the top management is to maintain stable financial and economic position of the Company and effective management of cash and cash equivalents by ensuring optimum amount of financial resources, allocated in accordance with the Company's main business priorities.

The efficient cash and cash equivalents management implemented by the Company in the short-term and long-term perspective, secures good opportunities for ensuring short-term and the middle-term cash flows, with no planning to go out on the financial markets. The long-term debts under the state-guaranteed loan from EURATOM are settled in compliance with the financial and payment terms and conditions and the provisions of the Bulgarian legislation under the Government Debt Act and Decree of the Council of Ministers on the implementation of the state budget.

3.2. Risk factors

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

- Market risk

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

- Currency risk

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

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

- Interest risk

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

The Company's cash flows are exposed to interest risk, arising due to changes in the market interest rates of the five tranches still to be repaid, denominated in Euro, under the Loan Agreement with EURATOM, dated 29.05.2000, at contracted floating interest rates, equal to six-month EURIBOR plus margins in the range between 0.079% to 0.09%.

The existing uncertainty regarding the change of the interest levels on the financial market would present a certain threat; however, taking into consideration the historically low levels of EURIBOR established over the recent years and the small share of the unpaid remainder of the tranches with a floating % to the due maturity date in 2021, no high interest risk is conditioned.

In terms of the first tranche under the Loan Agreement with EURATOM, contracted at fixed interest % , there is no risk, arising from the dynamics of the interest rates of EURIBOR.

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

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

- Liquidity risk

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

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

- Credit risk

The Company is exposed to this risk in the contracts related to sale of electricity, thermal energy and services, granting loans, depositing of funds in financial institutions due to declaring bankruptcy. Some of the timely measures taken for the collection of matured receivables include age analysis of the customers, signing agreements and contracts for electricity sale with favourable clauses, incl. advance payments, bank guarantees, compensatory conditions and others, accrual of late payment interest, offsetting of mutual debts and receivables, bringing actions against thermal power debtors.

As part of the targeted measures implemented over the year for the restriction of the credit risk effect, an Agreement was signed between Kozloduy NPP EAD and NEK EAD, dated 16.04.2018, for rescheduling of unpaid liabilities for electricity sold at regulated prices. The monetary obligations under the

Agreement are settled on a regular basis in line with the attached payment schedule. The measures undertaken improve the collectibility and eliminate the outstanding debts of NEK EAD to Kozloduy NPP EAD.

- Cash flows risk

The cash flows risk relates to the uncertainty of the incoming cash flows from a certain investment and it is related to the market and the credit risks. The Company's cash flows depend on the fluctuations in the amount of the expected future cash flows related to a cash financial instrument. In order to limit the risk of unpredictability of the inflow and outflow of financial resource, the Company regularly plans its short-term and long-term cash flows to ensure regular, sufficient and secure proceeds, comparable to the operative and long-term financial needs.

4. Post-reporting date events

There are no events occurring in the post-reporting period that may lead to adjustment of the financial statements of the Company. Non-adjustment events are disclosed in Note 43 Post-reporting Date Events.

5. Future opportunities and developments in 2019

The planned economic policy of the Company for 2019 is in compliance with the five year Business Programme for the period 2019-2023 approved by Decision II.4.1 of Minutes No.10-2019/26.02.2019 of Kozloduy NPP EAD Board of Directors meeting.

It presents the short-term perspectives and the major assumptions, business goals and priorities defined by Kozloduy NPP EAD Board of Directors, as well as the planned activities and the resources required for their implementation.

Key objectives are still the preservation of the Company's financial stability, ensuring long-term operation of the nuclear power units and uprating of the reactor plants thermal power, with guaranteed safe and stable operation, in compliance with the licences issued by the regulatory bodies.

In the midterm perspective the expectations are to create a stable relation between the Company's strategic goals and the programmes that are under implementation on the grounds of monitoring of the defined key performance indicators.

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

The plant management shall continue to implement measures to ensure the Company's long-term financial stability, such as, but not limited to: measures to increase the sales revenues, measures to collect overdue receivables, measures to continue the application of mechanisms for effective expenditure control, etc. Increasing the expenditure effectiveness is still among the priorities of the Board of Directors, in the context of Ordinance No.E-РД-04-4, dated 14.07.2016, for public disclosure and optimisation of the expenditure of commercial companies with 50 and above 50 per cent state or municipal share in the capital, performing activities under the Energy Act, the measures being focused on the nature and the dedication of the expenditure, with the purpose of increasing their contribution for raising the Company's profitability.

The transition to a new market model and a fully liberalised market is expected to create significant difficulties in the adaptation process for all energy market participants, including Kozloduy NPP EAD. The effectiveness of the electricity sale shall depend mainly on the implemented market and price strategy in accordance with the dynamic market conditions. With regard to this the business activities of the Company in 2019 shall be aimed at ensuring maximum realisation of the generated electricity, stable market presence and maintaining of competitive prices. The Company's pricing policy for the non-regulated market shall be oriented towards providing secure, sufficient and regular sales revenue, complying with the market conditions.

Maintaining sufficient number of qualified, licensed, competent and motivated personnel remains a top priority of the plant Management in its intentions related to the Company management. The main focus will be on the effective performance of the personnel training and qualification system, and the building and development of a knowledge management system. Measures to minimise the risks related to loss of nuclear knowledge will be undertaken. The main focus during the planning period will be the effective functioning of the personnel training and qualification system, development of a knowledge management system, and introducing modifications to the full-cope simulator, ensuing from the uprated thermal power of the units to 104%, the results from the stress tests and the operation of Units 5 and 6 under safe long-term operation conditions.

The Company Management does not consider that there are significant risks resulting from the dynamic fiscal and regulatory environment in Bulgaria that could necessitate amendments to the separate financial statements for the year ending 31 December, 2018.

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

1. **Information, presented in terms of value and quantity data, regarding the main categories of goods, products and/or rendered services, stating their share in the sales revenue as a whole and the changes occurring during the reporting financial year;**

In 2018, Kozloduy NPP EAD generated a total revenue in the amount of BGN 1,117,285 thousand. The main categories, under which revenue was reported, are:

- Revenue from sales of production, amounting to BGN 1,101,065 thousand - BGN 1,099,058 thousand are reported under electricity sales revenue, and BGN 2,007 thousand under thermal energy sales revenue.

- Income from financing in the amount of BGN 5,560 thousand.

- Income from sales of services, goods and other sales - amounting to BGN 10,660 thousand.

The sales revenue structure and the share of the main revenue categories are presented in Table 1. Information on the quantitative expression of the produced goods is presented in Table 2.

Table 1

Indicator	Statement 2018	% share of income	Statement 2017	% share of income
Total revenue from sales of production /BGN '000/	**1,101,065**	**98.55%**	**911, 850**	**98.01%**
Revenue from electricity sales	1,099,058	99.82%	909,712	99.77%
Revenue from thermal energy sales	2,007	0.18%	2,138	0.23%
Income from financing /BGN '000/	**5,560**	**0.50%**	**5,615**	**0.60%**
Income from sales of services, goods, and other sales /BGN '000/	**10,660**	**0.95%**	**12,933**	**1.39%**
Income from sales of goods	381	3.57%	316	2.44%
Income from sales of services	3,971	37.25%	5,203	40.23%
Income from sales of materials and fixed assets	3,017	28.30%	13	0.10%
Income from other sales	3,285	30.82%	7,365	56.95%
Income from revaluation of investment properties	6	0.06%	36	0.28%
Total income /BGN '000/	**1,117,285**	**100.00%**	**930,398**	**100.00%**

Table 2

Indicator	Statement 2018	% share	Statement 2017	% share
Net energy (in-house generation), MWh	15,312,366	100.00%	14,718,368	99.99%
Purchased energy (incl. unallocated imbalance), MWh	49	0.00%	1,971	0.01%
Total realisation, MWh	**15,312,415**	100.00%	**14,720,339**	100.00%

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

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

The revenues from sales of production are generated entirely on the internal (domestic) market; all the Company's customers are based on the territory of the country. Information on the relative share of suppliers and customers, exceeding 10 percent of the total costs and the sales revenue is presented in Table 3. No supplies by a single supplier exceeding 10% of the expenditure were delivered in 2018 to the Company.

Table 3

Customers	% of income 2018	% of income 2017
NEK EAD	11.87%	15.64%
IBEX EAD	37.21%	36.76%
CEZ Trade Bulgaria EAD	10.46%	8.25%

The contracts concluded within the reporting period do not differ from the ordinary activities of the Company and do not deviate from the market conditions. Quantitative data on the goods, products and/or rendered services is described in detail in the Separate Financial Statements of the Company for 2018.

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

Quantitative information of the related parties' transactions is thoroughly disclosed in the Company's Annual Separate Financial Statements as at 31 December 2018. (Note 35. Related Party Disclosures).

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

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

There are no events and indicators of unusual for the Company nature, having a significant impact on its business activities and its income and incurred expenses which affected the last year activity results;

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 2018. In accordance with the contracted terms for electricity sales, 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 01.01.2018	Received in 2018	Discharged in 2018	Available as at 31.12.2018
Other entity's assets, pledged as compensation /BGN '000/	**53,428**	**152,815**	**118,734**	**87,508**
Received bank guarantees, denominated in BGN	35,218	124,292	95,341	64,169
Received bank guarantees, denominated in foreign currencies (BGN equivalent)	18,210	28,522	23,393	23,339

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 real 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 of these;**

In 2018, the Company did not acquire any new interests and did not engage in investments in the country and abroad. The Company has participations and investments only in Bulgaria - information on the assets held is presented in detail in the Company's Annual Separate Financial Statements as at 31 December 2018.

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

The Company did not conclude any credit agreements in 2018. Thorough information on the received loans is disclosed in the Company's Annual Separate Financial Statements as at 31 December 2018.

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 did not conclude any loan agreements as a lender in 2018. Thorough information on the movements and balances on the granted loans is disclosed in the Company's Annual Separate Financial Statements as at 31 December 2018.

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

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

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

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

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

The gearing ratio (debt-to-equity ratio) in the end of the year is as follows:

Indicator	31.12.2018	31.12.2017
Total debts	650,170	675,277
Cash and short-term deposits	(239,725)	(178,211)
Net debt	410,445	497,066
Long-term liabilities	421,500	473,551
Equity	2,611,209	2,721,473
Long-term liabilities/Equity ratio	0.16	0.17

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

No changes in the core management principles of the Company and its economic group occurred in 2018.

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

In accordance with the Company's specifics of a licensed operator of nuclear power facilities, an effective financial management and control system has been established by developing policies and procedures, designed to ensure confidence in the achievement of the Company's objectives. The Accounting Policies Manual comprises procedures, designed to ensure complete, true, accurate and timely reporting, which are in compliance with the Accountancy Act and the International Financial Reporting Standards, endorsed by the European Union. The processing of financial-accounting documents in the implementation of business processes is established under the Rules for processing accounting documents at Kozloduy NPP EAD. Permission, approval and authorisation procedures, a dual signature system and procedures for preventative, follow-up and current (ongoing) control of incurred costs are implemented through the developed internal documents. Separate rules describe different types of rights and obligations of the responsible persons, the scope of information, access to different types of information, and the responsibilities related to the information flows management. The established system ensures efficient implementation of internal control when creating and managing all types of documents, incl. financial statements and the other regular information that the company is obliged to disclose in accordance with the statutory regulations.

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

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

Thorough information is disclosed herein above in the Annual Management Report of the Company for 2018.

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

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

14. Other information

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

Non-financial Statement

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

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

Kozloduy NPP sells the generated electricity in the following segments of the Bulgarian energy market:

- regulated market - sale to the public supplier NEK EAD under prices regulated by the Energy and Water Regulatory Committee. The obligations to the regulated market (supply quotas) are determined by the EWRC based on estimates of the end suppliers consumption;
- Non-regulated market - transactions with electricity at freely negotiated prices on an organised exchange market, administered by the IBEX EAD:

- Day Ahead segment (DA) - hourly transactions at the clearing exchange price with account taken of the Commitments under the agreement with the EC;

- Intraday segment (ID) - hourly transactions to settle current imbalances;

- Centralised Market for Bilateral Contracts segment (CMBC) - transactions for supply of standard and non-standard long-term products;

- balancing market - remaining quantities (difference between planned sales and the actual measured production).

- Supplying end customers connected through their own electrical system (art.119, para.2 of the Energy Act).

The long-term intentions of the Company's Management regarding the management of Kozloduy NPP EAD are summarised in the Kozloduy NPP EAD Management Policy and the Policy Statement of Kozloduy NPP EAD Management regarding the management policy of the Company.

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

To achieve this goal the management of Kozloduy NPP EAD implements a Management System that incorporates all the requirements towards the activities, in compliance with the following priorities:

- Top Level of Safety;
- Efficient and competitive production;
- Qualified, competent and motivated personnel;
- Financial stability.

The priorities as stated by the management are substantiated in policies:

- Safety Management Policy of Kozloduy NPP EAD;
- Security Management Policy of Kozloduy NPP EAD;
- Quality Management Policy of Kozloduy NPP EAD;
- Environmental Management Policy of Kozloduy NPP EAD;
- Health and Safety Management Policy of Kozloduy NPP EAD;
- Business and Financial Management Policy of Kozloduy NPP EAD;
- Personnel Training and Qualification Policy of Kozloduy NPP EAD;
- Fire Safety Management Policy of Kozloduy NPP EAD;
- Human Resource Management Policy of Kozloduy NPP EAD.

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

Environmental issues

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

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

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

RAW safe management is implemented at Kozloduy NPP EAD in compliance with the national policy and the Strategy for SNF and RAW management until 2030, and the Integrated Programme for Management of RAW Generated by Kozloduy NPP EAD. The main purpose is to approach RAW in a way that ensures protection of human health and the environment now and in the future, without leaving undue burden in this area to the future generations. RAW management at each of the stages implemented by Kozloduy NPP EAD should allow meeting the criteria for their transfer to SE RAW, or the criteria for the end product acceptability, approved in the BNRA normative documents. The activities related to RAW handling are performed in accordance with approved procedures, whose underlying goal is ensuring safety during their management. The RAW management process at Kozloduy NPP is carried out by trained personnel, who maintain and enhance their qualification on an annual basis. The RAW management programmes and instructions are updated periodically, taking into account the good practices of the international experience and the recommendations of the supervisory bodies, and also in compliance with the normative requirements on radiological protection and environmental protection. The RAW management activities are reported pursuant to the licensing provisions of Units 5 and 6 and the Spent Fuel Storage Facility licences.

In the operation of the nuclear facilities the plant management implements the principles of radiological protection, defined by the Regulation on Basic Norms of Radiation Protection, and GSR part 3 of the IAEA, as well as the ALARA principle (as low as reasonably achievable personnel exposure). The collective dose of the personnel and the contractor's staff who worked in the Radiologically Controlled Area of Kozloduy NPP EAD in 2018 is within the framework of the planned values.

The plant radiological environmental monitoring is specified in the Kozloduy NPP EAD long-term programme for radioecological monitoring. An effective and reliable radioecological monitoring in Kozloduy NPP EAD operation is ensured with the purpose of accurately and clearly determining the environmental radiation parameters, establishing the compliance of the actual radiological status with the legislation in force in the Republic of Bulgaria in this area, assessment of the changes and trends in the radiation conditions around Kozloduy NPP EAD. There were no deviations of the radiological indicators above the admissible levels in 2018. The achieved results show that the equivalent dose rate of gamma-radiation varied within the limits of the natural background radiation (0.05÷0.15)μSv/h. The values, measured along the industrial site fence and in the towns and villages within the 100-km zone, are fully comparable.

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

Greenhouse gases emissions are formed in the atmosphere as a consequence of the operation of diesel-generators and diesel-pumps, designed to provide emergency power supply for Kozloduy NPP safety systems. These facilities are kept in "hot standby" and are periodically tested. Kozloduy NPP EAD holds a greenhouse gases emissions permit No.143-H2/2013 issued for the operation of these systems. The total amount of CO_2 emissions generated in 2018 pursuant to the Company's verified report, is 474 tons. Compared to the conventional TPPs using coal, in the year 2018 Kozloduy NPP prevented the adverse impact of emissions of about 19 mln tons of CO_2, about 62 thousand tons of SO_2, 22 tons of NO_x, and 0.5 thousand tons of dust containing natural radioactivity.

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

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

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

Social issues and personnel related issues

Ensuring and maintaining a sufficient number of highly qualified, trained and motivated personnel is one of the top priorities of the Company. This management commitment is reflected in the Human Resource Management Policy of the Company which forms part of Kozloduy NPP EAD Policies.

One of the major goals of the Human resource management policy is the application of a professional recruitment system where the decision for employing new workers are based on educational and qualification requirements, psychological traits, medical indications for work in ionizing radiation environment, regardless of nationality or ethnic origin, age, sex, race, religion, origin, sexual and political orientation, family status and physical disabilities, exclusive of the case when, as a consequence of the work nature, sex, age and health condition, respectively, are substantial elements to be considered.

Equal rights and opportunities for work, development and career promotion are provided, depending solely on the initiative, professional qualification, experience gained and personal qualities of the employees, as well as their performance results. The NPP management has made a formal commitment to increase the percentage of women in the Company's management levels. As at the end of 2018 the Company employs 3,663 workers and employees, 31.4% of which are women. Women occupy both higher operative and higher management positions in the Company. About 24% of the managing positions are taken by women, and the share of women at the 1st and 2nd management level is 29 %. Among the employees promoted to higher positions in 2018, 34% are women. Kozloduy NPP has a successful partnership and supports the local section of the Women in Nuclear - Bulgaria association, in achieving one of the major goals of the association - to support and encourage the creative and professional fulfilment of its members, as well as to organise a number of educational initiatives.

An important part of the human resource management strategy in the company is attracting young specialists. To that end every year Kozloduy NPP welcomes the conducting of: group on-the-job training for final year students in nuclear energy vocational high schools; group practical training or specialisation training for students; paid group specialisation practical training for students; paid and unpaid individual summer students internship. These activities are implemented in line with the requirements of an approved administrative procedure.

In the following period 2019-2022 personnel recruitment will continue to be performed through a professional recruitment system, observing the educational and qualification degree, and other requirements, as defined in the job descriptions.

Kozloduy NPP EAD establishes and maintains good employment relationships, based on respect for personality, protection of rights and interests of employees and their social welfare. The Company duly abides by the Constitution and the laws in the country, in particular all the regulatory acts dealing with employment relationships. The Company ensures conditions for full-time employment of workers and employees under employment contract. Short-term employment contracts are signed annually for a short period of time, for the implementation of seasonal works, such as snow removal - in winter, and for attending the recreational centres - in summer time, as well as for substitution of absent workers or employees.

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

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

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

For the purposes of the conducted transparent policy on recruitment, appointment and reappointment of personnel, the Employer uses information displays (boards), the internal information system, and the daily radio broadcasts to announce the vacancies, application requirements, as well as the results of each recruitment stage.

Kozloduy NPP EAD is a company with social responsibility. The Plant Interior Regulations stipulate that the Employer undertakes to create conditions and to assist the trade union organisations in carrying out their activity, and the personnel - in exercising public or trade union activity, without this being a hindrance to the performance of their duties.

The Trade Union organisations at Kozloduy NPP EAD and the Company's Management sign a Collective Labour Agreement for a two-year period, which settles the employment, social contribution, and social relations that have not been settled by the imperative provisions of the law, and ensures that the Employer respects its commitments to guarantee the personnel rights.

In pursuance of its commitments under the Collective Labour Agreement, upon a written request by a trade union organisation the Employer is obliged to present information on the financial and economic position of the Company, pursuant to the rules in force.

In order to ensure that the rights of workers and employees are respected, the trade union organisations take part in the preparation of the Plant Interior Regulations and the Plant Regulations on Salaries. Representatives of the trade union organisations are involved in the commissions for allocating plant-owned accommodation, the Work Conditions Committee, the committee on transfer to a more appropriate job (for reasons of health). A Medicine and Treatment Aid Committee was set up as a consultative body of the Employer, with representatives of the trade unions, to support the decision-making on the expenditure of a portion of the Cultural and Amenity Services Fund for workers and employees with health issues.

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

The workers and employees in the Company are provided with a number of social benefits: additional voluntary retirement social insurance at the expense of the employer, increased number of days for paid annual leave, free transport to work.

The Work Conditions Committee has defined job positions, where the workers and employees occupying these positions are subject to mandatory insurance, pursuant to the Regulation on Mandatory Insurance of Workers and Employees against the "Industrial Accident" Risk. The management team target their efforts at maintaining healthy and safe work conditions.

The Occupational Medical Service which forms part of the Company's organisational structure, performs medical check-ups and certification, prophylactic examinations, healthcare servicing and 24-hour reliable urgent medical assistance to the Company staff. It performs activities related to ensuring health and safety at work to the Company personnel, as well as developing and participating in the implementation of measures to manage and reduce risks related to health and safety at work.

In view of the health prophylaxis, complete recreation and cultural life of the Company employees and their families, several social facilities are kept at their disposal - recreational centres, sports and recovery complex, Power Engineers Cultural Centre, etc., where a wide range of health, social and cultural activities are developed, namely:

- opportunities are provided for recovery in a health and recreation centre, access to sports, recovery and physiotherapy complex within the town of Kozloduy. The Company has more than 30 sports clubs, part of them - with national and international awards;
- the Power Engineers Cultural Centre is a place where various cultural and educational forms and programmes are carried out to fully satisfy the cultural needs of the Company's employees and their families. An opportunity is provided for acquiring skills in the organised educational forms of arts and language courses; the plant employees are encouraged and supported in their artistic activity.

The NPP employees and their families are provided with the opportunity to benefit from service accommodation and hostels and to use the social facilities at preferential prices.

The Company provides care also for its retired workers and employees. They can also benefit from the social facilities at preferential prices. Financial resources are allocated to support the activity of the Pensioners' Club, thus encouraging the social life of the retired people.

The Company management is pursuing a policy of acknowledging the critical role of high qualification of the personnel to ensure the safe operation of the nuclear power plant. This is defined in the Personnel Training and Qualification Policy of Kozloduy NPP EAD.

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

The activities in nuclear facilities related to ensuring or control of nuclear safety and radiation protection are carried out by qualified people, who are licensed under the procedure of the Regulations on the Terms and Procedure for Obtaining of Vocational Qualification, and on the Procedure for Issuing of Licences for Specialised Training, and of Individual Licenses for Use of Nuclear Power.

The Employer ensures, at his own expense, conditions for preparation and vocational qualification of its workers and employees in case of job cuts or opening of vacancies, establishing/closure of production or activities, as well as when a work technology changes.

A staff training and qualification system was set up, in compliance with the international standards and the national requirements, which is an integral part of the Kozloduy NPP management system. The plant has its own Training Centre, which provides conditions for conducting specialised training, disposing of a full scope simulator for VVER-1000 reactor units. Compulsory initial training and continuous specialised training for activities in nuclear facilities and activities with ionizing radiation sources are conducted at the Company. The scope, topics, forms and sequence of the training are defined in training programmes, training time schedules, initial and continuous training programmes for the full scope simulator, and upon training requests. The average number of conducted continuous and extraordinary training hours per one Company employee in 2018 was 32.

The Employer encourages the staff education enhancement. To this end the Company provides additional paid leave to workers and employees who continue their education in specialities which offer an opportunity for career development in the Company. The workers and employees are provided with opportunities to participate in various professional meetings, forums and seminars, in order to share experience and enhance their qualification.

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

The payment of the labour is stipulated in the Plant Rules on Salaries and the Collective Labour Agreement, which create arrangements for effective management of labour payment at Kozloduy NPP, and ensure prevention of discrimination or unequal treatment of workers and employees when determining their individual work remunerations. Twenty-six percent of all women employed by the Company obtain a salary that is higher than the average salary for the power plant.

The labour payment system at Kozloduy NPP EAD is based on the time worked and the quality of the performance, i.e. the amount of the base pay is directly dependent on the time worked, as a quantitative measure of the labour input by the worker or employee, and a premium in the form of additional labour remuneration, depending on the performance results.

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

An annual individual performance assessment of the Company personnel is used to determine the specific needs of each worker or employee to enhance their professional or personal competence, improve working relations, and create conditions for implementing fair and transparent procedures for professional and career promotion. This process is defined in an administrative procedure.

Every year, at a special ceremony, the Company awards "The Best Performance" prize in certain professional areas, as part of the Power Engineer's Day festivities, in order to distinguish and motivate the most prominent plant workers and employees.

Health and safety at work

The policy on ensuring health and safety at work as pursued by the Company is with specific formulations and an organisation for its implementation and management has been established. The policy is adequately promoted in order to be understood, applied and maintained at all levels through visualisation materials, publications in the internal information system, staff training, personal example. The policy on the management of health and safety at work is implemented applying all its underlying principles. In order to successfully implement the Health and Safety Management Policy, Kozloduy NPP EAD management requires from all its managers, employees and workers, as well as all contractor workers on the plant territory, to demonstrate high professionalism and responsible behaviour in their every day work, regarding safety and health at work, and everyone must strictly observe the requirements specified in the documents of the health and safety at work management system.

A complex of organisational and technical measures for ensuring safe working environment has been set up to protect the life, safety and working ability of the workers and employees. For the safe and healthy implementation of the labour process, it is of particular importance for the participants in this process to be completely familiar with their rights, obligations and responsibilities. Therefore, adequately trained and instructed people, having the required qualification and licensing are allowed to perform the respective labour activities. The workers are continuously informed, through procedures for safe operation, good practice examples, continuous trainings, and opportunities to enhance their qualification. Collective protection equipment is provided. Constant control is performed on the actual status of the working environment. All the possibilities for upgrading of the work equipment have been utilised with a view to ensuring higher degree of safety.

Preserving the personnel life, health and working capacity in their labour activity is one of the Company's major goals. The work places are ergonomically arranged. All the employees/workers are provided with personal protective equipment depending on the specifics of the work places, potential hazards and the risk at work. The Company provides continuous medical service, including rendering first aid through the plant Occupational Medicine Service and a team of specialists that attend the medical centre. Prophylactic medical examinations are organised, their frequency is determined by the nature of the work, working conditions and the age of the workers/employees. Reduced working hours are introduced, as well as defined hours of work and breaks, and free food.

Constant monitoring of the work environment factors is performed in compliance with the statutory requirements, through periodic measurements and risk assessment for every job activity. The plant structural units have developed risk management programmes. The assessed risk is negligible or not a big one, which does not require additional measures, but rather keeping the currently existing ones. The workers are informed on the potential risks and the measures undertaken to prevent or reduce their impact.

In order to achieve a minimum number of industrial accidents, injuries and incidents at work, and with a view of preserving the security, health and welfare of the whole plant personnel, including that of external companies and organisations working on the territory of Kozloduy NPP EAD, as a preventive measure, any industrial incidents that occur on the territory of Kozloduy NPP EAD are analysed on an equal footing with the industrial accidents, although they did not lead to loss of working time and capacity. In other words, to eliminate the risks in a proactive and preventive manner, before they cause injuries to the workers.

Measures for continuous improvement of the working conditions are planned - replacement of window joinery, placing air-conditioning with adequate output to optimise the micro climate all year round, replacement of outworn equipment with new ergonomic one.

A Work Conditions Committee has been set up as a consultative body of the CEO on issues related to health and safety at work. The Work Conditions Committee works closely specialised plant departments involved in creating and ensuring health and safety at work.

The Medicine and Treatment Aid Committee assists in keeping the personnel fit, strengthening and recovery of their health.

A health and recreation centre is established and designed to preserve and strengthen the health and working capacity of the workers/employees, as well as prophylaxis of people with frequent illnesses or chronic diseases. The recovery centre is furnished with medical and fitness equipment to facilitate the good accomplishment of the recovery process.

To assess the achievement of the set goals specific and functional indicators are used. The industrial accident rate at Kozloduy NPP EAD is of values that are considerably lower than the average values for the industry, and the country in general.

Human Rights Issues

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

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

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

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

- Safety First;
- Strive to improve and absorb knowledge;
- Personal accountability in work;
- Commitment, mutual respect and recognition.

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

Kozloduy NPP EAD is a socially responsible company. Joint initiatives with the municipalities in the region and voluntary initiatives resulting from the employees' personal commitment were undertaken within the framework of the Company's Corporate Social Responsibility, to ensure lasting benefits to the local community. Supporting people in need, providing assistance for the development of public sites, infrastructure and health care improvement, as well as in the area of education, science, culture, sports, and tourism.

The activities implemented with the support of Kozloduy NPP EAD in 2018 include repair and restoration of public buildings and sites, endowment of assets to social institutions, purchase of medical equipment and supporting health establishments, a number of donation initiatives for treatment of people in need. In the area of science, culture and education the Company assisted for the improvement of the resource base in schools, organising of tournaments and school competitions, conferences and scientific works. Donation initiatives were carried out targeted at raising funds for school aids, supporting disadvantaged children, donations to organise festivals and fair days (e.g. Botev's Days), book publishing, support to local cultural centres, maintenance of the ship Radezki and the Monastery complex St. Yoan Predtecha in the village of Gradeshnitsa. A number of joint sports events were carried out, with support provided to sports clubs - chest championship, youth football tournament, horse race tournament, participation in the world championship in sports shooting, etc.

With the signed Collective Labour Agreement and the Plant Interior Regulations, the Employer commits to respond within one month to written applications, requests and warnings (complaints) filed by the workers. The established internal information system is part of the Management communication policy, and the "Opinions"and "Question of the Week" sections provide an opportunity for the staff to ask questions, to state their opinions, and to receive answers by the senior management to various employment, social and other questions.

A survey of the personnel motivation is carried on an annual basis to obtain feedback and to improve the human resources management activity. Based on the results corrective measures are proposed for the problematic areas.

Anti-corruption and anti-bribery issues

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

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

The mechanisms used by the Company for whistle-blowing on breaches, corruption and/or conflict of interests, are:

- Via a mailbox placed at the entrance of Kozloduy NPP EAD Management administrative building;
- Via the e-mail on the following address: signal@npp.bg;
- Hotline: +359 973 76262.

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

As of today, there are no alerts on corruption and/or conflict of interests in the Company, and no cases of corruption/corruption practices have been identified. The Corruption Prevention and Counteraction section does not dispose of information on the number of pending or closed cases related to anti-competitive behaviour.

The employees who have direct relation to the fight against corruption in the Company were adequately trained on the topic of Anticorruption. Continuous professional training is foreseen in this area in order to ensure the required expertise to counteract corruption.

Two groups of indicators for the corruption risk were defined as criteria used for the purposes of performing corruption risk assessment in the Company - objective and subjective criteria. To each indicator there are defined conditions the fulfilment of which would lead to corruption deeds. Each of the conditions included in the indicators, is scored, depending on the impact it has on increasing the degree of the corruption risk. A weighting factor is determined for each indicator. The evaluation of each indicator is formed by multiplying the average result of the scores assigned to the conditions by the weighting factor.

Outlook on environmental and social policies

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

Kozloduy NPP EAD implements a programme for maintaining and enhancing safety for the period 2018-2020 developed in compliance with the provisions of the Safe Use of Nuclear Energy Act (SUNEA), the Strategy for SNF and RAW management until 2030 of the Republic of Bulgaria, the Vienna Convention and the sublegislative normative acts. The implementation of the measures contained in the programme aims to enhance safety of nuclear facilities, in compliance with the regulatory requirements, international requirements and the operating experience, ensuring adequate reliability of barriers. Every year, a new three-year programme for maintaining and increasing of safety is issued in order to achieve information update and provide continuous control on the measures implementation progress.

Nuclear safety enhancement and radiological protection programmes are implemented for Units 5 and 6 on the basis of the results of the reassessment of safety, and a programme for implementation of measures to improve safety of spent fuel storage facility, pursuant to the licensing provisions of the operating licenses.

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

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

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

Nasko Mihov

Chief Executive Officer
Kozloduy NPP EAD
Kozloduy

„АЕЦ Козлодуй" ЕАД * Козлодуй * гр. Козлодуй

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INDEPENDENT AUDITOR'S REPORT

TO THE SOLE SHAREHOLDER OF

NPP KOZLODUY EAD

Report on the Audit of the Separate Financial Statements

Qualified Opinion

We have audited the separate financial statements of NPP KOZLODUY EAD (the Company), which comprise the separate statement of financial position as at 31 December 2018, and the separate statement of profit or loss and other comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter, described in the "Basis for Qualified Opinion" section of our report the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Basis for Qualified Opinion

As is disclosed in Note 4.23.9 "Provisions - Provision for decommissioning of nuclear facilities" of the separate financial statements as at 31 December 2018, 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 2018.

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

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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.

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

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

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

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

As described in the "Basis for Qualified Opinion" section, we were unable to obtain sufficient and appropriate audit evidence about the assessment of provision for decommissioning of nuclear facilities and the related receivables of the Company as at 31 December 2018. Accordingly, we were unable to conclude whether or not the other information is materially misstated with regard to financial indexes and respective disclosures referring to these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter, described in the "Basis for Qualified Opinion" section above, we have determined the matters described below as key audit matters to be communicated in our auditor's report.

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1. Periodical revaluation of property, plant and equipment *Note 4.9 and Note 5 to the separate financial statements*	
Key audit matter	**How this key audit matter was addressed in our audit**
The Company has adopted the revaluation model as an accounting policy for subsequent measurement of property, plant and equipment and specialized means of transport (hereafter referred to as property, plant and equipment or assets). The frequency of revaluation for minor changes in the assets fair values is performed every three years. Revaluation of these property, plant and equipment was performed as at 31 December 2018 as far as this was the last year of the adopted three-year period. The valuation was carried out by independent certified appraiser, expert external for the Company. The assets subject to revaluation are specific and specialized, strictly related to the Company activity and the alternative use of a significant part of them is impossible or difficult. Therefore, another use by the market participants is unlikely to maximize the value of the assets, and based on that it is considered that their current use in the business maximizes their value. The valuation of property, plant and equipment at their fair value is an estimate related to use of specific techniques, methods and models. The specifics of the assets and valuation process could lead to variations in the assumptions and estimates used in determining the fair values of these	Our audit procedures performed with the support of our valuation specialists, where applicable, include, but are not limited to, the following procedures: • Review and assesment of the Company accounting policy regarding recognition, clasification, subsequent revaluation and impairment of property, plant and equipment, applied during the reporting period; • We reviewed the Company process about assets revaluation and controls applied; • We assessed the qualification and objectivity of the independent certified appraiser, expert external for the Company, as well as the appropriateness of the used approaches, methods and assumptions for assessment of the assets fair values in order to determine compliance with the requirements of IFRS 13 'Fair value measurement'; • We have obtained an understanding and assessed the reasonableness of the key outputs calculated by the independent certified appraiser, expert external for the Company, as well as key judgments and assumptions • Assessment of the adequacy of the disclosures in the separate financial statements related to the revaluation of property, plant and equipment.

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property, plant and equipment, as well as the materiality of this group of assets, we have determined this matter as a key audit matter.	

2. Initial measurement and classification of financial assets, determination of their impairment, including the transition to IFRS 9 "Financial Instruments"

IFRS 9 'Financial Instruments' (IFRS 9) became effective for annual reporting periods beginning on or after 1 January 2018. IFRS 9 is a new and complex accounting standard which has required considerable judgment and interpretation in its implementation. The impact of the application of IFRS 9 needs be disclosed as required by IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Given the estimated impact of this new accounting standard on the opening balance of the Company's separate statement of financial position at 1 January 2018 and the accounting policy choices and assumptions to be taken by management on the implementation of IFRS 9 from 1 January 2018, we consider this matter as a key audit matter in our audit.

Note 3.1, Note 4.14, Note 4.23.7, Note 10, Note 14, Note 35.1 and 35.2, Note 39.2 to the separate financial statements

Key audit matter	How this key audit matter was addressed in our audit
We focused on this area because: (a) the management exercises significant judgment, using subjective assumptions about the initial classification of the financial assets according to the IFRS 9 requirements; (b) the process of estimating the expected credit losses implies multiple judgments and a higher level of uncertainty and subjectivity in the estimated assumptions as to when and how much to recognize impairment of loans and an estimate of the amount of expected credit losses; In connection with the above, we have identified this issue as a key audit matter for our audit. The key changes resulting from the adoption of IFRS 9 as of 1 January 2018 for the Company relate to:	Our audit procedures include, but are not limited to, the following procedures: • Assessment and review of the accounting policies applicable from 1 January 2018 for recognition, classification, subsequent measurement and impairment of financial assets; • We reviewed the Company's business model related to classification and assessment for each category of financial assets; • We reviewed and assessed the new methodology for Expected credit loss provisioning, as well as for Classification and Measurement of financial assets in order to ensure compliance with the requirements of IFRS 9;

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(a) the calculation of credit losses on financial assets that are already determined on the basis of the expected losses but not on the losses historically incurred; (b) initial measurement and classification of financial assets. In addition, we have identified the transition to IFRS 9 and disclosure requirements as a key audit matter as the Company has developed new models for calculating impairment of financial assets that require judgments to be applied in very significant areas and especially for the calculation of expected credit losses (ECL).	• We have obtained an understanding and assessed the reasonableness of the key outputs calculated by the models, as well as key judgments and assumptions used by Management for the implementation of the models; • We reviewed a sample of significant exposures for their default determination appropriateness, and we reviewed the probability of default (PD) calculation used in the expected credit losses (ECL) calculation. We also revised the mathematical correctness of models calculation at 1 January and as at 31 December 2018; • Assessement of the adequacy of the disclosures in the separate financial statements realated to financial assets including the effect of the transition at 1 January 2018, in order to determine whether they are in compliance with the requirements of IFRS 9.

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.

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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.

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

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

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

Report on Other Legal and Regulatory Requirements

Additional Matters to be Reported under the Accountancy Act

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

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

Based on the procedures performed, our opinion is that:

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

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c) The non-financial statement referring to the financial year for which the separate financial statements have been prepared is provided and prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

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

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

— Audit firm HLB BULGARIA OOD was appointed as a statutory auditor of the separate financial statements of NPP KOZLODUY EAD for the year ended 31 December 2018 by the Minutes № Е-РД-21-16 of the Minister of Energy dated from 15 June 2018 for a period of three years.

— The audit of the separate financial statements of the Company for the year ended 31 December 2018 represents fourth total uninterrupted statutory audit engagement for that entity carried out by us.

— We hereby confirm that the audit opinion expressed by us is consistent with the additional report, provided to Company's audit committee, in compliance with the requirements of Art. 60 of the Independent Financial Audit Act.

— We hereby confirm that we have not provided the prohibited non-audit services referred to in Art. 64 of the Independent Financial Audit Act.

— We hereby confirm that in conducting the audit we have remained independent of the Company.

Audit firm

HLB BULGARIA OOD

Manager:

Veronika Revalska

Registered auditor, responsible for the audit:

Vaska Gelina

Одиторско дружество
София
Рег. № 017
Ейч Ел Би България ООД

3 April 2019

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Separate Statement of Financial Position

Assets	Note	31 December 2018 BGN'000	31 December 2017 * BGN'000
Non-current assets			
Property, plant and equipment	5	2,544,339	2,657,603
Intangible assets	6	9,732	11,170
Investment properties	7	4,100	4,095
Investments in subsidiaries	8	15,161	15,161
Loans granted to related parties	35.2	9,751	12,740
Related parties receivables	35.1	7,529	23,039
Non-current trade and other receivables	9	3,261	5,123
Financial instruments at fair value through other comprehensive income (OCI)	10	466	232
Non-current assets		**2,594,339**	**2,729,163**
Current assets			
Nuclear Fuel	12	213,962	235,443
Inventories	13	60,018	58,762
Trade and other receivables	14	43,192	37,372
Loans granted to related parties	35.2	2,334	2,374
Related parties receivables	35.1	107,809	155,425
Cash and cash equivalents	15	239,725	178,211
Current assets		**667,040**	**667,587**
Total assets		**3,261,379**	**3,396,750**

* The Company has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

Compiled by: ______ /Margarita Mankova/

Chief Executive Officer: ______ /Nasko Mihov/

АЕЦ Козлодуй ЕАД * гр. Козлодуй

Compiled on 29 March 2019

The Separate Financial Statements were authorized for publication by a decision of the Board of Directors dated 29 March 2019.

The accompanying notes, pages 8 to 73, form an integral part of these separate financial statements.

Audit firm
HLB Bulgaria OOD

Одиторско дружество София Рег. № 017 Ейч Ел Би България ООД

Финансов отчет, върху който сме издали одиторски доклад с дата:
03. 04. 2019
„Ейч Ел Би България" ООД
HLB Bulgaria Ltd.
Управител: .... Регистриран одитор: ....

Separate Statement of Financial Position (continued)

	Note	31 December 2018	31 December 2017 *
Equity and Liabilities		**BGN'000**	**BGN'000**
Equity			
Share capital	17.1	244,585	244,585
Statutory reserves	17.2	24,458	19,785
Revaluation reserve of non-financial assets	17.3	1,400,874	1,384,245
Reserve from remeasurements of defined benefit plans		(45,698)	(35,095)
Fair value reserve of equity instruments		211	-
Other reserves	17.4	826,667	984,126
Retained earnings		160,112	123,827
Total equity		**2,611,209**	**2,721,473**
Liabilities			
Non-current liabilities			
Loans	18	33,127	66,132
Retained amounts under construction contracts	19	863	159
Financing	20	154,616	179,950
Liabilities for retirement employee benefits	21	50,665	49,752
Non-current trade and other liabilities	22	18,656	-
Deferred tax liabilities	11	163,573	177,558
Non-current liabilities		**421,500**	**473,551**
Current liabilities			
Trade and other payables	22	122,847	131,234
Payables to related parties	35.1	1,589	9,079
Loans	18	33,890	40,056
Financing	20	4,435	6,054
Retained amounts under construction contracts	19	4,971	5,034
Liabilities for retirement employee benefits	21	14,423	8,333
Provision for spent nuclear fuel and others	23	41,775	668
Income tax payable		4,740	1,268
Current liabilities		**228,670**	**201,726**
Total liabilities		**650,170**	**675,277**
Total equity and liabilities		**3,261,379**	**3,396,750**

* The Company has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

Compiled by: ____________________
/Margarita Mankova/

Chief Executive Officer: ____________________
/Nasko Mihov/

АЕЦ Козлодуй ЕАД гр. Козлодуй

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

	Note	2018	2017 *
		BGN'000	BGN'000
Revenue from electricity sales		1,099,058	909,712
Revenue from thermal energy sales		2,007	2,138
Revenue from sales of produce	24	**1,101,065**	**911,850**
Revenue from financing		5,560	5,615
Other revenues and incomes	25	10,660	12,933
Cost of material	27	(151,929)	(145,770)
Hired services costs	28	(131,497)	(120,828)
Employee benefits expenses	29	(220,691)	(204,479)
Depreciation and amortization, and revaluation of PPE	5,6	(198,571)	(191,378)
Provisions costs	30	(41,118)	(668)
Impairment (costs)/reversed impairment on financial assets, (net)	31	(6,239)	5,793
Other expenses	32	(187,177)	(146,401)
Change in work in progress		(2,163)	3,244
Acquisition of machinery, facilities, and equipment on free market commercial basis		112	882
Profit from operating activity		**178,012**	**130,793**
Financial costs	33	(2,526)	(3,532)
Financial income	33	5,546	2,866
Profit before tax		**181,032**	**130,127**
Income tax expense	34	(17,486)	(12,430)
Profit for the year from continuing operations		**163,546**	**117,697**
Profit for the year from discontinued operations	16	-	202
Profit for the year		**163,546**	**117,899**

* The Company has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

Compiled by: ____________
/Margarita Mankova/

Chief Executive Officer: ____________
/Nasko Mihov/

АЕЦ Козлодуй ЕАД * гр. Козлодуй

Compiled on 29 March 2019

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Audit firm
HLB Bulgaria OOD

Одиторско дружество
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Управител:......... Регистриран одитор:.........

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

	Note	2018	2017 *
		BGN'000	BGN'000
Profit for the year		**163,546**	**117,899**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit plans liabilities	21	(11,781)	(5,079)
Revaluation of non-financial assets	5	18,969	-
Equity instruments at FVOCI – change in fair value – current period losses		(59)	-
Income tax related to items that not reclassified to profit or loss	11	(713)	508
Other comprehensive income for the year, net of tax		**6,416**	**(4,571)**
Total comprehensive income for the year		**169,962**	**113,328**

* The Company has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods chosen, comparative information is not restated.

Compiled by: ______________ **/Margarita Mankova/**

Chief Executive Officer: ______________ **/Nasko Mihov/**

„АЕЦ Козлодуй" ЕАД * гр. Козлодуй

Compiled on 29 March 2019

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Audit firm
HLB Bulgaria OOD

Одиторско дружество София Рег. № 017 Ейч Ел Би България ООД

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върху който сме издали одиторски
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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 remeasurements of defined benefit plans	Fair value reserve of equity instruments	Other reserves	Retained earnings	Total equity
Balance as at 31 December 2017 *	**244,585**	**19,785**	**1,384,245**	**(35,095)**	**-**	**984,126**	**123,827**	**2,721,473**
Adjustments on initial application of IFRS 9, net of tax (Note 3.1)	-	-	-	-	264	-	(3,876)	(3,612)
Balance at 1 January 2018 (restated)	**244,585**	**19,785**	**1,384,245**	**(35,095)**	**264**	**984,126**	**119,951**	**2,717,861**
Dividends	-	-	-	-	-	(157,459)	(119,154)	(276,613)
Transactions with the Sole Owner	**-**	**-**	**-**	**-**	**-**	**(157,459)**	**(119,154)**	**(276,613)**
Profit for the year	-	-	-	-		-	163,546	163,546
Other comprehensive income, net of tax	-	-	17,072	(10,603)	(53)	-	-	6,416
Total comprehensive income for the year	**-**	**-**	**17,072**	**(10,603)**	**(53)**	**-**	**163,546**	**169,962**
Reserves increase via retained earnings	-	4,673	-	-	-	-	(4,673)	-
Transfer of revaluation reserve of non-financial assets to retained earnings	-	-	(443)	-	-	-	443	-
Other changes in equity	-	-	-	-	-	-	(1)	(1)
Balance as at 31 December 2018	**244,585**	**24,458**	**1,400,874**	**(45,698)**	**211**	**826,667**	**160,112**	**2,611,209**

* The Company has initially applied IFRS 9 and IFRS 15 at 1 January 2018. Under the transition methods cgosen, comparative information is not restated.

Compiled by: ______________
/Margarita Mankova/
Compiled on 29 March 2019

Chief Executive Officer: ______________
/Nasko Mihov/

"АЕЦ Козлодуй" ЕАД * гр. Козлодуй

The Separate Financial Statements were authorized for publication by a decision of the Board of Directors dated 29 March 2019.

The accompanying notes, pages 8 to 73, form an integral part of these separate financial statements.

Audit firm
HLB Bulgaria OOD

ОДИТОРСКО ДРУЖЕСТВО
София
Рег. № 017
Ейч Ел Би България ООД

Финансов отчет,
върху който сме издали одиторски
доклад с дата:
03. 04. 2019
„Ейч Ел Би България" ООД
HLB Bulgaria Ltd.
Управител: .... Регистриран одитор: ....

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 remeasurements of defined benefit plans	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2017	**236,165**	**19,649**	**1,385,591**	**(30,524)**	**984,126**	**13,750**	**2,608,757**
Dividends	-	-	-	-	-	(611)	(611)
Transactions with the Sole Owner	**-**	**-**	**-**	**-**	**-**	**(611)**	**(611)**
Profit for the year	-	-	-	-	-	117,899	117,899
Other comprehensive income, net of tax	-	-	-	(4,571)	-	-	(4,571)
Total comprehensive income for the year	**-**	**-**	**-**	**(4,571)**	**-**	**117,899**	**113,328**
Equity increase via retained earnings	8,420	-	-	-	-	(8,420)	-
Reserves increase via retained earnings	-	136	-	-	-	(136)	-
Transfer of revaluation reserve of non-financial assets to retained earnings	-	-	(1,346)	-	-	1,346	-
Other changes in equity	-	-	-	-	-	(1)	(1)
Balance as at 31 December 2017	**244,585**	**19,785**	**1,384,245**	**(35,095)**	**984,126**	**123,827**	**2,721,473**

Compiled by: ______________
/Margarita Mankova/

Chief Executive Officer: ______________
/Nasko Mihov/

„АЕЦ Козлодуй" ЕАД • гр. Козлодуй

Compiled on 29 March 2019

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HLB Bulgaria OOD

ОДИТОРСКО ДРУЖЕСТВО
София
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Ейч Ел Би България ООД

Финансов отчет,
върху който сме издали одиторски
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HLB Bulgaria Ltd.
Управител: .... Регистриран одитор: ....

Separate Cash Flows Statement for the year, ended 31 December

	Note	2018 BGN'000	2017 BGN'000
Operating activity			
Proceeds from customers		1,305,614	1,008,644
Payments to suppliers		(297,655)	(299,882)
Payments to personnel and social security institutions		(208,289)	(191,548)
Payments to fees, commissions, and the like		(36)	(27)
Payments to the RAW, NFD, and ESS Funds		(168,138)	(138,971)
(Payments to)/proceeds from income tax		(28,310)	(15,437)
Cash flows related to other taxes and payments to the state budget		(162,987)	(115,190)
Cash flows related to insurance policies		(15,315)	(15,298)
Other cash flows from operating activities		33,193	18,392
Net cash flow from continuing operations		**458,077**	**250,683**
Net cash flows from discontinued operations	16	-	(9,517)
Net cash flows from operating activity		**458,077**	**241,166**
Investing activity			
Acquisition of property, plant, and equipment		(85,091)	(96,858)
Proceeds from sale of property, plant, and equipment		3,227	14
Proceeds from loans	35.2	2,200	2,150
Interest received		364	422
Dividends received		991	1,028
Net cash flows from investing activity		**(78,309)**	**(93,244)**
Financing activity			
Repayments of loans		(38,872)	(42,784)
Interest paid		(1,855)	(2,334)
Dividends paid		(276,613)	(611)
Net cash flows from financing activity		**(317,340)**	**(45,729)**
Net change in cash and cash equivalents		**62,428**	**102,193**
Cash and cash equivalents at the beginning of the year		178,211	76,018
Effect of IFRS 9		(914)	-
Cash and cash equivalents at the end of the year	15	**239,725**	**178,211**

Compiled by: ____________ **/Margarita Mankova/**

Chief Executive Officer: ____________ **/Nasko Mihov/**

„АЕЦ Козлодуй" ЕАД гр. Козлодуй

Compiled on 29 March 2019

The Separate Financial Statements were authorized for publication by a decision of the Board of Directors dated 29 March 2019.

The accompanying notes, pages 8 to 73, form an integral part of these separate financial statements.

Audit firm
HLB Bulgaria OOD

Одиторско дружество София Рег. № 017 Ейч Ел Би България ООД

Финансов отчет,
върху който сме издали одиторски
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03. 04. 2019
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HLB Bulgaria Ltd.
Управител: .... Регистриран одитор: ....

Notes to the Separate Financial Statements

1. Principal activities

Kozloduy NPP EAD, 'the Company', is a joint stock company established by virtue of Decision No. 582 of 2000 of Vratsa District Court. The Company is registered in the town of Kozloduy 3321, Vratsa District, Bulgaria. The Company was established as a joint stock company on 28 April 2000 with a sole owner - the Republic of Bulgaria through spin-off from Natsionalna Elektricheska Kompania EAD (NEK EAD). The Company is a legal successor of the respective portion of assets and liabilities of NEK EAD, Sofia, in accordance with the Separation Protocol for the Kozloduy NPP branch and GUP Atomenergoinvest, Kozloduy compiled and based on the available accounting records dated 28 April 2000. As at 18 September 2008, the rights of sole shareholder of the Company are exercised by the Ministry of Economy and Energy through the incorporated Bulgarian Energy Holding EAD.

The Company's financial year ends on 31 December.

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

Bulgarian Energy Holding EAD is the sole owner of the Company share capital as at 31 December 2018. The Company's ultimate owner is the Republic of Bulgaria through the Ministry of Energy.

The Company has a one-tier management system and is managed by a Board of Directors with the following members as at 31 December 2018:

- Zhaklen Yosif Koen, Chairman
- Ivan Todorov Yonchev, Member
- Nasko Asenov Mihov, Member

As at 31 December 2018, the Company is represented by the Chief Executive Officer Nasko Mihov.

As at 31 December 2018, the number of the staff employed by the Company under employment contracts is 3,663 (31 December 2017: 3,716).

2. Basis for the preparation of the separate financial statements

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

The separate financial statements are presented in Bulgarian leva (BGN) which is the functional currency of the Company. All amounts are presented in thousands of BGN (BGN '000) (including comparative information) unless otherwise specified.

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

The separate financial statements are prepared under the going concern principle.

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

As a result of the carried out review of the Company's activities, the management anticipates that the Company will have sufficient resources to continue its operating activities in the foreseeable future and believes that the going concern principle is appropriate for the preparation of the separate financial statements.

3. Changes in accounting policy

For the current financial year, the Company has adopted all the new and/or revised standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union and the International Accounting Standards and Standing Interpretations Committee (SIC) respectively.

Adopting these standards and/or interpretations, applicable to yearly reporting periods beginning not earlier than 1 January 2018, the Company has changed its accounting policy in terms of principles, procedures, and criteria for reporting the following items: Investments in financial instruments, trade receivables, receivables from related parties, loan receivables, cash and cash equivalents, receivables from litigation and other receivables, revenue from contracts with customers, as well as the presentation and disclosures of financial information related to those items.

The Company has adopted the standards IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments*.

The Company has elected to adopt IFRS 15 using the cumulative effect method where comparative information is not restated. The Company has also made use of the exemption from restatement of comparative information about the classification of financial assets and liabilities as well as the impairment under IFRS 9 provided in Paragraph 7.2.15 of IFRS 9.

The cumulative effect of the initial application has been recognised as a retained earnings adjustment as at the date of initial application (1 January 2018). The comparative information in the separate statement of profit or loss and other comprehensive income as well as in the separate statement of financial position has not been restated, thus being presented as per the superseded standards IAS 18 *Revenue*, IAS 11 *Construction Contracts*, IAS 39 *Financial Instruments: Recognition and Measurement*, and IFRS 7 *Financial Instruments: Disclosures*.

The significant changes in the accounting policy and effects of the initial application are described in Note 3.1 and the effects of the changes in the accounting policy have been considered in terms of the IFRS amendments adopted by the EU and becoming effective for annual periods beginning on or after 1 January 2018. The effect of the initial application of these standards is associated primarily with an increase in the recognised impairment of expected credit losses of financial assets and increase in other comprehensive income (OCI) associated with financial assets measured at fair value through OCI (Note 3.1).

Some other amendments and interpretations have also been applied initially in 2018, but they have no effect on the Company's separate financial statements. The Company has not adopted any standards, interpretations, or amendments that have been published but have not yet become effective.

3.1. Standards and interpretations that became effective from 1 January 2018

The Company applies the following new standards, amendments, and interpretations of the IFRS developed and published by the International Accounting Standards Board which application is mandatory for the period starting on 1 January 2018:

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 *Revenue from Contracts with Customers* and the interpretations related to IFRS 15 *Revenue from Contracts with Customers* (hereinafter referred to as IFRS 15) superseded IAS 18 *Revenue* and IAS 11 *Construction Contracts* as well as several revenue-related interpretations. The new standard changed the requirements for recognition of revenues and established principles for reporting the information about the nature, amount, time, and uncertainty of the revenues and cash flows resulting from contracts with customers. IFRS 15 introduced a new five-step model for reporting the revenues and cash flows resulting from contracts with customers and stipulated that the revenues shall be recognised in the amount reflecting the expected remuneration in exchange of the goods and services transferred to the customer. IFRS 15 requires that companies exercise judgement, taking into account all the relevant facts and circumstances, when applying the single steps of the model related to the contracts with their customers.

The new standard is based on the principle that revenues are recognised when the control over the goods or service has been transferred to the customer.

The revenues with a significant effect on the Company concern primarily power purchase agreements. The sales are based on contracts with customers. The power purchase agreements with customers comply with the criteria for reporting a contract with a customer.

Usually, in such contracts, the sale of electricity is the only obligation to be performed.

The initial application of IFRS 15 at the Company concerns mainly the following areas:

- Inclusion of additional disclosures in the separate financial statements;
- Identification of the obligations to be performed.

(a) Transition

The Company has elected to adopt IFRS 15 using the cumulative effect method where the effect of the initial application of this standard will be recognised as an adjustment of the retained earnings initial balance as of the date of initial application, i.e. 1 January 2018. Respectively, the information presented for 2017 has not been restated, i.e. it is presented in accordance with the applied at that time provisions of IAS 18, IAS 11, and relevant interpretations. Additionally, the IFRS 15 disclosure requirements have not been fully applied in respect of the comparative information. Information is provided about the comparative information based on the requirements for disclosure of the superseded standards (IAS 18) and reclassifications related to the new disclosure requirements as per IFRS 15.

In accordance with the standard transitional provisions, IFRS 15 is applied only to contracts that have not been completed until 1 January 2018.

(b) Measurement and recognition

The revenues with a significant effect on the Company result from electricity sales. Recognition and measurement of the revenues under those contracts correspond with the former recognition practice.

The Company has assessed the effects of the application of the new standard IFRS 15 on its financial statements and has not identified any areas that will be affected and will influence the values of its revenues resulting from the the activity and/or receivables, as much as neither a substantial change in the business model nor a change in the time horizon of transferring control to the customers from the services provided by the Company or the reporting of sales of electricity or other short-term assets is expected. Additional information about the Company's accounting policies related to the recognition of revenues from contracts with customers is presented in Note 4.4 and Note 26.

IFRS 9 *Financial instruments*

IFRS 9 establishes new principles, procedures, and criteria for classification and measurement of financial assets and financial liabilities, disposal of financial instruments, impairment of financial assets, and hedge accounting as well as supersedes IAS 39 *Financial Instruments: Recognition and Measurement.* New classification criteria and financial asset groups as well as new procedures for their measurement and recognition of the revenues from interests have been introduced. IFRS 9 also establishes a new approach to impairment measurement – based on the expected credit losses (ECL).

Detailed information about the new accounting policy and effect of the change from the former accounting policy are presented below.

(a) Transition

The Company adopted IFRS 9 as of the effective date (1 January 2018) and did not restate the comparative information.

The Company has made use of the exemption from restatement of previous periods in respect of the classification and impairment of financial instruments provided in Paragraph 7.2.15 of IFRS 9. The cumulative effect of the initial application has been recognised as a retained earnings adjustment as of the date of initial application (1 January 2018).

The following table summarises the impact of the transition to IFRS 9, net of tax on the retained earnings initial balance:

	Impact on the initial balances
	BGN '000
Retained earnings as at 31 December 2017	123,827
Increase of the losses from impairment of receivables from related parties	(2,727)
Increase of the losses from impairment of trade and other receivables	(1,038)
Increase of the losses from impairment of cash at banks	(542)
Deferred tax	431
Retained earnings at 1 January 2018	**119,951**

The following table summarises the impact of the transition to IFRS 9, net of tax on the initial balance of reserve from remeasurement of financial instruments at fair value:

	Impact on the initial balances
	BGN '000
Fair value reserve of equity instruments	
Equity instruments at FVOCI – change in fair value	293
Deferred tax	(29)
Impact at 1 January 2018	**264**

As a result of the adoption of IFRS 9, the Company has adopted the relevant amendments to IAS 1 *Presentation of Financial Statements* which require that the loss from impairment of financial assets is presented in the separate statement of profit or loss and other comprehensive income. In accordance with the accounting policy applied by the Company as at 31 December 2017, impairment of trade and other receivables shall be presented under *Other Expenses*. Respectively, the Company has reclassified losses from impairment/reintegrated impairment of financial assets for 2017 amounting to BGN 5,793 thousand as per IAS 39 from *Other Expenses* to *Impairment costs/reversed impairment on financial assets (net)* in the separate statement of profit or loss and other comprehensive income for the year ended 31 December 2017.

Additionally, the Company has adopted the relevant amendments to IFRS 7 *Financial Instruments: Disclosure* which are applicable to the 2018 disclosures, but have not been fully applied in respect of the comparative information.

(b) Classification and measurement

IFRS 9 introduces a new approach to the classification of financial assets which is based on the characteristics of the contractual cash flows, financial assets, and business model they are managed in. The effect of IFRS 9 on the classification and measurement of financial assets is presented below.

A significant portion of the Company's financial assets are kept for the purpose of collecting the relevant contractual cash flows. The Company's management decided that the financial assets in the form of cash at banks, trade receivables, other receivables, litigation receivables, and receivables from related parties, which, under IAS 39, had been classified as 'loans and receivables' and subsequently measured at amortised cost as at 31 December 2017, would be kept by the Company in order to obtain the contractual cash flows while they were expected to produce cash flows representing payments of principal and interests (applied business model). Those financial assets have been classified and will be subsequently measured under IFRS 9 at amortised cost.

The following table represents the classification of each type of the Company's financial assets under IAS 39 and their subsequent classification and measurement under IFRS 9 from 1 January 2018.

	Financial asset type	Category under IAS 39	Category under IFRS 9
1	Short-term trade receivables	Loans and receivables	Debt instruments measured at amortised cost
2	Trade receivables containing financing component	Loans and receivables	Debt instruments measured at amortised cost
3	Short-term receivables from related parties	Loans and receivables	Debt instruments measured at amortised cost
4	Receivables from related parties containing financing component	Loans and receivables	Debt instruments measured at amortised cost
5	Receivables from loans granted	Loans and receivables	Debt instruments measured at amortised cost
6	Cash and cash equivalents	Loans and receivables	Debt instruments measured at amortised cost
7	Other financial and litigation receivables	Loans and receivables	Debt instruments measured at amortised cost
8	Equityl instruments	Available-for-sale financial assets	Financial instruments measured at fair value through other comprehensive income (OCI)

The table below represents the initial carrying amounts of each type of the Company's financial assets under IAS 39 and their balance values under IFRS 9 from 1 January 2018.

Type of financial asset	Category under IAS 39	Category under IFRS 9	Carrying amount under IAS 39	Carrying amount under IFRS 9
			BGN '000	BGN '000
Non-current trade receivables	Loans and receivables	At amortised cost	5,123	4,235
Current trade receivables	Loans and receivables	At amortised cost	31,621	31,621
Litigation receivables	Loans and receivables	At amortised cost	459	459
Other receivables	Loans and receivables	At amortised cost	542	392
Receivables from related parties	Loans and receivables	At amortised cost	193,578	190,851
Cash at banks	Loans and receivables	At amortised cost	178,140	177,598
Equityl instruments	Available-for-sale financial assets	At fair value through other comprehensive income	232	525
Total financial assets			**409,695**	**405,681**

The impact of the adoption of IFRS 9 on the carrying amounts of the financial assets from 1 January 2018 is related primarily to the new requirements for impairment of financial assets and measurement at fair value through other comprehensive income of the financial instruments which used to be accounted for at acquisition cost.

(c) Impairment of financial assets

In IFRS 9, the 'incurred losses' model of IAS 39 is superseded by the 'expected credit losses' model. In accordance with IFRS 9, the impairment losses are to be recognised earlier compared to IAS 39.

The Company has adopted an accounting policy and methodology for measurement of the credit risk and expected credit losses for each type of financial assets. The accounting policy covers the following:

- Approaches to measuring the credit impairment of each type of financial assets;
- Phases of financial assets accounted as per the standardised approach of IFRS 9.
- Models of calculation of expected credit losses for twelve months or for the entire period of the financial assets.

The following table represents the adopted by the Company approach to impairment of each type of financial assets under IFRS 9 from 1 January 2018.

	Financial asset type	Category under IFRS 9	Impairment approach
1	Short-term trade receivables	Debt instruments measured at amortised cost	Simplified approach
2	Trade receivables containing financing component	Debt instruments measured at amortised cost	Standardised approach
3	Short-term receivables from related parties	Debt instruments measured at amortised cost	Simplified approach
4	Receivables from related parties containing financing component	Debt instruments measured at amortised cost	Standardised approach
5	Cash and cash equivalents	Debt instruments measured at amortised cost	Standardised approach
6	Other financial and litigation receivables	Debt instruments measured at amortised cost	Simplified approach
7	Equity instruments	Equity instruments measured at FVOCI	Out of the scope of the IFRS 9 impairment models

The Company has determined that the application of the IFRS 9 impairment provisions adopted from 1 January 2018 results in the recognition of additional impairment loss. Below is the reconciliation between the closing balance of the provisions for impairment under IAS 39 and the opening balance of the provisions for loss established in accordance with IFRS 9:

	Impairment under IAS 39 as at 31 December 2017	Restatement	Expected credit losses under IFRS 9 at 1 January 2018
	BGN '000	BGN '000	BGN '000
Non-current trade receivables under IAS 39 / Financial assets at amortised cost under IFRS 9	-	(888)	(888)
Current trade receivables under IAS 39 / Financial assets at amortised cost under IFRS 9	(1,075)	-	(1,075)
Receivables from related parties under IAS 39 / Financial assets at amortised cost under IFRS 9	-	(2,727)	(2,727)
Litigation receivables under IAS 39 / Financial assets at amortised cost under IFRS 9	(2,201)	-	(2,201)
Other receivables under IAS 39 / Financial assets at amortised cost under IFRS 9	(4,053)	(150)	(4,203)
Cash and cash equivalents under IAS 39 / Financial assets at amortised cost under IFRS 9	-	(542)	(542)
	(7,329)	**(4,307)**	**(11,636)**

The Company has adopted the following new and revised standards and interpretations which shall be deemed mandatory from 1 January 2018, which have no effect on the financial position and results of its activity.

IFRIC 22 ***Foreign Currency Transactions and Advance Consideration***, adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018);

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

Amendments to IAS 40 ***Investment Property***, adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018);

Amendments to IFRS 4: Application of IFRS 9 ***Financial Instruments*** **with IFRS 4** ***Insurance Contracts***, adopted by the EU on 3 November 2017 (effective for annual periods beginning on or after 1 January 2018);

Amendments to various standards – ***Improvements to IFRS Standards 2014-2016 Cycle***, adopted by the EU on 7 February 2018 (effective for annual periods beginning on or after 1 January 2018);

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

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

IFRS 16 *Leases*, adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019);

The concept of this Standard is completely changed and introduces significant changes in the reporting of leases, especially on the part of the lessees. It introduces new principles for the recognition, measurement, and presentation of leases in order to better represent these transactions. This Standard will supersede the current IAS 17 *Leases*, IFRIC 4 *Determining Whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases – Incentives*, and SIC-27 *Evaluating the Substance of Transactions in the Legal Form of a Lease*. The new standard's main principle is the introduction of a one-size-fits-all model of lease accounting for the lessees for all lease contracts with duration of more than 12 months, recognising a 'right of use' asset that will be amortised over the term of the contract; respectively, the obligation under these contracts shall be reported. In compliance with IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IASB has included a right of option for some short-term leases and leases of low-value assets, and this exception can only be applied by lessees.

In addition, IFRS 16 requires lessees and lessors to make more detailed disclosures compared to the ones under IAS 17.

The management is in the process of assessing the effect of applying the standard and still can not provide quantitative information.

Amendment to IFRS 9 *Financial Instruments* - Prepayment Features with Negative Compensation, adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019);

IFRIC 23 *Uncertainty over Income Tax Treatments*, adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019);

Amendments to various standards – ***Improvements to IFRS Standards 2015-2017 Cycle***, adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019);

Amendments to IAS 19 *Employee Benefits* – *Plan Amendment, Curtailment or Settlement*, adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019);

Amendment to IAS 28 *Investments in Associates and Joint Ventures*, adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019).

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

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

IFRS 17 *Insurance Contracts* (effective for annual periods beginning on or after 1 January 2021).

Amendments to the *Conceptual Framework for Financial Reporting* (effective for annual periods beginning on or after 1 January 2020);

Amendment to IAS 28 ***Investments in Associates and Joint Ventures*** – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019);

Amendments to IFRS 3 ***Business Combinations*** (effective for annual periods beginning on or after 1 January 2020).

4. Accounting Policy

4.1. Overview

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

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

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

4.2. Presentation of the Separate Financial Statements

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

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

(a) applies an accounting policy retrospectively;

(b) retrospectively recalculates positions in the financial statements; or

(c) reclassifies items in the financial statements.

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

The Company has adopted the standards IFRS 9 and IFRS 15 from 1 January 2018. Under the transition methods chosen, comparative information is not restated.

Financial information is presented and disclosed in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" (repealed), IFRS 7 "Financial Instruments: Disclosure" and IAS 18 "Revenue“ (repealed).

The Company has adopted a modified retrospective application for the first time of IFRS 15 "Revenue from contracts with customers". In adopting IFRS 9 "Financial Instruments", the Company applied the initial application relief measures. All adjustments resulting from the initial application of the two new standards are recognized in equity ("retained earnings" and "reserves") at 1 January 2018.

The effects of the initial application of the new IFRS 15 "Revenue from contracts with customers" and IFRS 9 "Financial instruments" are described in Note 3.1.

4.3. Transactions in foreign currency

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

Non-monetary items measured at historical cost in foreign currency are reported at the exchange rate as of the date of transaction. Non-monetary items measured at fair value in foreign currency are reported at the exchange rate as of the date of determining the fair value.

4.4. Revenue

Accounting policy applicable until 31 December 2017

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

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

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

Sales of electricity

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

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

Provision of services

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

Revenue from interests

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

Revenue from dividends

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

Revenue from government grants

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

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

Accounting policy applicable from 1 January 2018

A. Revenue from contracts with customers

Recognizing and evaluating revenue from customer contracts

Revenue from contracts with customers is recognized when the control of the goods and / or services promised in the contract is transferred to the customer in an amount that reflects the remuneration the Company expects to be entitled to in exchange for those goods or services.

Control is transferred to the customer when (or as) they meet the performance obligation, under the terms of the contract, by transferring the promised product or service to the customer. An asset (product or service) is transferred when (or as) the customer has control over that asset.

In the initial assessment of its contracts with customers, the Company assesses whether two or more contracts are to be treated in combination and accounted for as one and whether the promised goods and / or services in each separate and / or combined contract are to be accounted for as one and / or more performance obligations.

Any promise to transfer goods and / or services that are identifiable (on their own and in the context of the contract) is reported as one performance obligation.

The Company recognizes revenue for each separate performance obligation at the individual contract with a customer level by analysing the type, timing and terms of each particular contract. For contracts with similar characteristics, revenues are recognized on a portfolio basis only if their grouping in a portfolio would not have a materially different effect on the financial statements.

Clients' contracts typically include a single performance obligation.

Measurement

Revenue is measured on the basis of the transaction price specified for each contract.

In determining the transaction price, the Company takes into account the terms of the contract and its usual business practices.

The transaction price is the amount of the remuneration the Company expects to be entitled to in exchange for the customer's transfer of the promised goods or services, except for amounts collected on behalf of third parties (eg value added tax). The remuneration promised in the contract with the customer may include fixed amounts, variable amounts, or both.

When (or as) a performance obligation is met, the Company recognizes as income the cost of the transaction (which excludes estimates of variable remuneration containing limitations) that is attributable to that obligation to perform.

The Company examines whether there are other promises in the contract that are separate performance obligations for which part of the transaction price should be allocated.

When determining the transaction price, account is taken of the impact of variable remuneration, the existence of significant components of funding, non-monetary remuneration and remuneration owed to the customer (if any).

Performance obligations and recognition approach to main types of revenue under contracts with customer

Sale of electricity

Electricity supplies are carried out all year-round in a continuous mode of operation. Since the customer receives and consumes the benefits at the same time, the Company transfers control over electricity over time and therefore satisfies the performance obligation and recognizes revenue over time.

Sales revenue is recognized on each transfer of control over electricity when it is delivered to the buyer and there are no outstanding obligations that could affect the buyer's electricity acceptance. Electricity is deemed to be delivered to the customer as soon as the schedules of the Seller and the Buyer are recognised in the Schedule Notification System administered by Electricity System Operator EAD after agreement of the same between the parties. Schedules are uploaded every day until 15.30 for the next day, both for liberalized and for regulated market and for exchange. Carried out is the so-called net monthly trade measurement of the quantities at the OSY (Open Switchyard) outlets, which should correspond to the quantities quoted in the schedules.

Electricity sales do not have a financing component, as sales are paid for up to 1 year of deferred payment.

A receivable is recognized with the delivery of electricity as this is the moment when the right to remuneration becomes unconditional and only the expiry of the time before the payment becomes due is required.

Revenue is invoiced under the terms of the contract.

Sale of thermal energy

Thermal energy supplies are carried out during the heating season in a continuous mode of operation. Since the customer receives and consumes the benefits at the same time, the Company transfers control over the thermal energy over time and therefore satisfies the performance obligation and recognizes revenue over time.

Sales revenue is recognized on each transfer of control over thermal energy when it is delivered to the buyer and there are no outstanding obligations that could affect the buyer's thermal energy acceptance. The thermal energy is considered delivered to the customer at the time of consumption. Quantities delivered are reported by means of a heat meter in the substation where the commercial metering takes place once a month.

Thermal energy sales do not have a financing component, as sales are paid for up to 1 year of deferred payment.

A receivable is recognized with the delivery of thermal energy as this is the moment when the right to remuneration becomes unconditional and only the expiry of the time before the payment becomes due is required.

Revenue is invoiced monthly under the terms of the concluded contract.

Revenue from services

Lease payments under operating leases are recognised as income on the straight-line basis over the lease validity term the Company's management decides that another systematic basis is more representative of the time pattern the use of which has reduced the benefit from the leased asset.

Revenue from sales of short-term assets

Revenues from sales of short-term assets are recognized when the control over the assets sold is transferred. Delivery occurs when the assets have been shipped to the customer, the risks of potential losses are passed on to the buyer and or they have accepted the assets in accordance with the sales contract.

Principal or agent

When a third party participates in the provision of goods or services to a customer, the Company shall determine whether the nature of their promise represents an obligation to perform the provision of the particular goods or services (a principal) or by arranging for the third party to provide those goods or services (an agent).

The Company is the principal when controlling the promised goods or service before transferring it to the customer. However, the Company does not necessarily act as the principal if it receives the ownership of an asset only temporarily before the ownership right is transferred to the customer.

The Company is an agent if the Company's performance obligation is to arrange the delivery of the goods or services from a third party. When an agent company fulfils a performance obligation, it recognizes revenue in the amount of the fee or commission it expects to have the right to in exchange for arranging for the goods and services to be provided by another party. The fee or commission of the Company may be the net amount of the remuneration the Company retains after paying to the other party the remuneration received in exchange for the goods or services to be provided by that party.

The signs that the Company is an agent include the following elements:

• a third party bears the primary responsibility for the performance of the contract;

• before or after the goods have been ordered by the customer, upon dispatch or upon return of the goods there is no risk for the Company's inventories;

• The Company does not have the power to determine the prices of the other party's goods or services and therefore the benefit the Company can obtain from these goods and services is limited;

• the remuneration of the Company is in the form of a commission;

• The Company is not exposed to credit risk for the receivable from the customer in exchange for the other party's goods or services.

The Company is an agent in the following transactions:

• fee / component obligation to society;

• consumables under rental contracts.

Contractual balances

Trade receivables and assets under contracts

Receivable is the right of the Company to receive remuneration at a certain amount, which is unconditional (ie, before the payment of the remuneration becomes due, it is only necessary a certain period of time to expire).

The contract asset is the right of the Company to receive remuneration in exchange for the goods or services it has transferred to the customer but which is not unconditional (charging a receivable). If, through the transfer of the goods and /or the provision of services, the Company fulfils its obligation before the customer has paid the respective remuneration and /or before the payment becomes due, a contract asset is recognized for the earned remuneration (which is conditional). Recognized contract assets are reclassified as a trade receivable when the right to remuneration becomes unconditional.

Liabilities under contracts

As a contractual liability, the Company presents the payments received by the customer and /or an unconditional right to receive a payment before fulfilling its contractual performance obligations. Contract liabilities are recognized as revenue when (or as) it has been settled.

Assets and liabilities arising from a contract are presented net in the separate statement of financial position even if they are the result of different contractual obligations for performance of the contract.

After initial recognition, trade receivables and contract assets are subject to an impairment review in accordance with the IFRS 9 Financial Instruments.

B. Other revenues and incomes

Other revenues include operations that are incidental to the Company's core business and are revenues or income that are recognized under other standards and are outside the scope of IFRS 15.

Revenue	**Recognition approach**
Net profit from sales of property, plant, and equipment and non-current assets	Gains or losses arising from derecognition of assets from a property, plant and equipment or an intangible asset as a result of a sale shall be included in profit or loss when the asset is derecognised. The asset is derecognised at the time the control is transferred to the sold asset.
Revenues from revaluation of property, plant, and equipment	Revenue from revaluations is reported as revenue to the amount of previously charged expenses.
Rental income	Lease payments under operating leases are recognised as income on the straight-line basis over the lease term unless the management decides that another systematic basis is more representative of the time pattern the use of which has reduced the benefit from the leased asset.
Surplus assets and asset liquidation	Revenues from surplus assets are recognized when surpluses are established.
Revenue from financing	Where the grant(s) is related to an item of expenditure, it is recognized as revenue for the periods necessary to compare it on a systematic basis with the expenditures it is intended to offset. When

	the grant (s) relates to an asset, it is presented as a liability and is included in income over the useful life of the related asset.
Revenue from insurance events	Revenue is recognized when the Company's right to receive payment is established.
Income from penalties	Revenue is recognized when the Company's right to receive payment is established.
Revenues from derecognition of liabilities	Revenue from derecognition is recognized when the liability expires or the creditor waives its rights.

C. Financial revenues

Financial revenues are included in the separate statement of profit or loss and other comprehensive income when incurred and includes interest income on loans granted and term deposits, income from dividends from other entities.

Financial revenues are presented separately from the financial expenses on the face of the separate statement of profit or loss and other comprehensive income.

Recognition of interest income

Interest income is calculated by applying the effective interest rate on the gross carrying amount of financial assets except for financial assets impaired by credit (Phase 3) for which interest income is calculated by applying the effective interest rate on their amortized cost (gross carrying amount adjusted with the provision for expected credit losses).

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

4.5. Operating expenses

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

Electrical energy costs

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

Expenses, incurred for nuclear fuel, are carried in accordance with the established by the company

methodology. Electricity costs attributable to nuclear fuel are derived by multiplying the fuel component, calculated as per the relevant methodology, by the estimated gross amount of electricity generated at the relevant unit.

Costs for the Decommissioning of Nuclear Facilities (DNF) Fund and Radioactive Waste (RAW) Fund are calculated in accordance with the relevant decrees and regulations of the Council of Ministries and are recognised as other costs in accordance with the 'Ordinance on regulating the prices of electric power' and the Energy Act.

Cost of available capacities

The prime cost of the available capacities comprises the contingency and fixed operating expenses, including:

- Cost of materials, different from nuclear power, reagents and diesel;
- Hired services costs;
- Employee benefits expenses (Salaries and social security contributions);
- Depreciation and amortisation costs;
- Other costs, excluding costs for the DNF, RAW, and ESS Funds;
- own transport costs;

- Allocated indirect costs based on handover certificates for works performed in respect of the other supporting activities.

Cost of generating and transmitting thermal energy

District heating direct prime cost is derived from generation and distribution costs. District heating costs include the relatively fixed and variable (nuclear fuel) costs incurred at Units 5 and 6 multiplied by a reduction factor. 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) Undergeneration is calculated on a monthly basis by the Technical Support Division. The reduced expenses decrease the electricity generation costs and the cost of available capacities at EP-2. These costs are included in the cost of the generated thermal energy and the expenses for generating thermal energy, provided to the different on-site structural units.

Referring to the activity 'District heating generation and distribution':

- The cost price - fixed and variable costs of EP-2, are included in the cost of the generated thermal energy;
- All variable and relatively fixed costs of the District Heating Department are included in the heat distribution prime cost.

The heat for the Kozloduy NPP's own sites (houseload needs) is recognised on an ongoing basis over the year as cost at the selling price of thermal energy to consumers, and it is balanced with the actual cost as at year-end.

Cost, incurred under auxiliary and additional activities

The costs of auxiliary and additional operations are accounted for in separate accounting record groups, including direct and indirect costs. The allocation basis of the indirect technological costs is as follows:

- For maintenance:
    - For off-site facilities – labour hour inputs per facilities and orders;
    - For on-site facilities of the Plant – material inputs per facilities and orders;
- For road transport – fuel consumption;
- For the principal activity – electricity generation, 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 accounted for as current costs. The accrued 'tax on expenses', within the meaning of the Corporate Income Tax Act, is also accounted for as such.

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

4.6. Interest expenses 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, construction, or production of a qualifying asset, are capitalised in the period in which the asset is expected to be completed and ready for use or sale, by applying a capitalisation rate to the expenses on that asset. The capitalisation rate is the weighted average of the borrowing costs, attributable to the loans of the company, which are unsettled during the period, excluding loans, obtained exclusively for the purpose of acquiring a qualifying asset.

All other borrowing costs are recognised as an expense, in the period when incurred, in the separate statement of 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:

- Represents certain principal activity or covers activities from certain geographical area;
- Is part of a separate coordinated plan to dispose of a principal activity or activities from certain geographical area; or
- Represents a subsidiary acquired exclusively with the intention to re-sale.

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

Disclosures of discontinued operations relate to all the activities that have been discontinued as at the date of the separate financial statements for the latest presented reporting period. In case the activities previously presented as discontinued are renewed in the current year, the relevant disclosures for the prior reporting period should be adjusted too.

4.8. Intangible assets

Separately acquired intangible assets are measured initially at cost comprised of its purchase price, including import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use. Since the assets' useful life is regarded to be finite, the capitalised costs are then amortised based 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 amortisation and impairment losses. The impairments conducted are reported as expenses and are recognised in the separate statement of profit or loss and other comprehensive income for the respective period.

Intangible assets with finite useful life are amortised over their useful life and reviewed for impairment in case of indications that their value has been impaired. The amortisation period and method for amortisation of intangible assets with finite useful life are 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 amortisation 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, die intangible asset can generate more than die initially estimated future economic benefits, and when such expenses can be reliably measured, and attributed to the asset. If these conditions are satisfied, the incurred expenses are added to the cost of the asset. If these conditions are satisfied, the incurred expenses are added to the cost of the asset.

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

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

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

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

Gains or losses arising from the derecognition of intangible assets, representing the difference between the net disposal proceeds and the carrying amount of the asset, are included in the separate statement of profit or lossand other comprehensive income when die asset is disposed.

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

- availability of technical ability to complete the asset;
- Intention to complete the asset;
- The asset can be used or sold, and there is a market for the asset, or the asset is useful for inter-company use;
- Capacity to measure the costs incurred in the development of the asset.

Research activity

Research costs incurred to acquire new scientific or technical knowledge are recognised in profit or loss when incurred.

Research costs incurred under contracts with customers are recognised as saleable assets.

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

Development activity

Development activity includes 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 capitalised interest expenses. Other development costs are recognised in profit or loss, when incurred. The capitalised development costs are measured at cost, less the accumulated amortisation and impairment losses.

Costs incurred in the development of intangible assets, that do not meet capitalisation criteria, 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

Properties, plant, and equipment (PPE) are initially measured at 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, remeasurement of PPE applies to entire classes of similar assets, as follows:

№	PPE Class	Subsequent measurement model
1	Property	Remeasurement model
2	Improvements on lands and terrains	Revaluation model
3	Buildings and structures	
	• Solid	Revaluation model
	• Hollow	Acquisition price
4	Machines, plant, and equipment	Remeasurement model
5	Computer Systems	Acquisition price
6	Transport vehicles	
	• Cargo vehicles	Remeasurement model
	• Cars	Original cost

№	PPE Class	Subsequent measurement model
	• Special vehicles	Remeasurement model
7	Furniture, fixtures, and fittings	Acquisition price
8	Spare parts carried as PPE	Revaluation model
9	Other PPE	Cost (acquisition cost) model

Property, plant and equipment, subsequently measured under the revaluation model, are carried at evaluated amount — that being their fair value at date of revaluation less any subsequently accumulated depreciation and impairment losses. The conducted revaluations are recognised in the statement profit or loss and other comprehensive income, and are accumulated in equity (revaluation reserve), if there are no already accrued expenses, associated with such. When the remeasured asset is sold or disposed, the remaining remeasurement reserve is transferred to retained earnings.

Remeasurements are carried at the following intervals:

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

When applying the remeasurement model, the frequency of subsequent remeasurements of PPE depends on whether the carrying amount of a remeasured asset differs materially from its fair value as at year-end.

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

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

Property, plant and equipment, which are not subsequently measured by applying the revaluation model, are carried at cost (acquisition cost) less the accumulated depreciation and any accumulated impairment losses. The impairments conducted are recognized as expenses and are recognised in the separate statement of 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 earning 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	25-100 years
Machinery, plant, and equipment	4-59 years
Mobile telephones	3-8 years
Lifting equipment	20-64 years
Portable tools	5-19 years
I&C systems	3-45 years
Automobiles	9-42 years
Transport vehicles	5-40 years
Computers	2-30 years
Furniture	3-35 years

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

The approved materiality threshold in respect of the property, plant and equipment of the Company amounts to BGN 700.00.

4.10. Investment properties

An investment property is recognised as such, if it satisfies the following conditions:

- Complies with the definition of investment property;
- It is probable that future economic benefits, associated with the assets lease / rental, will flow in the Company; and
- Its value can be measured reliably.

Investment property is initially recognised at cost. The cost of an investment property depends on how it has been 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 are incurred.

Transfers of assets to, or from, the investment property group should only be made when there is a change in 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 transfer 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 transfer from inventories to investment property.

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

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

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

Gains or losses arising from the retirement or disposal of investment property, are determined as the difference between the net disposal proceeds and the earning amount of the asset, and are recognised in die 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 cash-generating unit exceeds its recoverable amount, the latter being higher than the respective fair value net of all costs of disposal of the asset and its value in use, is recognised as impairment loss. When determining the value in use, the Company's Management calculates the expected future cash flows for each cash-generating unit and determines appropriate discounting factor in order to calculate the present value of these cash flows. The data, used in the impairment testing, are based on the latest approved budget for the company, adjusted, when needed, as to eliminate the effect of future reorganizations and significant improvements in the assets. The discounting factors are determined for each cash-generating unit, reflecting their risk profile as assessed by the Company's management.

Impairment losses from a cash-generating unit are recognised as a decrease of the 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 reversible if the recoverable amount of a cash-generating unit exceeds its carrying amount.

4.13. Reporting leases — the Company as a leasor

Lessors present the assets, subject to operating lease, in their statements of financial position in accordance with the assets' nature.

Lease payments under operating leases are recognised as income on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern the use of which has reduced the benefit from the leased asset. 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.

Lessors must recognise the total expenses incurred for lease incentives provided by the lessor as a reduction of lease income over the lease term on a straight line basis unless another systematic base is more representative of the time when the benefit from the leased asset decreases.

4.14. Financial instruments

Accounting policy applicable until 31 December 2017

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 on the transaction's 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 categorised depending on the purpose of their acquisition. 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 amortised 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 arc tested separately for impairment, when such are outstanding as of the date of the financial statements, or when there are objective evidence that the counterpart will nor fulfil its liabilities. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. 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 stage of impairment is determined based on an ageing analysis of receivables and it is consistent with the number of delinquent days (except for the total thermal energy sales to natural persons).

The stage of impairment of receivables from heat sales to natural persons is determined based on the average collectability rate for the last five years.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, which arc 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 with no market price quotations on an active market and whose fair value cannot be measured reliably. The latter are measured at amortised cost applying the effective 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 disclosed in other comprehensive income as reclassification adjustment. Interest accrued under the effective interest rate method and dividends are recognised in profit or loss as 'Finance income'. Reversals of impairment losses are recognised in other comprehensive income, except for reversals of impairment losses incurred under debt financial instruments. In the case of the latter, the reversal is recognised in profit or loss if only the reversal can be objectively associated with an event that has occurred after the impairment was recognised.

4.14.2. Financial liabilities

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

Financial liabilities are recognised when there is a contractual 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 potentially unfavourable conditions. All expenses related to interests and changes in the fair value of financial instruments, if any, are recognised in profit or loss, under 'Finance costs' or under 'Finance income'.

Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, except for financial instruments, held for trading or identified as financial instruments to be measured at fair value in profit or loss, which are measured at fair value taking into account the changes in profit or loss.

Bank loans are obtained in order to finance in the long-term the activities of the company. Bank loans are disclosed in the separate statement of financial position of the company, net of borrowing costs. Finance costs, such as premiums, payable upon settlement of the debt or upon the debt's re-purchase, and direct transaction costs are included in the statement profit or loss and other comprehensive income, on an accruals basis, using the effective interest rate method, and are added to the earning amount of the financial liability to the extent to which such are not settled at the end of the reporting period, in which they have incurred.

On initial recognition, trade liabilities are recognised at nominal value. and subsequently measured at amortised cost, net of all payments for debt settlement.

Dividends payable to the shareholders are recognised upon approval of the Sole Owner.

Accounting policy applicable from 1 January 2018

A financial instrument is any contract that generates a financial asset of an enterprise and a financial liability or an equity instrument of another entity.

A financial asset is any asset that represents: cash, an equity instrument of another entity, a contractual right to acquire or exchange under potentially favourable terms cash or financial instruments with another entity, and a contract to be settled with equity instruments of the Company and is a non-derivative, it may or will obtain a variable number of its equity instruments or a derivative that can or will be settled by exchanging a fixed amount of cash or other financial assets against a fixed number of own equity tools.

A financial liability is any liability that represents: a contractual right to provide or exchange under potentially unfavourable terms cash or financial instruments with another entity, and a contract to be settled with equity instruments of the issuer and is a non-derivative, with which the Company may or will obtain a variable number of its equity instruments or a derivative that can or will be settled in a way different from exchanging a fixed amount of cash or other financial assets against a fixed number of equity tools of the enterprise.

4.14.3. Financial assets

Initial recognition and classification

The Company initially recognizes a financial asset at the time it becomes a party to a contractual arrangement and classifies it according to the business model for managing financial assets and the characteristics of the contracted cash flows.

The Company classifies its financial assets according to their subsequent valuation in three categories: 'financial assets measured at amortized cost', 'financial assets measured at fair value through other comprehensive income' or 'financial assets at fair value through profit or loss', as appropriate, under the contractual terms of the instruments and the established business models in the Company in accordance with IFRS 9.

The Company's business model of the Financial Assets Management refers to the way in which it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from the collection of contractual cash flows, the sale of financial assets, or both.

The management of the Company has determined that the financial assets representing cash in banks, trade receivables, other receivables, litigations and writs receivables and receivables from related parties are held by the Company in order to obtain the agreed cash flows and are expected to generate cash flows, representing only payments of principal and interest (business model applied). These financial assets are classified and subsequently measured at amortized cost.

Initial measurement

Initially, all financial assets, excluding trade receivables, are measured at their fair value plus direct transaction costs if they are not carried at fair value through profit or loss when initially recognized as net of transaction costs. Trade receivables that do not have a significant component of financing and for which the Company applies the practically feasible measure under IFRS 15 in this respect are initially measured at the transaction price in accordance with IFRS 15.

Subsequent measurement and presentation

For the purposes of subsequent measurement and presentation, financial assets are classified into one of the following categories: 'Financial assets measured at amortized cost' (debt instruments), 'financial assets measured at fair value through other comprehensive income with reclassification of accumulated profit or loss (debt instruments)', financial assets measured at fair value through other comprehensive income, without reclassification of accrued gains or losses at derecognition' (equity instruments) or 'financial assets measured at fair value through profit or loss' (debt and equity instruments).

Financial assets at amortized cost (debt instruments)

This category includes cash in banks, trade receivables, other receivables, litigations and writs receivables and receivables from related parties and loans granted. This category of financial assets is the most significant for the Company.

The Company measures and evaluates financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model for the purpose of holding financial assets in order to collect contractual cash flows;
- The agreed terms of the financial asset result in certain dates of cash flows, which are only payments of principal and interest on the outstanding principal..

Subsequent measurement is carried out using the 'effective interest' method through which interest income is calculated using the effective interest rate applied to the gross carrying amount of the instruments. For assets purchased or created with initial credit impairment and those with a recognized credit impairment, the effective interest rate corrected for credit losses, respectively, and the effective interest rate, respectively, apply to the amortized cost of the asset.

Financial assets in this category are subject to impairment testing at the date of each financial statement of the Company, the changes being reflected in profit or loss.

Profits or losses are recognized in profit or loss when the asset is derecognised, changed or impaired.

Financial assets measured at fair value through other comprehensive income (equity instruments)

Upon initial recognition, the Company classifies the investments in equity instruments in this category when they meet the definition of equity in accordance with IAS 32 'Financial Instruments: Presentation' and are not held for trading.

Subsequent measurement of this instrument category is carried at fair value and changes are recognized in other comprehensive income. Fair values are determined on the basis of prices quoted on an active market, and when there is no one based on measurement techniques, usually an analysis of the discounted cash flows.

Profits or losses from these financial assets are never reclassified in the profit or loss. The dividends are recognized in the 'financial income' item in the separate statement of profit or loss and other comprehensive income when the payment right is established. Equity instruments designated at fair value in other comprehensive income are not subject to impairment.

Financial assets at fair value in profit or loss

The Company estimates all other financial assets other than those that are measured at amortized cost or at fair value through other comprehensive income at fair value through profit or loss.

In case that this this eliminates or significantly reduces the discrepancy in the measurement or recognition of a financial asset that would result from recognition of results and changes based on different bases, the Company may apply the exemptions in accordance with IFRS 9 and upon initial recognition to irrevocably designate a financial asset as measured at fair value through profit or loss, including contracts for delivery of a non-financial item. Such financial assets are presented in the notes to the separate financial statement separately from the other instruments for which this measurement approach is mandatory.

Derecognition

A financial asset (or, where applicable, part of a financial asset or part of a group of similar financial assets) is derecognised when the contractual rights to the cash flows of the asset have expired or the Company has transferred its rights to receive cash flows from the asset or it took the obligation to fully pay up all the cash flows received without significant delay to a third party under a 'transfer' agreement.

When a financial asset is derecognised in its entirety, the difference between (1) the carrying amount (measured at the date of derecognition) and (2) the remuneration received (including any new asset received without the new assumption of a new liability) shall be recognized in the profit or loss.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a transfer agreement, it assesses whether and to what extent the risks and benefits of ownership are preserved. When it neither transfers nor substantially retains all the risks and benefits from the asset nor transfers control over the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Company recognizes a related liability. The transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Impairment of financial assets

The Company recognizes provisions for expected credit losses for all debt instruments that are not reported at fair value through profit or loss using the approach presented in the table below:

	Type of financial asset	IFRS 9 category	Impairment approach
1	Short-term trade receivables	Debt instruments measured at amortized cost	Simplified approach
2	Trade receivables with component of financing	Debt instruments measured at amortized cost	Standardized Approach
3	Trade receivables from related parties	Debt instruments measured at amortized cost	Simplified approach
4	Receivables from related parties with a financing component	Debt instruments measured at amortized cost	Standardized Approach
5	Proceeds from loans	Debt instruments measured at amortized cost	Standardized Approach
6	Cash and cash equivalents	Debt instruments measured at amortized cost	Standardized Approach
7	Impairment of receivables from litigations and writs	Debt instruments measured at amortized cost	Simplified approach

Expected credit losses are a probability-weighted assessment of credit losses (ie the present value of each shortage of money) over the expected term of the financial instrument. Monetary deficiency is the difference between the cash flows payable to the Company in accordance with the contract and the cash flows that the Company expects to receive. Because the expected credit losses account for the amount and timing of payments, an expected credit loss is recognized even if the Company expects the asset to be fully paid but later than the due date.

Impairment and losses on financial instruments are dealt with in three stages, the first two being the expected credit losses for losses that may arise as a result of a non-performance, and the third as credit impairment (loss), based on evidence of potential or actual non-performance under the instruments.

Estimated credit losses for expositions for which there is no significant increase in the credit risk relative to the initial recognition are recognized for credit losses that may arise as a result of non-performance events over the next 12 months. For credit expositions for which there is a significant increase in the credit risk after the initial recognition, a loss adjustment for the expected credit losses over the remaining life of the exposition is required, regardless of the time of non-performance (ECL over the whole life of the instrument).

For trade receivables and contract assets arising from transactions in the scope of IFRS 15 that do not contain a significant component of financing, the Company applies a simplified approach in accordance with IFRS 9 by recognizing an allowance for impairment loss for expected credit losses based on the expected credit loss for the full term of the receivables at each reporting date. The Company applies a matrix that calculates the expected credit losses on trade receivables. Receivables are classified in arrears and are grouped by type and client segments with different credit loss models.

For baseline data on trade receivables, the Company uses its accumulated experience of credit losses on such instruments to measure expected credit losses. The historical data used is for back periods of 3 to 5 years, grouped by type and corresponding client segment models, and adjusted by forecast factors specific to debtors and the industry concerned.

For cash in banks, the Company recognizes impairment for expected credit losses by applying the Standardized Approach and the credit rating of the financial institutions in which the Company has deposited its cash is used to determine the loss from non-performance in the model parameters.

At each reporting date, the Company sets the depreciation value for each instrument to the amount equal to the expected lifetime losses, if the credit risk for that instrument has increased significantly since the initial recognition.

In case that the credit risk for a financial instrument has not increased significantly since the initial recognition at the reporting date, the impairment for that financial instrument is equal to the expected 12-month credit losses.

4.14.4. Financial liabilities

Initial recognition, classification and evaluation

The Company recognizes a financial liability in the separate statement of financial position only when it becomes a party to the contractual terms of the financial instrument.

Upon initial recognition, financial liabilities are classified as: 'Financial liabilities subsequently measured at amortized cost' (loans and borrowings, trade and other payables) or 'financial liabilities at fair value through profit or loss'.

Initial recognition occurs at the settlement date and is carried at fair value plus, in the case of financial liabilities that are not reported at fair value through profit or loss, directly attributable to the acquisition or issue of the financial liability. Loan management fees are deferred over the borrowing period using the effective interest method and are included in the amortized cost of the loans.

The financial liabilities of the Company include loans, trade and other payables and payables to related parties.

According to their repayment term, financial liabilities are classified as long-term and short-term.

Subsequent measurement

The ex subsequent financial liabilities measurement depends on their classification as described below:

Financial liabilities reported at fair value in profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at their initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are made for redemption purposes in the near future.

Profits or losses from liabilities held for trading are recognized in the separate statement of profit or loss and other comprehensive income.

Financial liabilities designated at their initial recognition at fair value through profit or loss are determined at the initial recognition date, only if the criteria in IFRS 9 are met.

The Company has not designated financial liabilities as reported at fair value in profit or loss.

Financial liabilities measured at amortised cost

The category 'financial liabilities at amortized cost' includes borrowings, trade payables and other payables where the Company has become a party to a contract or an agreement and shall be settled in net cash. This category has the most significant share for the Company's financial instruments and for the Company itself as a whole.

Financial liabilities are subsequently measured at amortized cost using the effective interest method. The amortized cost is calculated, taking into account any discount or premium on acquisition, also fees or expenses that are an integral part of the effective interest rate. Expenses (calculated using the effective interest method) is included as financial expense in the separate statement of profit or loss and other comprehensive income in line 'Financial expenses'.

For financial liabilities that are measured at amortized cost, profit or loss is recognized in profit or loss for the period when the financial asset or financial liability is derecognized or impaired through the amortization process.

On initial recognition, trade liabilities are recognised at nominal value and subsequently measured at amortised cost, net of all payments for debt settlement.

Dividends payable to the sole shareholder are recognized when the dividends are approved by the General Assembly.

Disposal

The Company disposes a financial liability only when the Company settles (discharges) the obligation, the term of the obligation expires or the creditor waives their rights.

When an existing financial liability is replaced by another from the same lender under completely different conditions or the conditions of the existing obligation are significantly changed, such a replacement or a change shall be treated as disposal of the initial obligation and recognition of a new liability. The difference in the respective carrying amounts is recognised in the separate statement of profit or loss.

The difference between the financial liability carrying amount, either settled or transferred to another party, and what was paid for the settlement, including money and transfer of non-monetary assets, is recognised in profit or losses for the period.

Compensation of financial instruments

Financial assets and financial liabilities are compensated and the net amount is accounted in the separate statement of financial position in case there is an acting legal right to compensate recognised amounts and the Company intends to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

4.15. Inventories

Inventories include materials, work-in-progress, and goods. The costs of inventories comprise the direct costs of purchase or manufacture, processing costs, and other direct costs incurred in bringing the inventories to their present condition and location as well as part of the production overheads measured based on the normal production capacity. Finance costs are not included in the cost of inventories. At the end of each reporting period, inventories are carried at the lower of cost and net realisable value. The amount of any impairment of inventories to net realisable value is recognised as an expense in the period of impairment.

The net realisable value is the estimated selling price of inventory less the estimated cost of completion of production cycle and estimated cost of sales. When inventory is impaired to net realisable value and in a subsequent reporting period it is established that the circumstances which previously caused the impairment no longer exist, the new realisable value of the inventory is adopted. The amount of the reversal is limited to the carrying amount of inventory, prior to the impairment. The amount of 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 earning is recognised.

Nuclear Fuel

The fuel loaded into the reactors represents the remaining amount (residual life) 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 by the respective unit for the period of the fuel cycle multiplied by the fuel component represents the costs of nuclear fuel for the respective period.

4.16. Cash and cash equivalents

Cash and cash equivalents are comprised of the available cash in hand, cash at bank, current deposits, and short-term (up to 12 months) deposits.

4.17. Income tax

The tax expenses recognised in profit or loss cover deferred and current taxes which have not been recognised in other comprehensive income or directly in equity.

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

Deferred tax is calculated using the equity method for all temporary differences between the carrying amount of assets and liabilities and their tax base. Deferred tax is not provided for at initial recognition of an asset or liability, unless the respective transaction concerns the taxable or accounting profits.

Deferred tax assets and liabilities are not discounted. They are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or will be enacted by the end of the reporting period.

Deferred tax liabilities are recognised in full.

Deferred tax assets are recognised only when it is probable that they will be utilised through future taxable income. Refer to Note 4.23.8. for more information on the management's best estimate on the probability of future taxable income against which the deferred tax assets to be utilised.

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

Changes in deferred tax assets or in deferred tax liabilities are recognised as a component of the tax income or expense in profit or loss, unless they are related to items recognised in other comprehensive income or directly in equity. In such cases, the respective deferred tax is recognised in other comprehensive income or in equity.

4.18. 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 that purpose, the assets must be available for immediate distribution in their current state and the distribution must be highly probable. For the distribution to be highly probable, actions to complete it must have been initiated and it should be expected that the distribution will 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 to make significant changes to the distribution or the distribution 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 the costs related to their distribution. The assets classified as "held for distribution to the owner" are not depreciated or amortised after being classified as "held for distribution to the owner".

4.19. Equity, reserves, and dividend payment

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

In accordance with the Commercial Act, statutory reserves are formed from profit distributions.

Revaluation surplus of non-financial assets is formed based on the difference between the carrying amount of assets arising from property, plant, and equipment, and their fair value at the revaluation date, less the respective deferred tax liability.

The defined benefit plans revaluation surplus includes actuarial gains or losses occurring when determining the amount of liabilities related to retirement benefits and years of services.

Other reserves are formed from profit distributions in accordance with the decisions of the Sole Owner.

Retained earnings include the current financial result and accumulated profit as well as uncovered losses from prior periods.

Liabilities to pay dividends to the sole shareholder are included under "Payables to related parties" in the separate statement of financial position, when dividends are approved for distribution by the sole shareholder, before die end of the reporting period.

All transactions with the company's owner are presented separately, in the statement of changes in equity.

4.20. Retirement and short-term employee benefits

The Company accounts short-term 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. Short-term obligations to employees include wages, salaries, and social security 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 contractual 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 contribution plans. The Government of the Republic of Bulgaria is responsible for the provision of pensions under defined contribution plans. The expenses relating to the company's obligation to pay contributions under defined contribution 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 identified as defined benefit plans. Defined benefit plans are retirement plans based on which the amount of money an employee will receive upon retirement is determined taking into consideration the employee's years of service and based on the last remuneration received. The legal liabilities for defined benefits payments remain liabilities of the Company.

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

In accordance with Art. 222, para. 3 of the LC, after an employee has obtained the right to retirement, based on their years of services and age, the Company is obliged to pay them one-off compensation in the amount of two gross salaries. In case the retiring employee has worked for the Company for at least 10 (ten) years and has received a notification, within the CLA framework, under Art. 45 that they have obtained the right to retirement (based on their 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 the right to additional compensation as well.

In accordance with Article 44 of the Collective Labour Agreement, when labour relations are terminated on the grounds of Article 325, para. 1, item 9 and Article 327, para. 1, item 1 of the Labour Code, and given that during the last 5 years the worker or employee has not received any compensation on such grounds, the worker or employee is entitled to compensation as per Article 222, para. 2 of the Labour Code, amounting to their gross labour remuneration if they have served Kozloduy NPP EAD, prior to their retirement:

- 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 Article 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 Article 222, para. 3 of the Labour Code. This additional compensation is determined by multiplying the years of service under Labour Category 1 by 1.66, plus the years of service under Labour Category 2 multiplied by 1.25, plus the years of service under Labour Category 3. The result is then multiplied by a coefficient of 1.0.

The retirement defined employee benefit plan 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 the end of the reporting period.

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, estimated personnel turnover, and mortality. Future salary 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 have terms to maturity approximating the terms of the respective pension obligations.

Actuarial gains and losses under defined benefits plans are recognised in other comprehensive income in the period of their occurrence.

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 die CLA, given that in the last 5 years of service they have not received any compensation on these grounds and they have served Kozloduy NPP EAD prior to their retirement (dismissal).

Actuarial gains or losses associated with estimating the obligations 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 separate statement of profit or loss and other comprehensive income, under "Finance costs". All other expenses incurred in respect of retirement remunerations are included under "Employee benefit 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.

4.21. Financing (Government grants)

Government grants are assistance by the Government (the Government, government agencies and others governmental bodies, either 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 conditions related to the grants, and the financing will be obtained. Grants that relate to current activities are recognised on a systematic basis, over the periods in which the expenses 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 basis, 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.

4.22. 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 – decommissioning of nuclear facilities, 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 calculated based on the most reliable estimate of the expenses required to settle a current liability at the end of the reporting period, taking into account the risks and uncertainties, associated with the current liability. When a number of such liabilities exist, the possible need of outflows to settle these liabilities is determined by accounting for 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 a current liability. Contingent liabilities should be subsequently measured at the higher of the comparable provision described above and the initially recognised amount, less the accumulated amortisation.

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

4.23. 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

4.23.1. 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 2018, the Management determined the useful life of assets - that being the expected period of the assets' use by the Company. The carrying amount of property, plant, and equipment is analysed in Note 5, and the carrying amount of intangible assets is analysed in Note 6.

4.23.2. Revenue from contracts with customers

When recognising revenues under contracts with customers, the Management makes various estimates, best estimates, and assumptions which influence the reported revenues, costs, and contractual assets and liabilities. The key estimates and assumptions having substantial effect on the amount and term for recognition of revenues from contracts with customers are disclosed in Note 26.

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

The Company determines the fair value of financial instruments and non-financial assets based on available market information or, if such is not available, using the appropriate valuation models. The fair value of financial instruments that are actively traded on organised financial markets is determined based on the quoted, as of 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 non-financial assets. 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 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 for major groups of property, plant, and equipment, investment property at revalued amounts, and financial instruments at fair value through other comprehensive income using reports of independent external appraisers in determining their fair value. Detailed information about the revaluation, employed valuation methods, basic assumptions and estimates used in determining the fair value is disclosed in Note 5, Note 7, and Note 10.

The Management believes that the fair values 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.

4.23.4. Inventory

Nuclear Fuel

Calculations are based on the approved Methodology for Reporting Supplies, Reloads, and Cost of Fresh Nuclear Fuel at Kozloduy NPP EAD, taking into account the cost of loaded fresh nuclear fuel during the respective fuel cycle and estimated fuel component determined by dividing the cost of the nuclear fuel loaded into the reactor by the estimated electric power generated throughout the period, in KWh. The product of the gross energy generated by the respective unit for the period of the fuel cycle multiplied by the fuel component represents the costs of nuclear fuel for the respective period.

Measurement

Inventory, of carrying amount as at 31 December 2018 of BGN 60,018 thousand (31 December 2017: BGN 58,762 thousand), is measured at the lower of the original cost and its net realisable value. To measure the net realisable value, the management considers the most reliable information at hand as at the estimation date and uses the reports of independent certified appraisers.

4.23.5. Liabilities for retirement benefits

Liabilities for retirement benefits are determined based on actuarial valuations. Those valuations require certain assumptions to be made regarding the discounting rate, future increase in salaries, personnel's turnover, and mortality rates. Due to the long-term nature of the liabilities for retirement benefits, these assumptions are subject to substantial uncertainty. As at 31 December 2018, the Company's liabilities for retirement benefits recognised in the separate statement of financial position amounted to BGN 65,088 thousand (31 December 2017: BGN 58,085 thousand). Additional information on the liabilities for retirement benefits is disclosed in Note 21.

4.23.6. 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 cash-generating unit exceeds its recoverable amount, the latter being higher than the respective fair value net of all costs of disposal of the asset and its value in use, is recognised as impairment loss. When determining the value in use, the Company's Management calculates the expected future cash flows for each cash-generating unit and determines appropriate discounting factor in order to calculate the present value of these cash flows. In calculating the estimated future cash flows, the Management employs certain assumptions regarding the future gross profits. Those assumptions are related to future events and circumstances. The actual results could differ from these estimates and may require significant adjustments to the Company's assets in the next reporting period. In most cases, the appropriate adjustments related to the market risk and risk factors specific to the separate assets are measured when determining the applicable discounting factor.

In 2018, the Company accounted for losses from impairment of non-current assets amounting to BGN 7,632 thousand for property, plant, and equipment and BGN 1 thousand for investment property (2017: BGN 0 thousand).

4.23.7. Impairment of loans and receivables

Accounting policy applied until 31 December 2017

The Company uses an allowance account for impairment of doubtful debts and bad debts from clients. The Management estimates the adequacy of this impairment based on an ageing analysis of receivables, based on past experience with 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 their liabilities, on changes in the contracted payment conditions, etc. If the financial position and operating results of clients deteriorate (beyond the expected levels), the receivables which must be derecognised in subsequent reporting periods, may exceed the estimated as of the reporting date. As at 31 December 2017, the Management's best estimate on the need of impairment of receivables amounted to BGN 7,329 thousand. Further information is disclosed in Note 14.

Accounting policy applied on or after 1 January 2018

Recognition and measurement of expected credit losses from debt instruments measured at amortised cost

Approach to impairment of cash at banks

Cash and cash equivalents are the most liquid financial instruments. They are not carriers of settlement risk, and the liquid risk they carry is limited to the technical capability for a specific disposition of the latter not to be settled. Cash deposits at banks are, however, carriers of credit risk from contractors (settlement risk). The risk from contractors represents the probability for the other party to a transaction to fail to settle its contractual obligations. The Company applies the standardised approach to the calculation of expected credit losses of cash at banks using, as a model parameter, the credit rating of the financial institutions the Company has deposited its cash in to measure the settlement loss. As at 31 December 2018, the Management's best estimate on the expected credit losses of cash at banks amounted to BGN 914 thousand. (1 January 2018: BGN 542 thousand) (Note 3.1 and Note 15).

Approach to impairment of short-term trade and other receivables and receivables from related parties

The Company applies a simplified approach to the calculation of expected credit losses for trade receivables which do not contain a financing component.

For the purpose of determining the expected credit losses, customer modelling is performed at an industrial level. Modelling is the intrinsic representation of the financial risk the customers carry to the companies within the Company.

The expected credit losses are calculated for every single receivable (invoice, interest list, etc.) binding a contractor, adjusted on the basis of delinquent days and standard payment cycle on behalf of the contractor. The average number of delinquent days per customer is determined based on historical data for the period of repayment of receivables from customers. The retrospective review covers a period of 3 to 5 years.

For the purpose of calculating the expected credit losses, for financial assets resulting from contracts with energy sector contractors, the Company has identified additional risk. Thus, trade receivables resulting from the above contractors are considered receivables of higher risk.

Additional risk is identified based on historical data on the collectability of the Company's receivables from contractors of the above industry, including poor financial position, liquidity problems, and other challenges concerning mostly electricity traders.

The risk factors identified in this manner are considered indications of a possible increase of the credit risk. The quantitative effect of increase in credit risk for energy sector contractors is determined based on the establishment of an additional sector, *High Risk Energy*, where the specific risk component has been added to be used for determination of the discounting rate which is used to measure impairment. The assessment of the ratio between the historical data on default, estimated economic conditions, industrial sector risk assessment and the amount of expected credit losses represents a substantial estimate. Information about the impairments of the Company's expected credit losses is presented in Note 14. As at 31 December 2018, the management's best estimate of expected credit losses from trade and other receivables and receivables from related parties is presented in Note 35.3.

Approach to impairment of granted loans, trade receivables, and receivables from related parties containing a financing component

The Company applies an individual approach to impairment of receivables containing a financing component and granted loans. The impairment model is based on the cash flows negotiated in the conditions of the relevant financial instrument as well as the assumptions and estimates concerning expected cash flows and realisability of the financial asset which has been adopted by the management for the preparation of the financial statements.

Expected credit losses are a probability-weighted assessment of credit losses (ie the present value of each shortage of money) over the expected term of the financial instrument. Monetary deficiency is the difference between the cash flows payable to the Company in accordance with the contract and the cash flows that the Company expects to receive. Because the expected credit losses account for the amount and timing of payments, an expected credit loss is recognized even if the Company expects the asset to be fully paid but later than the due date.

Based on the characteristics of the asset and contractor, it is possible for the expected future cash flows from the asset to differ significantly from the contractual ones. This would result in significant levels of the expected credit losses from the asset.

As of each year-end, a review of the expected future cash flows from each specific asset is performed.

Approach to impairment of receivables from litigations

In case the Company takes legal actions to collect its receivables, the latter shall be classified as litigation receivables. This type of receivables are characterised by total delinquency, i.e. refusal or incapacity of the Customer to settle its payable. Thus, independently of any court decisions and initiated executive procedures, collectability of those receivables and expected future incoming cash flows respectively are low, while the probability of delinquency has already occurred in respect of the original asset, i.e. equals 100%.

The expected credit losses represent the sum of the expected credit losses for each litigation receivable, based on the historical collectability of this asset class. Further information is disclosed in Note 14.

4.23.8. Deferred tax assets

The estimation of the probability of realizing deferred taxable income, against which the deferred taxable assets are to be utilized, is based on the latest approved budgeted estimate, adjusted to reflect the significant non-taxable 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 into consideration the specific facts and circumstances.

4.23.9. Provisions

Provision of transport, processing and storage of spent nuclear fuel

In accordance with the effective Strategy for Management of the Spent Nuclear Fuel and Radioactive Waste until 2030, adopted by a decree of the Council of Ministers on 2 September 2015, the Company shall transport at least 50 tons of heavy metal per year spent nuclear fuel (SNF) for reprocessing and storage in Russia, in the presence of favourable financial and economic conditions.

In 2018, a framework Annex to the Contract for transportation for technological storage and reprocessing in Russia of 414 WWER-1000 SNF assemblies was signed with FSUE “Production Association “Mayak,” concurred with ESA. Taking into account the lengthy nature of the preparatory activities for SNF transportation, including organizational and technical measures, preparation of the required documentation, obtaining of certificates and permits, the first transfer of WWER-1000 SNF for technological storage and reprocessing is planned to be in the period 2019-2020.

In pursuance of the Strategy for Management of Radioactive Waste and Spent Nuclear Fuel, in compliance with the Company's accounting policies and requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, BGN 41.775 thousand were accrued in the current costs of Kozloduy NPP EAD for 2018 as expenses for provision for an existing obligation to carry out transportation of WWER-1000 SNF for technological storage and reprocessing. The amount of the accrued provision is based on the reliable assessment of the value of 1 transportation of WWER-1000 SNF (8 baskets/96 assemblies). The assessment was completed in compliance with the accounting legislation.

Provision for decommissioning of nuclear facilities

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

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

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

- The Company is subject to specific laws - The Safe Use of Nuclear Energy Act, the Regulation on pricing and Decrees for the Raising Funds in Radioactive Waste Fund (RAWF) and Nuclear Facilities Decommissioning Fund (NFDF) adopted by the Council of Ministers. In accordance with the requirements of these statutory acts, current expenses, related to contributions due to those funds, paid into budgetary accounts, are accrued in the statement of profit or loss and other comprehensive income. In compliance with the matching principle of revenue and expenses, under the Accountancy Act, the price of electricity on the regulated market, as defined by the EWRC, is recognized as an expense to the extent of the contributions, due to the NFDF and the RAWF;
- In connection with the agreements with the European Commission for early closure of Units 1 to 4, the State has agreed funding from external sources for the construction of dry spent fuel storage facility (DSFSF), for the expenses, incurred for salaries and social security contributions of the personnel employed on Unit 3 and Unit 4, as well as other financing;
- Pursuant to Decree No. 839 of the Council of Ministers, in December 2008 the assets in Unit 1 and Unit 2 were transferred free of charge from Kozloduy NPP EAD to SE RAW, Sofia, whose principal of activity is "decommissioning." By Decree No. 1038 of the Council of Ministers dated 19 December 2012, the Kozloduy NPP EAD Units 3 and 4 were declared radioactive waste management facilities and their management was transferred to SE RAW. As of 1 March 2013 the assets and employees of Units 3 and 4 were transferred to SE RAW.

In accordance with the statutory requirements, if the implementation of the decommissioning project is more expensive than the estimates approved by the Management Board of the Nuclear Facilities Decommissioning Fund, the additional costs shall be covered by the entity that most recently operated the nuclear facility (in this case, Kozloduy NPP). Since as of the date of approval of the interim condensed separate financial statements there is no clear national strategy on the decommissioning of nuclear facilities and no estimate of the forecast costs of the project has been made by the Nuclear Facilities Decommissioning Fund, the Company is unable to measure reliably the liability and has not recognized a provision for decommissioning of nuclear facilities as at 31 December 2018 and 31 December 2017.

5. Property, plant and equipment

	Lands and buildings	Machinery, plant, and equipment	Vehicles	Fixtures and other assets	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance at 1 January 2018	502,931	2,305,844	9,656	66,670	253,338	3,138,439
Additions	-	101,423	1,046	583	73,282	176,334
Disposals	-	(12,147)	(58)	(162)	(104,924)	(117,291)
Revaluation recognized in equity	12,937	21,753	144	-	-	34,834
Impairment recognized in equity	(106)	(15,752)	(7)	-	-	(15,865)
Impairment recognized in profit or loss	(7,359)	(271)	(2)	-	-	(7,632)
Impairment reversed in profit or loss	26	93	12	-	-	131
Revaluation leading to decreased in accumulated depreciation	(42,626)	(483,269)	(2,792)	-	-	(528,687)
Balance at 31 December 2018	465,803	1,917,674	7,999	67,091	221,696	2,680,263
Depreciation						
Balance at 1 January 2018	(32,086)	(401,526)	(2,780)	(44,444)	-	(480,836)
Depreciation	(13,172)	(177,620)	(1,129)	(3,969)	-	(195,890)
Disposals	-	11,916	42	157	-	12,115
Revaluation leading to decreased in accumulated depreciation	42,626	483,269	2,792	-	–	528,687
Balance at 31 December 2018	(2,632)	(83,961)	(1,075)	(48,256)	-	(135,924)
Carrying amount at 31 December 2018	**463,171**	**1,833,713**	**6,924**	**18,835**	**221,696**	**2,544,339**

	Lands and buildings	Machinery, plant, and equipment	Vehicles	Fixtures and other assets	Acquisition costs	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount						
Balance at1 January 2017	501,304	2,246,708	8,175	65,766	239,477	3,061,430
Additions	1,627	69,762	1,495	1,181	215,886	289,951
Disposals	-	(10,626)	(14)	(277)	(202,025)	(212,942)
Balance at 31 December 2017	502,931	2,305,844	9,656	66,670	253,338	3,138,439
Depreciation						
Balance at 1 January 2017	(18,923)	(239,954)	(1,685)	(40,954)	-	(301,516)
Depreciation	(13,163)	(171,877)	(1,104)	(3,761)	-	(189,905)
Disposals	-	10,305	9	271	-	10,585
Balance at 31 December 2017	(32,086)	(401,526)	(2,780)	(44,444)	-	(480,836)
Carrying amount at 31 December 2017	**470,845**	**1,904,318**	**6,876**	**22,226**	**253,338**	**2,657,603**

Review for revaluation

In accordance with the Company's accounting policies property, plant and equipment are revalued once in every 3 years, or at shorter intervals. A fair value measurement was performed at 31 December 2018 in accordance with the requirements of IAS16 and IFRS 13. The revaluation is based on measurement of their fair values by the independent certified appraiser Consortium GTFRP.

In accordance with IFRS 13 "Fair Value Measurement", when measuring the fair value of non-financial assets, one considers the ability of a certain market participant to generate economic benefits through using the asset with the purpose of maximizing its value or through selling the asset to another market participant who will use it that way. Kozloduy NPP EAD assets included in the review for revaluation are specific, strictly connected to the Company's activity and the alternative use of the majority of them is impossible or difficult, i.e. another usage by the market participants would highly unlikely lead to maximizing the value of the assets. This is the reason why it has been accepted that their current use in the activity maximizes the value.

The following two main approaches and assessment methods for fair value measurement of the different categories property, plant, and equipment have been applied:

- „Market approach" through the „Comparables Method" – for lands and buildings, for which there is real market and observable data about prices of recent market transactions for similar properties, adjusted by specific factors, such as area, location and current use. Their accepted market price which was defined through the comparative method is considered to be fair value;

- „Cost approach" through „Depreciated replacement cost method" – for buildings and structures with specialised nature;

- „Cost approach" through „Depreciated replacement cost method" -for reaching a conclusion for fair value of plant, machines and equipment is considered a permissible and possibly applicable approach based on costs, through the Method based on the acquisition costs ("depreciated replacement cost") , because of the specialised nature of the greater part of the assets. The Acquisition costs method measures the asset value by measuring its new value as of the date of the measurement reflecting the costs for its acquisition less its physical wear and tear , the functional and economic depreciation as a result of its operation. The Method draws an indicative value by the use of the economic principle that a buyer would not pay for a certain asset more than the acquisition costs of an asset with equal useful life, either by purchase or construction as of the date of the measurement.

The fair value measurement as at 31 December 2018 is based on the observable and unobservable data, adjusted by specific factors, such as area, location and current use. The directly or indirectly observable data used in the measurement are subject to adjustments. As a result, the hypotheses employed are categorised as hypotheses of Level 3.

Significant non-observable data are related to adjustments in the specific for the Company's assets factors. The degree and direction of such adjustments depends on the number and characteristics of the observable market transactions with similar properties that are used for valuation purposes. Despite the fact that the data are subjective, the Management believes that the final valuation would not be significantly affected by other possible assumptions. The terms and way of use of the Company's assets were reviewed as at 31 December 2018 as well.

Review for impairment

As at 31 December 2018, impairment tests have been prepared that do not show indications of performing such (31 December 2017: same). No indications that the carrying amount of property, plant and equipment exceeds their recoverable value were established as a result of the conducted review.

Acquisition costs of non-current tangible assets

As at 31 December 2018 the acquisition costs of non-current tangible assets amount to BGN 221,696 thousand and are mainly related to:

- Activities to extend the operational life of Units 5 and 6 in compliance with the Investment Programme of the Company for 2018;

- Projects to improve the generation efficiency in the Company.

As at 31 December 2018 the advance payments for acquisitions of non-current assets amount to BGN 1,474 thousand (31 December 2017: BGN 1,004 thousand) which are included in the non-current tangible assets' acquisition cost.

Collaterals on loans

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

Other disclosures

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

6. Intangible assets

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

	Development products	Patents and licences	Software	Other	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount					
Balance at 1 January 2018	53,224	4,278	14,315	69,743	141,560
Additions	-	1,007	236	-	1,243
Disposals	-	-	(40)	-	(40)
Balance at 31 December 2018	53,224	5,285	14,511	69,743	142,763
Amortization					
Balance at 1 January 2018	(46,362)	(2,434)	(11,851)	(69,743)	(130,390)
Amortization	(1,344)	(610)	(727)	-	(2,681)
Disposals	-	-	40	-	40
Balance at 31 December 2018	(47,706)	(3,044)	(12,538)	(69,743)	(133,031)
Carrying amount at 31 December 2018	**5,518**	**2,241**	**1,973**	**-**	**9,732**

	Development products	Patents and licences	Software	Other	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Gross carrying amount					
Balance at 1 January 2017	47,578	4,266	14,041	69,743	135,628
Additions	5,646	312	777	-	6,735
Disposals	-	(300)	(503)	-	(803)
Balance at 31 December 2017	53,224	4,278	14,315	69,743	141,560
Amortization					
Balance at 1 January 2017	(45,822)	(2,480)	(11,675)	(69,743)	(129,720)
Amortization	(540)	(254)	(679)	-	(1,473)
Disposals	-	300	503	-	803
Balance at 31 December 2017	(46,362)	(2,434)	(11,851)	(69,743)	(130,390)
Carrying amount at 31 December 2017	**6,862**	**1,844**	**2,464**	**-**	**11,170**

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

The Company has conducted an impairment test for the intangible assets as at 31 December 2018. No indicators have been established that the carrying amount of the assets exceeds their recoverable amount.

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

7. Investment properties

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

	31 December 2018	31 December 2017
	BGN '000	BGN '000
At the beginning of the year	**4,095**	**4,059**
Increase from fair value measurement	6	36
Decrease from fair value measurement	(1)	-
At the end of the year	**4,100**	**4,095**

Fair value measurement

Investment property was measured at fair value as at 31 December 2018. 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, is subject to adjustments, however, it is directly or indirectly available for observation. As a result, the hypothesis employed is categorised as hypothesis of Level 2.

The table below provides a description of the valuation techniques, used to determine the fair value of investment property as at 31 December 2018, and the significant unobservable input data used:

Valuation method	Weight of the valuation method	Valuation techniques	Significant observable input data
Comparative method	50%	Market prices of comparable properties in the same and nearby locations	Information on concluded transactions, prices of identical properties
Income method	50%	Capitalised 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 2018	31 December 2017
	BGN '000	BGN '000
Up to 1 year	285	285
From 1 to 5 years	1,141	1,141
Over 5 years	475	760
	`1,901	**2,186**

8. Investments in subsidiaries

The Company has the following investments in subsidiaries:

Subsidiary name	Country of incorporation	Principal activities	31 December 2018		31 December 2017	
			BGN '000	%	BGN '000	%
Kozloduy NPP - New Build EAD	Bulgaria	Constructing of power units	14,000	100	14,000	100
Kozloduy HPP EAD	Bulgaria	Generation and sale of electricity	1,082	100	1,082	100
Interpriborservice OOD	Bulgaria	Maintenance services	79	63.96	79	63.96
			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 Kozloduy NPP - New Builds EAD, Kozloduy, comprised of 1,400,000 ordinary, registered shares at nominal value of BGN 10 each.

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

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

In 2018 Kozloduy HPP EAD distributed dividends amounting to BGN 762 thousand (2017: BGN 777 thousand), and Interpriborservice OOD amounting to BGN 35 thousand. (2017: BGN 56 thousand).

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

9. Non-current trade and other receivables

	31 December 2018	31 December 2017
	BGN '000	BGN '000
Trade receivables	4,200	5,123
Impairment of trade receivables	(939)	-
Financial assets	**3,261**	**5,123**
Non-current trade and other receivables	**3,261**	**5,123**

In 2018 Kozloduy NPP EAD and State Enterprise Radioactive Waste (SE RAW) signed an agreement for a rescheduling plan for a trade receivable amounting to BGN 5,346 thousand at contracted annual interest rate of 3%. The deadline for redemption of the receivable under the agreement is 30 December 2030. The receivable is unprovided for.

10. Equity instruments at fair value through other comprehensive income (OCI)

The Company owns 1.12% (50,400 shares) share in the capital of the ZAD Energia, Sofia, established in Bulgaria. Allianz Bulgaria Holding AD is the majority shareholder of ZAD Energia.

On 1 January 2018 the Company reclassified the investment in ZAD Energia in the Equity instruments at fair value through other comprehensive income (OCI) category, because the Company intends to keep the investment for a long time by reason of strategic goals. As at 31 December 2017 the investment was classified in the Available-for-sale financial assets category, subsequently accounted at acquisition cost. The effect of the primary application of IFRS 9, regarding the financial instruments, is described in Note 3.1. Under the transition method chosend, comparative information is not restated to reflect these new requirements.

	31 December 2018	31 December 2017
	BGN '000	**BGN '000**
Equity instruments at fair value through other comprehensive income (OCI)	466	-
Available-for-sale financial assets	-	232
	466	**232**

The Company received dividends of BGN 173 thousand from ZAD Energia in 2018 (2017: BGN 251 thousand).

Valuation techniques and significant unobservable input data

The table below provides a description of the valuation techniques as at 31 December, used to determine the fair value at Level 3, and the significant unobservable input data used:

Investments in shares and stakes in the capital of other companies and enterprises (minority interest)	Valuation approaches and techniques	Significant unobservable input data
Level 3	a. Income approach	* estimated annual rate of free cash flows change
	Valuation technique: Dividend discount model	* terminal growth * discount rate

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)	01.01.2018	Recognised in other comprehensive income	Adjustments from initial application of IFRS 9 (Note 3.1)	Recognised in profit or loss	31.12.2018
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Non-current assets					
Property, plant and equipment - revaluation	(154,463)	(1,897)	-	-	(156,360)
Property, plant and equipment - depreciation	(33,589)	-	-	9,429	(24,160)
Property, plant and equipment - impairment	465	-	-	750	1,215
Investment properties - revaluation	(106)	-	-	(1)	(107)
Financial instruments at fair value	-	6	(29)	-	(23)
Current assets					
Inventory - impairment	1,051	-	-	(4)	1,047
Trade and other receivables - impairment	733	-	377	587	1,697
Cash at banks - impairment	-	-	54	37	91
Non-current liabilities					
Liabilities for retirement employee benefits	5,809	1,178	-	(478)	6,509
Current liabilities					
Provisions	67	-	-	4,111	4,178
Unused leaves by the personnel	1,821	-	-	199	2,020
Accrued bonuses to the personnel	654	-		(334)	320
	(177,558)	**(713)**	**402**	**14,296**	**(163,573)**
Deferred tax assets	10,600				17,077
Deferred tax liabilities	(188,158)				(180,650)
Recognised as:					
Deferred tax liabilities, net	**(177,558)**				**(163,573)**

Deferred tax for the comparative period 2017 can be summarised as follows:

Deferred tax assets / (liabilities)	01.01.2017	Recognised in other comprehensive income	Recognised in profit or loss	31.12.2017
	BGN '000	BGN '000	BGN '000	BGN '000
Non-current assets				
Property, plant and equipment - revaluation	(154,463)	-	-	(154,463)
Property, plant and equipment - depreciation	(40,849)	-	7,260	(33,589)
Property, plant and equipment - impairment	465	-	-	465
Investment properties - revaluation	(103)	-	(3)	(106)
Current assets				
Inventory - impairment	1,062	-	(11)	1,051
Trade and other receivables - impairment	1,312	-	(579)	733
Non-current liabilities				
Liabilities for retirement employee benefits	5,070	508	231	5,809
Current liabilities				
Provision for Spent Nuclear Fuel	2,994	-	(2,927)	67
Unused leaves by the personnel	1,454	-	367	1,821
Accrued bonuses to the personnel	564	-	90	654
	(182,494)	**508**	**4,428**	**(177,558)**
Deferred tax assets	12,921			10,600
Deferred tax liabilities	(195,415)			(188,158)
Recognised as:				
Deferred tax liabilities, net	**(182,494)**			**(177,558)**

12. Nuclear Fuel

	Fuel loaded in the reactors	Fresh Nuclear Fuel	Total
	BGN '000	BGN '000	BGN '000
at 1 January 2017	**72,208**	**152,602**	**224,810**
Fuel, purchased within the year	-	140,774	140,774
Transfers	133,370	(133,370)	-
Fuel, spent within the year	(130,141)	-	(130,141)
At 31 December 2017	**75,437**	**160,006**	**235,443**
Fuel, purchased within the year	-	117,065	117,065
Transfers	136,370	(136,370)	-
Fuel, spent within the year	(138,546)	-	(138,546)
At 31 December 2018	**73,261**	**140,701**	**213,962**

13. Inventories

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

	31 December 2018	31 December 2017
	BGN '000	BGN '000
Spare parts	49,134	49,697
Fuels	3,354	2,973
Metals	999	1,053
Equipment	893	595
Reagents	918	342
Other materials	4,581	3,989
Total Materials	59,879	58,649
Goods	139	113
Total Inventories	**60,018**	**58,762**

An impairment of the idle inventories was performed as at 31 December 2018 based on the report of an independent certified appraiser amounting to BGN 130 thousand and a previous periods impairment amounting to BGN 3 thousand was reversed. An impairment of the idle inventory was performed as at 31 December 2017 based on the report of an independent certified appraiser amounting to BGN 591 thousand and a previous periods impairment amounting to BGN 27 thousand was reversed.

Inventory is not pledged as collateral of liabilities.

14. Trade and other receivables

	31 December 2018	31 December 2017
	BGN '000	**BGN '000**
Trade receivables	45,097	32,696
Impairment of trade receivables	(7,017)	(1,075)
Receivables from litigations	2,701	2,660
Impairment of receivables from litigations	(2,359)	(2,201)
Receivables from CCB (insolvent) net from impairment	4,537	4,537
Impairment of a receivable from the CCB (insolvent)	(4,218)	(4,036)
Other receivables	3,201	58
Impairment of other receivables	(191)	(17)
Financial assets	**41,751**	**32,622**
Advances	864	4,271
Prepayments	577	479
Non-financial assets	**1,441**	**4,750**
Trade and other receivables	**43,192**	**37,372**

All receivables are short-term, except those disclosed in Note 9.
All trade and other receivables as at 31 December 2018 have been reviewed for indication of impairment.
The change in impairment of trade and other receivables may be presented as follows:

	2018	2017
	BGN '000	**BGN '000**
Balance as at 1 January	7,329	13,122
Adjustments from initial application of IFRS 9 (Note 3.1)	1,038	-
Balance at 1 January (restated)	**8,367**	**13,122**
Impairment loss	7,176	471
Reversal of impairment loss	(820)	(6,264)
Other adjustments	1	-
Balance as at 31 December	**14,724**	**7,329**

An analysis of the age structure of trade and other receivables is provided in Note 39.2.

15. Cash and cash equivalents

Cash and cash equivalents include the following items:

	31 December 2018	31 December 2017
	BGN '000	**BGN '000**
Cash at banks and cash in hand, denominated in:		
- Bulgarian Leva (BGN)	232,045	175,927
- Euro (EUR)	8,590	2,108
- US dollars (USD)	4	174
- British Pounds (GBP)	-	1
- Swiss Francs (CHF)	-	1
Cash and cash equivalents in the separate statement of cash flows	**240,639**	**178,211**
Impact on IFRS 9	(914)	-
Cash and cash equivalents in the separate statement of financial position	**239,725**	**178,211**

The cash at banks bear interest, at floating interest rates, based on the daily interest rates for bank deposits.

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

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

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

Revenue and expense, associated with Unit 3 and Unit 4, are eliminated from the profit from continuing operations of the Company for 2018 and 2017, and are presented in the separate statement of profit or loss and other comprehensive income, under 'Loss for the year from discontinued operations'.

	2018	2017
	BGN '000	**BGN '000**
Profit from discontinued operations	-	202
Profit for the year from discontinued operations	**-**	**202**

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

	2018	2017
	BGN '000	**BGN '000**
Operating activity		
Payments to suppliers	-	(9,517)
Net cash flows from discontinued operation	**-**	**(9,517)**

17. Equity

17.1. Share capital

The registered capital of the Company consists of 24,458,489 fully paid, ordinary, registered shares with a nominal value of BGN 10 each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

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

	2018	2017
	Number of shares	**Number of shares**
Number of shares issued and fully paid:		
At the beginning of the year	24,458,489	23,616,526
Issue of shares	-	841,963
Number of shares issued and fully paid	24,458,489	24,458,489
Total number of shares, authorised on 31 December	**24,458,489**	**24,458,489**

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

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

17.2. Statutory reserves

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

	Statutory reserves
	BGN '000
Balance as at 1 January 2017	**19,649**
Reserves increase via retained earnings	136
Balance as at 31 December 2017	**19,785**
Reserves increase via retained earnings	4,673
Balance as at 31 December 2018	**24,458**

17.3. Revaluation reserve of non-financial assets

Revaluation reserves are formed by the difference between the carrying value and the fair value of properties, 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 2017	**1,385,591**
Transfer to retained earnings upon disposals of assets	(1,346)
Balance as at 31 December 2017	**1,384,245**
Revaluation of non-financial assets, net of tax	17,072
Transfer to retained earnings upon disposals of assets	(443)
Balance as at 31 December 2018	**1,400,874**

17.4. Other reserves

Other reserves, amounting to BGN 826,667 thousand. (31 December 2017: BGN 984,126 thousand) are formed as a result of prior years' profit distribution. These 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 Minutes No. 24-2018/03.05.2018 of the Board of Directors of BEH EAD and according to Order No. 2 of the Council of Ministers of the Republic of Bulgaria, a distribution of the profit for 2018 for a dividend amounting to BGN 56,613 thousand, were approved. The dividend attributable to one share is BGN 0.02. (2017: BGN 0.02). By virtue of Minutes No. 68-2018/20.11.2018 of the Board of Directors of BEH EAD payment of an additional dividend in 2018 amounting to BGN 220,000 thousand was approved.

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

18. Loans

	Effective interest rate	Maturity	31 December 2018	31 December 2017
			BGN '000	BGN '000
Non-current portion:				
Loan - EURATOM - principal	EURIBOR + 0.079% to 0.13%	from 1 January 2020 to 10 May 2021	33,127	66,132
			33,127	**66,132**
Current portion:				
Loan - EURATOM - principal	EURIBOR + 0.079% to 0.13%	from 16 January 2019 to 31 December 2019	33,005	38,872
Loan - EURATOM - interest			885	1,184
			33,890	**40,056**
Total loans			**67,017**	**106,188**

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

by the Government of the Republic of Bulgaria and by NEK EAD (a related party under common control).

The loan contract contains special clauses with restricting conditions regarding changes of end owners, as well as financial conditions requiring achieving certain levels of the gearing ratio and the debt service cover ratio (see Explanation 41).

Reconciliation between the opening and closing balances in the separate statement of financial position as at 31 December 2018 of the liabilities arising from financial activities

Liabilities arising from financing activities	On 1 January	Cash flows from financing activity	Changes of a non-monetary nature - cashless	On 31 December
		Payments	Acquired (increases)	
Long-term loans EURATOM	106,188	(40,727)	1,556	67,017
Total Liabilities arising from financing activities	**106,188**	**(40,727)**	**1,556**	**67,017**

19. Retained amounts under construction contracts

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

	2018	2017
	BGN '000	BGN '000
Non-current	863	159
Current	4,971	5,034
	5,834	**5,193**

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 2018	31 December 2017
	BGN '000	BGN '000
On 1 January	**186,004**	**191,545**
Received within the year	-	74
Recognised in profit or loss	(5,560)	(5,615)
Recovered	(21,393)	-
On 31 December	**159,051**	**186,004**
Non-current	154,616	179,950
Current	4,435	6,054

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

On 10 July 2018 a meeting of the Assembly of donors of Kozloduy International Fund was held with the participation of European Bank for Reconstruction and Development (EBRD) and representatives of the European Commission. At the meeting the donors and the bank posed the question for presenting accurate information on the appropriate use of Extension - Phase 1a of DSFSF.

Despite Kozloduy NPP's assurances about the appropriateness of the project and its future purpose, the submitted up to now analyses for storage of WWER-440 SNF were not accepted by the donors due to different reasons.

In this regard at the meeting on 10 July 2018 the Assembly decided Kozloduy NPP EAD to submit a repayment schedule for repayment of the amount of EUR 12,892,000 (BGN 25,214,560.36) which is appropriated for the construction of the extension of DSFSF - Phase 1a.

In pursuance of the decision and in accordance with a held meeting at the ME on 20 November 2018 Kozloduy NPP EAD proposed to EBRD an option for execution of the decision, taken at the Assembly of donors, through repayment of the sum in four equal annual repayment instalments. Each instalment amounts to EUR 3,223,000 which should be paid in the period 2019 - 2022 without interest accrual and this plan was accepted by EBRD.

At its meeting with Minutes № 9/22.03.2019 the Board of Director of Kozloduy NPP EAD with decision 9.3.1. examined and approved the execution of the decision of the Assembly of donors of Kozloduy International Fund in compliance with the accepted by the EBRD option for deferred repayment of the funding.

21. Liabilities for employee retirement 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 retirement defined employee benefit plan is not funded.

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

Interest risk

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

Risk of changes in the population's life expectancy

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

Inflation risk

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

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

	2018	2017
	BGN '000	BGN '000
Balance as at 1 January	**58,085**	**50,700**
Interest expense	822	1,354
Expenses for current labour experience	7,814	6,026
Expenses for past labour experience	502	-
Actuarial (gains) / losses, related with liabilities upon retirement, due to illness, (retirement employee benefits)	483	37
Income, paid to the personnel	(14,399)	(5,111)
Actuarial (gains) / losses from changes in the actual experience	9,822	3,226
Actuarial (gains) / losses from a change in the financial assumptions	1,937	1,848
Actuarial (gains) / losses from changes in the demographic assumptions	22	5
Balance as at 31 December	**65,088**	**58,085**
Non-current	50,665	49,752
Current	14,423	8,333

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

	31 December 2018	31 December 2017
Discounting rate	1.0%	1.4%
Future increase in the remunerations	2% for the first 3 years; After that 2% per annum	2% for the first 3 years; After that 2% per annum

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

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

Retirement employee benefits - expenses

	2018	2017
	BGN '000	BGN '000
Expenses for current labour experience	7,814	6,026
Expenses for past labour experience	502	-
Interest expense	822	1,354
Actuarial (gains) / losses, related with liabilities upon retirement, due to illness, (retirement employee benefits)	483	37
Total expenses, recognised in profit or loss	**9,621**	**7,417**

The expenses, incurred with regards to current and past labour experience, as well as the actuarial losses, related to 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:

	2018	2017
	BGN '000	BGN '000
Actuarial (gains) / losses from a changes in the actual experience	(9,822)	(3,226)
Actuarial (gains) / losses from a change in the financial assumptions	(1,937)	(1,848)
Actuarial (gains) / losses from changes in the demographic assumptions	(22)	(5)
Total Actuarial (gains) / losses, recognised in other comprehensive income	**(11,781)**	**(5,079)**

Based on past experience, the Company expects to pay BGN 14,423 thousand contributions under defined benefits in 2018.

The weighted average continuation of the liabilities to pay defined benefits as at 31 December 2017 is 13,9 years.

The significant actuarial assumptions in determining the liabilities under defined benefit plans relate to the discounting rate, the estimated percentage increase of salaries, the percentage of personnel's turnover and the estimated life expectancy.

The table hereafter presents a sensitivity analysis and summarizes the effects of changes in these actuarial assumptions on the liabilities under defined benefit plans as at 31 December 2018:

Changes in significant actuarial assumptions
in thousands of BGN

Discounting rate	**Increase by 1%**	**Decrease by 1%**
Increase / (decrease) in liabilities under defined benefit plans	(2,145)	2,351
Percentage increase of salaries	**Increase by 1%**	**Decrease by 1%**
Increase / (decrease) in liabilities under defined benefit plans	2,311	(2,152)
Estimated life expectancy	**Increase by 1 year**	**Decrease by 1 year**
Increase / (decrease) in liabilities under defined benefit plans	235	(246)
Percentage of personnel's turnover	**Increase by 1%**	**Decrease by 1%**
Increase / (decrease) in liabilities under defined benefit plans	(2,288)	2,472

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

22. Trade and other payables

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

	31 December 2018	31 December 2017
	BGN '000	BGN '000
Non-current		
Other liabilities	18,656	-
Financial liabilities	**18,656**	**-**
Current		
Liabilities to suppliers	29,307	62,706
Other liabilities	9,963	6,260
Financial liabilities	**39,270**	**68,966**
Liabilities for remunerations to the personnel	32,776	22,381
Liabilities for social security contributions	8,632	8,047
Tax liabilities	18,648	17,246
Liabilities under contributions to the DNF Fund, the RAW Fund and the ESS Fund	16,686	14,561
Liabilities under received advance payments	6,835	33
Non-financial liabilities	**83,577**	**62,268**
Trade and other payables	**122,847**	**131,234**

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

Other payables, amounting to BGN 24,748 thousand. (current- BGN 6,092 thousand and non-current – BGN 18,656 thousand) are in connection with payables of the Company for recovering of received financing (Note 20).

23. Provisions

	31 December 2018	31 December 2017
	BGN '000	BGN '000
Provision for Spent Nuclear Fuel	41,775	-
Provisions for other payables	-	668
	41,775	**668**

The adjustment of the provisions during the year is presented below.

	Provision for Spent Nuclear Fuel	Provisions for other payables	Total
	BGN '000	BGN '000	BGN '000
Balance as at 1 January 2017	-	-	-
Recognised provision	-	668	668
Balance as at 31 December 2017	**-**	**668**	**668**
Used	-	(657)	(657)
Disposals	-	(11)	(11)
Recognised provision	41,775	-	41,775
Carrying amount on 31 December 2018	**41,775**	**-**	**41,775**

Provision for transport, processing and storage of spent nuclear fuel

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

In 2018 a framework Annex to the Contract for transportation for technological storage and reprocessing in Russia of 414 WWER-1000 SNF assemblies was signed with FSUE "Production Association "Mayak", concurred with ESA Taking into account the lengthy nature of the preparatory activities for SNF transportation, including organizational and technical measures, preparation of the required documentation, obtaining of certificates and permits, the first transfer of WWER-1000 SNF for technological storage and reprocessing is planned to be in the period 2019-2020.

In pursue of the Strategy for Management of Spent Nuclear Fuel and Radioactive Waste, in compliance with the Company's accounting policies and the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", BGN 41,775 thousand were accrued in the current costs of Kozloduy NPP EAD for 2018 as expenses for provision for an existing obligation to carry out transportation of WWER-1000 SNF for technological storage and reprocessing. The amount of the accrued provision is based on the reliable assessment of the value of 1 transportation of WWER-1000 SNF (8 baskets/96 assemblies). The assessment was completed in compliance with the accounting legislation.

24. Revenue from sales of produce

	2018	2017
	BGN '000	**BGN '000**
Sales of electricity on a non-regulated market	86,575	431,308
Sales of electricity on a stock exchange market	881,329	336,923
Sales of electricity on a regulated market	130,868	145,560
Sales of electricity on a balancing market	286	(4,079)
Revenue from electricity sales	**1,099,058**	**909,712**
Sales of thermal energy	2,007	2,138
Revenue from sales of produce	**1,101,065**	**911,850**

25. Other revenues and incomes

	2018	2017
	BGN '000	**BGN '000**
Other revenue from contracts with customers, including		
Revenue from sales of services	3,971	5,203
Revenue from sales of goods and current assets	402	499
Rental income	237	230
	4,610	**5,932**
Other revenue/income, including		
Revenue from penalties under contracts	1,463	5,207
Net profit from sales of property, plant, and equipment	3,017	13
Revenue from insurance events	776	725
Revenue from revaluation of PPE	131	-
Revenue from assets' surplus	71	74
Income from revaluation of investment properties	6	36
Income from established rights of use	-	19
Other income	586	927
	6,050	**7,001**
	10,660	**12,933**

26. Revenue from contracts with customers

26.1. Segment information for the revenue from contracts with customers

The revenue from contracts with customers per types of segment include:

	2018
	BGN '000
Revenue from contracts with customers related to sales of electricity	1,099,058
Revenue from contracts with customers related to sales of thermal energy	2,007
Revenue from contracts with customers related to provision of services	4,208
Revenue from sales of goods and other short-term assets	402
	1,105,675

26.2. Geographic markets

	2018
	BGN '000
Domestic market	1,105,675
	1,105,675

26.3. A point in time for revenue recognition

	2018
	BGN '000
Products transferred at a certain moment	402
Products and services transferred in the course of time	1,105,273
	1,105,675

The next table presents information about the applied by the Company accounting policy for revenue recognition and time for meeting the obligation for fulfilment of contracts with customers under IFRS 15 and IAS 18.

Type of product/ service	**Character and time for meeting the obligations for fulfilment, including substantial payment conditions**	**Recognition of revenue under IFRS 15 (applicable since 1 January 2018)**	**Recognition of revenue under IAS 18 (applicable before 1 January 2018)**
Contracts for electricity sales	The supply of electricity takes place throughout the whole year at continuous operating mode. Since the customer simultaneously receives and consumes the benefits, the Company shall transfer the control over the electricity in the course of time and, therefore, shall meet the obligation for fulfilment and recognise revenue in the course of time. Usually invoices are payable within 30 days.	The sales revenue shall be recognised at every transfer of control over electricity when it is supplied to the customer and there are no unmet obligations which could affect the acceptance of electricity on behalf of the customer. Electricity shall be considered delivered to the customer immediately after the seller or customer registers schedules in the scheduling system administered by Electricity System Operator EAD after coordination of the schedules between the parties. Revenue shall be invoiced according to the terms of the contract concluded.	Revenue shall be recognised to the extend to which it is probable that economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the remuneration received, excluding discounts, rebates, and other taxes on sales or duties.
Revenue from thermal energy	The supply of thermal energy takes place throughout the whole year at continuous operating mode. Since the customer simultaneously receives and	The sales revenue shall be recognised at every transfer of control over thermal energy when it is delivered to the customer and there are no	Revenue shall be recognised to the extend to which it is probable that economic benefits will flow to the Company

Type of product/ service	Character and time for meeting the obligations for fulfilment, including substantial payment conditions	Recognition of revenue under IFRS 15 (applicable since 1 January 2018)	Recognition of revenue under IAS 18 (applicable before 1 January 2018)
	consumes the benefits, the Company shall transfer the control over the thermal energy in the course of time and, therefore, shall meet the obligation for fulfilment and recognise revenue in the course of time. Usually invoices are payable within 30 days.	unmet obligations which could affect the acceptance of thermal energy on behalf of the customer. The thermal energy shall be considered delivered to the customer at the moment of consumption. The supplied quantities shall be recognised by a heat meter at a substation where the trade measurement is performed once a month. Revenue shall be invoiced monthly according to the terms of the contract concluded.	and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the remuneration received, excluding discounts, rebates, and other taxes on sales or duties.
Revenue from services	The control shall be transferred when the service is completed. The receivables shall be due immediately .	The Company shall transfer the control over the services in the course of time and, therefore, shall meet the obligation for fulfilment and recognise revenue in the course of time. Should the service be not completed till the end of the reporting period, the revenue shall be recognised based on the actual service rendered till the end of the reporting period as a proportional part of the total services to be rendered.	Revenue from services is recognised based on the stage of completion of the transaction as of the reporting date. The stage of completion of the transaction is determined proportionally to the term of the contract for which the services have been contracted to be rendered.
Revenue from sales of short-term assets	The delivery shall arise when the assets have been paid to the customer, the risks of potential losses have been transferred to the customer and/or he has accepted the assets in accordance with the sale contract. The usual payment term shall be up to 30 after delivery.	Revenue from sales of short-term assets shall be recognised at the moment of transfer of the control over the assets being sold.	Revenue shall be recognised when the Company has transferred the significant benefits and risks of the ownership of the granted assets.

26.4. Balances from contracts with customers

	31 December 2018
	BGN '000
Trade receivables	41,341
Trade receivables from related parties	94,736
	136,077

The trade receivables are not interest-bearing and the usual credit term is up to 30 days.

The carrying amount of the trade receivables which are interest-bearing and have a credit term over one year is BGN 3,261 thousand.

27. Cost of materials

	2018 BGN '000	2017 BGN '000
Nuclear fuel, lubricants and fuels	137,599	134,621
Spare parts and tools	8,342	6,040
Materials for current maintenance	2,523	2,205
Uniform and special outfits	1,006	1,023
Reagents for production	1,354	904
Purchased electricity	700	569
Specialised literature and stationery	209	206
Construction materials and metals	104	116
Advertising materials	92	86
	151,929	**145,770**

28. Hired services costs

	2018 BGN '000	2017 BGN '000
Repair and maintenance services	48,917	45,410
Services, provided in connection to extending the licence certification of Unit 5 and Unit 6	24,238	22,841
Property insurance and nuclear damage	16,001	15,768
Armed security and fire security	15,264	10,946
Fees for permits by regulatory bodies	5,431	5,090
Taxes and fees	4,811	3,583
Consulting services	3,544	3,512
Transport costs	3,198	3,157
Services for providing safety food, as per ordinance	2,332	2,143
Sanitation and landscaping	1,763	1,753
Water-supply and sewerage services	1,106	1,345
Water usage fee	1,065	1,267
Researches, measurements and control	536	561
Training and qualification	424	349
Informational, post and telecommunication services	401	357
Medical treatment services	297	333
Rents	75	-
Other	2,094	2,413
	131,497	**120,828**

29. Employee benefits expenses

	2018 BGN '000	2017 BGN '000
Salaries and wages	135,989	128,595
Social security costs	35,105	33,938
Social expenses, in cash	21,919	20,473
Food expenses, incurred in accordance with Decree No. 11	15,956	14,403
Other expenses for social services	1,434	-
Retirement employee benefits	8,799	6,063
Compensations, provided in accordance with the Labour Code	1,489	1,007
	220,691	**204,479**

30. Provisions costs

	2018	2017
	BGN '000	BGN '000
Provision for Spent Nuclear Fuel	41,775	-
Provisions for other payables	(657)	668
	41,118	**668**

31. Impairment costs/reversed impairment on financial assets, net

	2018	2017
	BGN '000	BGN '000
Receivables from customers	6,844	(55)
Receivables from related parties	(489)	-
Other receivables	(645)	265
Receivables from litigations	157	(6,003)
Cash at banks	372	-
	6,239	**(5,793)**

32. Other expenses

	2018	2017
	BGN '000	BGN '000
Annual instalment in the Decommissioning of Nuclear Facilities Fund	82,385	68,228
Annual instalment in the Radioactive Waste Fund	32,954	27,291
Annual instalment in the ESS Fund	54,924	45,489
Impairment of property, plant, and equipment	7,632	-
Recovered funding	3,821	-
Donations and sponsorship	1,805	707
Membership fees	831	811
Business trips	687	606
Social costs	503	1,674
Shortages and defaults	354	333
Impairment of inventory	130	591
Reversal of inventory impairment	(3)	(27)
Entertainment cost	192	228
Penalties and charges under contracts	119	81
Penalties and charges by laws	25	7
Other expenses	818	382
	187,177	**146,401**

33. Finance income and finance costs

	2018	2017
	BGN '000	BGN '000
Interest expense under loans	1,556	2,034
Total interest expense under financial instruments that are not carried at fair value in profit or loss	**1,556**	**2,034**
Interest expenses on liabilities for retirement employee benefits	822	1,354
Fees and commissions expenses	35	27
Negative exchange rate differences	113	117
Financial costs	**2,526**	**3,532**

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

	2018	2017
	BGN '000	BGN '000
Interest income under granted loans	339	395
Interest income under agreements	3,398	1,206
Interest income under cash in bank	196	155
Total interest income under financial assets that are not carried at fair value in profit or loss	**3,933**	**1,756**
Revenue from dividends	970	1,084
Positive exchange rate differences	176	26
Income under discount on liabilities	467	-
Financial income	**5,546**	**2,866**

34. Income tax expenses

The anticipated income tax expenses are based on the applicable tax rate for Bulgaria amounting to 10% (2017: 10%) and the actual tax expense recognised in profit or loss can be reconciled as follows:

	2018	2017
	BGN '000	BGN '000
Accounting profit from continuing operations	181,032	130,127
Accounting profit from discontinued operations	-	202
Accounting profit before tax	181,032	130,329
Tax rate	10%	10%
Estimated income tax expense	(18,103)	(13,033)
Tax effect of:		
Increase of the financial result for tax purposes	(27,980)	(21,606)
Decrease of the financial result for tax purposes	14,301	17,781
Estimated income tax expense	**(31,782)**	**(16,858)**
Deferred tax income/(loss) as a result of:		
Incurrence and reversal of temporary differences	14,296	4,428
Income tax expenses	**(17,486)**	**(12,430)**
Deferred tax income, recognised in other comprehensive income	713	(508)

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

35. Related party disclosures

The Company discloses the following related parties:

Sole owner of the Company, exercising control (Parent Company)

Bulgarian Energy Holding EAD (BEH)

Sole owner of the Parent Company

The Republic of Bulgaria through the Minister of Energy

Subsidiaries

Kozloduy NPP - New Build EAD

Kozloduy HPP EAD

Interpriborservice OOD

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

Natsionalna Elektricheska Kompania EAD, TPP Maritsa East 2 EAD, Mini Maritsa - Iztok EAD, Bulgargaz EAD, Bulgartel EAD, Bulgartansgaz EAD, Electricity System 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), Energy Investment Company EAD (until 26/04/2018), Independent Bulgarian Energy Exchange EAD (until 15/02/2018).

Associates for BEH Group

Contour Global Maritsa Iztok 3 AD, Contour Global Operations Bulgaria AD, ZAD Energia, POD Allianz Bulgaria AD, HEC Gorna Arda AD

Joint ventures for BEH Group

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

Others – Independent Bulgarian Energy Exchange EAD since 16.02.2018 and all enterprises connected with the State.

Key management personnel of the Company as at 31 December 2018:

Zhaklen Yosif Koen, Chairman of the BoD

Ivan Todorov Yonchev, Member of the BoD

Nasko Asenov Mihov, Member of the BoD and Chief Executive Officer

Key management personnel of the Parent Company as at 31 December 2018:

Peter Asenov Iliev, Chairman of the BoD

Zhivko Dimitrov Dinchev, Member of the BoD

Petyo Angelov Ivanov, Member of the BoD and Chief Executive Officer

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

35.1. Related parties transactions and related parties balances 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 owner:							
BEH EAD	2018	145	276,897	28	-	28	19
BEH EAD	2017	144	934	28	-	28	43
Subsidiaries:							
Interpriborservice OOD	2018	77	6,633	42	-	42	645
Interpriborservice OOD	2017	102	6,707	62	-	62	613
Kozloduy HPP EAD	2018	1,111	-	-	-	-	-
Kozloduy HPP EAD	2017	1,177	-	-	-	-	-
Kozloduy NPP - New Build EAD	2018	14	-	1	-	1	2
Kozloduy NPP - New Build EAD	2017	16	-	1	-	1	2
Other related parties (under joint control)							
NEK EAD	2018	134,353	778	100,408	(1,433)	98,975	-
NEK EAD	2017	149,086	83	157,929	-	157,929	187

(continued)		Sales to related parties including dividends	Purchases from related parties including dividends	Gross amounts due from related parties	Impairment of the amounts due from related parties	Amounts due from related parties, net of impairment	Amounts due to related parties
		BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
ESO EAD	2018	424	163	358	-	358	872
ESO EAD	2017	487	4,564	379	-	379	4
Mini Maritsa Iztok EAD	2018	-	1	-	-	-	-
"TPP Maritsa East 2" EAD	2018	6,322	-	-	-	-	-
"TPP Maritsa East 2" EAD	2017	69	-	928		928	
Other related parties							
IBEX EAD	2018	428,918	777	15,190	-	15,190	51
	2017	333,769	258	18,410		18,410	8,230
ZAD Energia	2018	949	15,158	744	-	744	-
ZAD Energia	2017	978	14,777	727	-	727	-
	2018				**1,433**	**115,338**	**1,589**
	2017					**178,464**	**9,079**

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.

In April 2018 the Company signed a second agreement with NEK EAD for rescheduling of outstanding receivables resulting from electricity sales amounting to BGN 67,895 thousand and interest amounting to BGN 2,262 thousand at contracted annual interest rate of 3.87%. The maturity date of the obligations under the Agreement concluded is 29 February 2020. As at 31 December 2018, the non-current portion under this Agreement is BGN 7,529 thousand and the current portion is BGN 20,766 thousand.

35.2. Loans granted to related parties

	31 December 2018	31 December 2017
	BGN '000	BGN '000
Non-current portion:		
Principal	10,540	12,740
Impairment	*(789)*	-
	9,751	**12,740**
Current portion:		
Principal	2,200	2,200
Interest	150	174
Impairment	*(16)*	-
	2,334	**2,374**
Total loans granted	**12,085**	**15,114**

The loan is provided to the subsidiary Kozloduy HPP EAD in accordance with a decision of Bulgarian Energy Holding EAD on 7 November 2008. The credit line amounted to BGN 20,000 thousand and it would mature in 2020. An annual interest rate equalling the BIR as at the date of payment of the due instalment plus 0.30% margin was negotiated. Pursuant to Protocol No. 1-2015 of 12 January 2015, BEH EAD approved signing of Annex 4 to the Contract for Credit Line No. 880080 of 7 October 2008 concluded between Kozloduy NPP EAD in its capacity of creditor and Kozloduy HPP EAD in its capacity of debtor. As a result, the Annex was concluded on 20 January 2015 and entered in force on 14 July 2014, the loan maturity date set to 15 January 2024. The repayment of the loan began on 15 July

2013. The loan shall be repaid in 22 instalments, the first 2 instalments amounting to BGN 150 thousand (15 July 2013) and BGN 1,300 thousand (15 January 2014) respectively. A repayment schedule was prepared for the remaining 1/15 of the unpaid principal after 15 January 2014. In accordance with this Annex, the annual interest rate is floating and equals the BIR plus 2.5% margin. In 2018, Kozloduy HPP EAD repaid BGN 2,200 thousand and the credit balance as at 31 December 2018 amounted to BGN 12,740 thousand. The loan is secured by a promissory note. The interests accrued in 2018 amounted to BGN 339 thousand (2017: BGN 395 thousand).

The receivables from related parties have been reviewed for indications of impairment. The movement of the corrective account for impairment of trade and other receivables is as follows:

35.3. Movement of the impairment of receivables from related parties

	2018	2017
	BGN '000	BGN '000
Balance as at 1 January	-	-
Adjustments from initial application of IFRS 9 (Note 3.1)	2,727	-
Balance at 1 January (restated)	**2,727**	-
Impairment loss	1,133	-
Reversal of impairment loss	(1,622)	-
Balance as at 31 December	**2,238**	-

35.4. Transactions with key management personnel

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

	2018	2017
	BGN '000	BGN '000
Short-term remuneration:		
Salaries and wages, including bonuses	272	148
Social security contributions	21	20
Social costs	29	25
Compensations	46	-
Total remuneration	**368**	**193**

36. Cashless transactions

In 2018, the Company did not engage in any investment and financial transactions in which no cash or cash equivalents were used.

37. Commitments and contingent liabilities

Capital commitments

As at 31 December 2018, the Company had capital commitments amounting to BGN 53,510 thousand. (31 December 2017: BGN 64,184 thousand) related to the acquisition of property, machinery, and facilities.

The amount of contractual commitments related to the acquisition of nuclear fuel was BGN 117,065 thousand as at 31 December 2018. (31 December 2017: BGN 140,522 thousand).

Legal claims

Legal claims for the amount of BGN 235 thousand were filed against the Company (31 December 2017: BGN 1,676 thousand). None of the above claims is described in details herewith, so as not to seriously prejudice the Company's position in the related disputes.

Guarantees

Bank guarantees and cash collaterals placed in favour of the Company amounted to BGN 87,508 thousand as at 31 December 2018 (31 December 2017: BGN 53,428 thousand).

As at 31 December 2018, the Company had provided the following guarantees and collaterals:

- Collateral on contract for organised exchange market(collateral in cash) - BGN 3,200 thousand.
- Collateral on the provision of a financial limit when initiating a CMBC bid for electricity (collateral in cash) - BGN 350 thousand;
- Collateral on the provision of a financial limit for participation on IBEX CMBC segment amounting to BGN 1,498 thousand;
- Guarantee for concluding electricity trade transactions (collateral in cash) - BGN 75 thousand.
- Collateral for participation on the electricity exchange market (collateral in cash) - BGN 50 thousand.

Insurance policies

The Safe Use of Nuclear Energy Act stipulates a limit on the liability of the operating organisation for nuclear damages. The Act limits the liability of the operator to BGN 96,000 thousand per accident. Pursuant to the Vienna Convention on Civil Liability for Nuclear Damage, the operator is required to maintain an insurance or other financial security for nuclear damage for the period of operation of the nuclear facility. The Company has an insurance policy covering the limits the law dictates. The Insurance Contract with the Bulgarian National Insurance Pool was signed on 27 July 2017, with one-year coverage – from 1 August 2017 to 1 August 2018. The insurance coverage amounts to BGN 794 thousand (BGN 779 thousand insurance premium and BGN 15 thousand tax on premium). As at 31 July 2018, a new one-year contract was concluded for the period 1 August 2018 – 1 August 2019. The insurance amount is BGN 794 thousand (BGN 779 thousand insurance premium and BGN 15 thousand tax on premium). The Company took out a property insurance policy against industrial fire covering the period from 1 January 2016 to 31 December 2020. For the period 1 January 2018 to 31 December 2018 the insurance sum amounts to BGN 15,153 thousand (EUR 7,747 thousand).

Other

Tax administration bodies may audit the Company at any time within the 5-year period after the year-end and may impose additional tax obligations and fines.

38. 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 2018**	**31 December 2017**
		BGN '000	**BGN '000**
Equity instruments at fair value through other comprehensive income (OCI)	10	466	-
Debt instruments measured at amortised cost – current and non-current			
Trade and other receivables	9,14	45,012	-
Loans granted to related parties	35.2	12,085	-
Receivables from related parties	35.1	115,338	-
Cash and cash equivalents	15	239,725	-
Available-for-sale financial assets	10		232
Credits and receivables – current and non-current:			
Trade and other receivables	9,14		37,745
Loans granted to related parties	35.2		15,114
Receivables from related parties	35.1		178,464
Cash and cash equivalents	15		178,211
Total financial assets		**412,626**	**409,766**

Financial liabilities	**Note**	**31 December 2018**	**31 December 2017**
		BGN '000	**BGN '000**
Financial liabilities carried at amortised cost – current and non-current:			
Loans	18	67,017	106,188
Retentions on construction contracts	19	5,834	5,193
Trade and other liabilities	22	57,926	68,966
Payables to related parties	35.1	1,581	849
Total financial liabilities		**132,358**	**181,196**

Refer to Note 4.14 for information on the accounting policy for each category of financial instruments. The Company's policy and goals for management of the risk associated with financial instruments are described in Note 39.

39. Risks related to financial instruments

Management objectives and policies in respect of risk management

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

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

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

39.1. Market risk analysis

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

39.1.1. Currency risk

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

39.1.2. Interest risk

The Company's policy is focused on managing and decreasing the existing interest risk for long-term investments. As at 31 December 2018 the Company's cash flows are exposed to interest risk, arising due to changes in the market interest rates of the five tranches still to be repaid, denominated in Euro, under the Loan Agreement with EURATOM, dated 29.05.2000, at contracted floating interest rates, equal to six-month EURIBOR + margins in the range between 0.079% to 0.09%.

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

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

The tables below show the sensitivity of the annual net financial result after taxation as well as at the equity to possible changes in the interest rates of loans with floating interest rates based on the Bulgarian BIR, amounting to +/- 0.01% (for 2017: +/- 0.01%) and of loans with floating interest rates based on the EURIBOR, amounting to +/- 0.1% (for 2017: +/- 0.1%) Those changes are considered possible on the basis of observations of the established variations in the BIR and EURIBOR in 2017 and 2018. Calculations are based on the change of the average market interest rate as well as on the financial instruments used by the Company as of the end of the reporting period which are sensitive to interest rate variations. All other parameters are considered fixed.

The calculations are in compliance with the contract clauses of the Agreement with Euratom whereby in case of unfavourable market conditions the Lender determines an interest rate which must include administration fee for each tranche, amounting to 0.08 percentage points, i.e. this is the minimum annual interest rate under which its value can not vary. Taking into account the current restricting conditions, the impact of the decreased interest costs on the financial result is estimated at BGN 0.

Regarding the given financial assets denominated in BGN, the effect of decreased interest income on the financial result is estimated at BGN 0, in relation to the applicable BNB regulations, which do not allow base interest rates lower than 0.00% annually, as established during the year.

The effect of the Company's loans floating interest rates drop or rise is represented as profit or loss respectively and it is the same effect on the equity based on the profit/loss component for the current year.

31 December 2018	**Net financial result, BGN '000**		**Equity, BGN '000**	
	interest rate increase	**Interest rate drop**	**Interest rate rise**	**Interest rate drop**
Loans granted in BGN (BIR +/- 0.01%)	1	-	1	-
Loans obtained in EUR (EURIBOR +/- 0.1%)	(56)	-	(56)	-

31 December 2017	**Net financial result, BGN '000**		**Equity, BGN '000**	
	Interest rate rise	**Interest rate drop**	**Interest rate rise**	**Interest rate drop**
Loans granted in BGN (BIR +/- 0.01%)	2	-	2	-
Loans obtained in EUR (EURIBOR +/- 0.1%)	(90)	-	(90)	-

39.2. Credit risk analysis

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

	31 December 2018	**31 December 2017**
	BGN '000	**BGN '000**
Group of financial assets – carrying amounts:		
Financial instruments at fair value through other comprehensive income (OCI)	466	-
Debt instruments measured at amortised cost – current and non-current:		
Trade and other receivables	45,012	-
Loans granted to related parties	12,085	-
Receivables from related parties	115,338	-
Cash and cash equivalents	239,725	-
Available-for-sale financial assets	-	232
Credits and receivables – current and non-current:		
Trade and other receivables	-	37,745
Loans granted to related parties	-	15,114
Receivables from related parties	-	178,464
Cash and cash equivalents	-	178,211
Carrying amount	**412,626**	**409,766**

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

The expected credit losses are estimated on the date of each reporting period. They are calculated at 1 January 2018 at the initial application of IFRS 9 and subsequently as at 31 December 2018 (Note 3.1).

The next table contains information about the exposure to a credit risk by the receivables from customers of non-related-parties of the Company, by using the expected credit loss provision matrix, from 1 January 2018 and 31 December 2018, respectively.

31 December 2018	**Expected credit loss percentage**	**Gross value of receivables from customers**	**Impairment for expected credit loss**	**Net value of receivables from customers**
	%	**BGN '000**	**BGN '000**	**BGN '000**
Non-matured	0%	91,741	(8)	91,733
From 30-90 days	1%	93	(1)	92
From 90–180 days	0%	26	-	26
From 180–360 days	6%	410	(24)	386
Over 360 days	92%	14,997	(13,739)	1,258
Under agreements	3%	69,240	(2,385)	66,855
		176,507	**(16,157)**	**160,350**

1 January 2018	**Expected credit loss percentage**	**Gross value of receivables from customers**	**Impairment for expected credit loss**	**Impairment under IAS 39**	**Net value of receivables from customers**
	%	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Non-matured	1%	86,483	(888)	-	85,595
30-90 days	0%	28,771	(1)	(1)	28,770
90–180 days	0%	31,598	(7)	(7)	31,591
180–360 days	3%	9,652	(279)	(279)	9,373
Over 360 days	93%	7,745	(7,192)	(7,042)	553
Under agreements	5%	59,289	(2,727)	-	56,562
		223,538	**(11,094)**	**(7,329)**	**212,444**

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

As at 31 December 2018

	Not overdue	**30-90 days**	**90-180 days**	**180-360 days**	**>360 days**	**Renegotiated**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**	**BGN '000**
Trade and other receivables	39,654	92	26	351	1,258	3,631	45,012
Receivables from related parties	52,079	-	-	35	-	63,224	115,338
	91,733	**92**	**26**	**386**	**1,258**	**66,855**	**160,350**

As at 31 December 2017

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

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

	2018	2017
	BGN '000	BGN '000
Balance as at 1 January	7,329	13,122
Adjustments since the initial application of IFRS 9 (Note 3.1)	1,038	-
Balance at 1 January (restated)	**8,367**	**13,122**
Impairment loss	7,176	471
Reversal of impairment loss	(820)	(6,264)
Other adjustments	1	-
Balance as at 31 December	**14,724**	**7,329**

Information about the change in the impairment of the trade and other receivables from related parties is presented in Note 31.3.

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

39.3. Liquidity risk analysis

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

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

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

31 December 2018	**<3 months**	**3-12 months**	**1-5 years**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Loans	11,246	22,644	33,127	67,017
Retentions on construction contracts	-	4,971	863	5,834
Trade and other payables	25,664	13,606	18,656	57,926
Payables to related parties	1,508	73	-	1,581
	38,418	**41,294**	**52,646**	**132,358**

31 December 2017	**<3 months**	**3-12 months**	**1-5 years**	**Total**
	BGN '000	**BGN '000**	**BGN '000**	**BGN '000**
Loans	11,246	28,810	66,132	106,188
Retentions on construction contracts	-	5,034	159	5,193
Trade and other payables	55,991	12,975	-	68,966
Payables to related parties	790	59	-	849
	68,027	**46,878**	**66,291**	**181,196**

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

40. 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 is 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 is not based on observable market data.

A financial asset or liability is classified at the lowest level of significant input data 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 2018	31 December 2017
	BGN '000	BGN '000
Property, plant, and equipment (Level 3):		
- Land	13,226	20,387
- Buildings	449,946	450,458
- Machinery, facilities, and equipment	1,830,992	1,733,263
- Transport vehicles	5,677	6,876
Investment property (Level 2):	4,100	4,095
Financial instruments at fair value through other comprehensive income (OCI) (Level 3)	466	-
	2,304,407	2,215,079

The fair value of the respective groups of assets of property, plant and equipment, investment properties and financial instruments of the Company is determined based on reports of independent certified appraisers, as at 31 December 2018.

Appraisers conducted a review for impairment as at 31 December 2018. According to the review, the carrying amount of the assets does not differ significantly from the fair value of the revalued assets as at the end of the reporting period.

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

41. Capital management policy and procedures

The main objective of the Company's capital management is to ensure a stable credit rating and capital indicators, in light of continuing operations of the business and maximizing its value for the Sole owner.

The Company manages its capital structure and amends it, if necessary, depending on the changing economic environment. In order to maintain, or change, its capital structure, the Company may adjust the payment of dividends to the Sole shareholder, to redeem treasury shares, to reduce or increase its share capital, pursuant to a decision of the Sole owner.

The Company monitors its capital through the realised financial result for the reporting period, as follows:

	2018	2017
	BGN '000	BGN '000
Profit for the year, after tax	163,546	117,899

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

Debt servicing

According to the Loan Agreement with Euratom of 10 May 2000, the financial covenants, Debt Service Cover Ratio and Gearing Ratio, are observed in order to monitor whether they are within the acceptable ranges.

In accordance with the terms of the Loan Agreement, the Debt Service Cover Ratio is calculated as a correlation between the free cash flow for the year and debt servicing amount, including interests and principals for the respective year. This ratio shall not be less than 1.5. The ratio amounted to 8.47 in 2018 (2017: 6.36).

	2018	2017
	BGN '000	BGN '000
Free cash flow	344,928	287,067
Debt servicing	40,727	45,118
Coverage of the debt servicing	8.47	6.36

Another indicator that is being monitored in compliance with the obligations of the Company in its capacity of a Borrower is the Gearing Ratio calculated as a correlation between the Company's total loans and equity as at the end of the respective year. This ratio shall not exceed 2. As at 31 December 2018 the correlation amounted to 0.03 (31 December 2017: 0.04).

	31 December 2018	31 December 2017
	BGN '000	BGN '000
Loan capital	67,017	106,188
Equity	2,611,209	2,721,473
Indebtedness	**0.03**	**0.04**

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

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

42. Non-current assets for disposal

The radioactive waste reprocessing, storage and disposal are activities from the RAW management which, pursuant to SUNEA, shall be performed by SE RAW so as to ensure the protect the interests of the citizens of the Republic of Bulgaria as well as the accountability of the Republic of Bulgaria and its competent authorities.

SE RAW was appointed sole decommissioning operator for Units 1- 4 by Decision of the Ministry of Economy and Energy (Minutes No. 6/ 17.10.2011).

By Decision No. 1038 dated 19.12.2012 of the Council of Ministers of the Republic of Bulgaria for declaring Kozloduy NPP Units 3 and 4 radioactive waste management facilities and transferring their management to SE RAW, all activities on decommissioning of nuclear facilities at Units 3 and 4 and nuclear facilities definitively closed for decommissioning were transferred to SE RAW.

As at 31 December 2018, together with SE RAW, the required measures were taken to declare the site of unfinished construction "Facility for processing and conditioning of solid radioactive waste (RAW) with a high coefficient of reduction of their volume" a facility for management of RAW, as well as other assets which are in the process of being acquired under launched projects for implementation of nuclear facilities decommissioning activities private state property, and to transfer them to SE RAW for management.

As at the end of the reporting period the value of the assets which are to be transferred to SE RAW amounts to BGN 57,277 thousand. The relevant liabilities and capital are as follows:

	31 December 2018
	BGN '000
Lands and buildings	1,069
Plant, machines and equipment	8,667
Acquisition costs	47,541
Total non-current assets	**57,277**
Equity and other liabilities	
Retentions on construction contract	43,709
Financing	2,170
Total decrease of equity and liabilities	**45,879**
Equity (net assets) as at 31 December 2018 before transformation of the property	**2,611,209**
Equity (net assets) after transformation of the property	**(11,398)**

43. Post-reporting date events

In relation to the tax audit for the period 11.2011 – 12.2012, a provision amounting to BGN 647 thousand was accrued as at 31 December 2017.

As a result of the appeal against the issued Certificate of Audit the auditing body cancelled it via Decision No. 1202/10.08.2018 as issued in infringement of the law and assigned a new audit of the Company by Order No. P-29002918005516-020-001/11.09.2018. For the audit performed a Certificate of Audit No. P-29002918005516-091-001/09.01.2019 has been prepared and delivered for a certain VAT liability for the tax period 11.2011-12.2012 amounting to BGN 16 thousand. A default interest has been charged on this sum amounting to BGN 9 thousand. On 10 January 2019 Large Taxpayers and Insurers TD of NRA-Sofia with Refunds/Offsetting Act refunded the total amount of BGN 622 thousand to Kozloduy NPP EAD, which were transferred in the course of the judicial proceedings on the grounds of art. 169, para.4 of the Tax-Insurance Procedure Code, and for the period from 23 February 2018 to 09 January 2019 accrued and transferred interest for amounts paid unduly to the amount of BGN 55 thousand.

No other adjusting or non-adjusting events which require additional disclosures occurred after the end of the reporting period and until the date on which the financial statements were authorised for issue.

44. Disclosure pursuant to statutory requirements

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

45. Approval of the Separate Financial Statements

The Separate Financial Statements as at 31 December 2018 (including comparison data) were approved and authorised for issue by the Board of Directors on 29 March 2019.