

Separate Annual Management Report
Non-Financial Statement
Independent Auditors' Report
Separate Annual Financial Statements

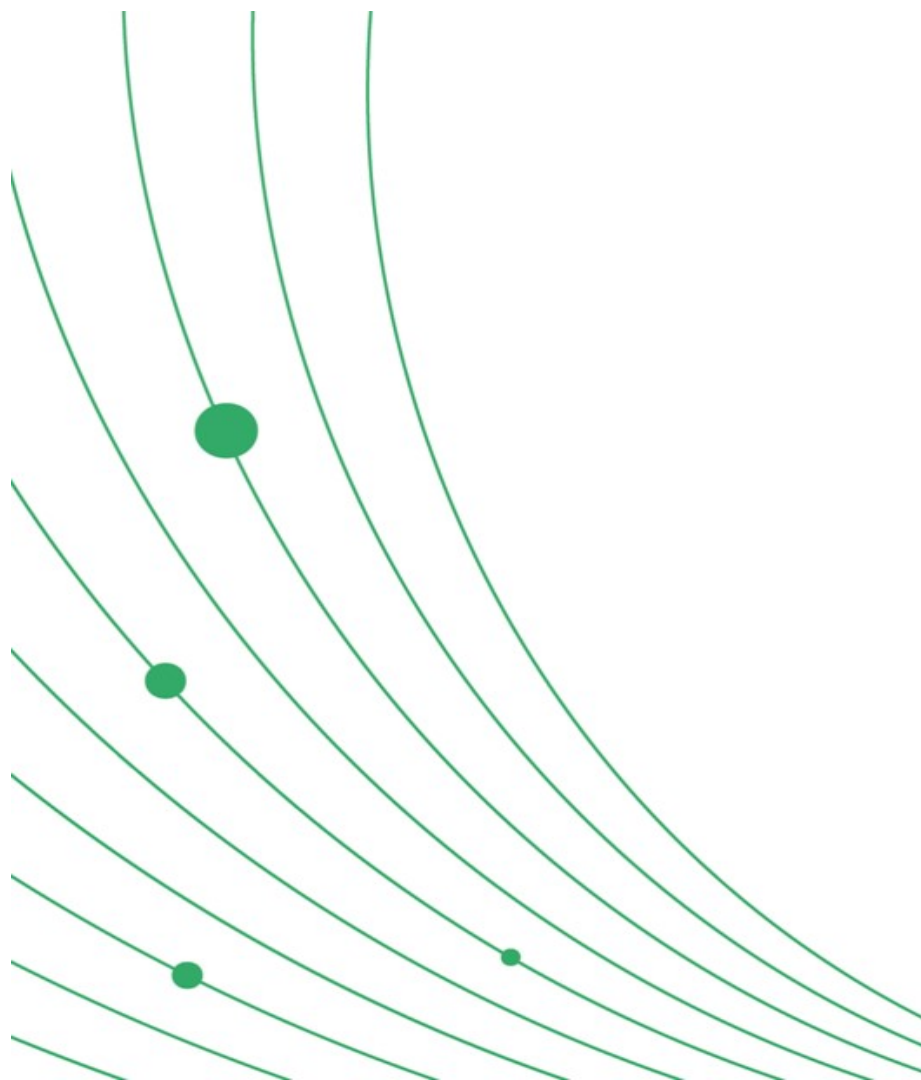
KOZLODUY NPP EAD

31 December 2021



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**Management report and non-financial statement
31 December 2021**

Management report and non-financial statement

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GENERAL INFORMATION

Board of Directors as at the date of the financial statements

Iliya Iliiev – Chair of the Board of Directors

Nasko Mihov - Member of the Board of Directors and CEO

Aleksandar Nikolov – Member of the Board of Directors

Vladimir Uruchev– Member of the Board of Directors

Iva Nikolova – Member of the Board of Directors

Address

Bulgaria

3321, Kozloduy, Vratsa District

Servicing banks

DSK Bank EAD

Investbank AD

United Bulgarian Bank AD

UniCredit Bulbank AD

Eurobank Bulgaria AD

D Commerce Bank AD

Bulgarian American Credit Bank AD

First Investment Bank AD

Auditor

DZZD AUDIT BEH with participants: Grant Thornton OOD

Zaharinoва Nexia OOD



Management report and non-financial statement

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MANAGEMENT REPORT

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. 2 of Regulation 2 of 09 November 2021 about initial and subsequent disclosure of information in public offering of securities and admission of securities to trading on a regulated market to the Financial Supervision Commission relating to persons under para. 1e of the Supplementary provisions of the Public Offering of Securities Act, on the grounds of Article 100n, para.7, i.2 of the Public Offering of Securities Act. The management report contains also non-financial information 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 Kozloduy NPP EAD. It covers the period from 01 January to 31 December 2021.

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

1. GENERAL INFORMATION

Corporate name: Kozloduy NPP EAD

UIC: 106513772

Address: Bulgaria, Vratsa District Kozloduy 3321

Principal activities

- Using nuclear power to generate electricity and heat energy. For the execution of these activities the Company holds and maintains: valid licence for generation of electricity and heat 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 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 heat energy generation;
- Sales of high- and medium-voltage electrical energy and sales of heat energy;
- Operation of radioactive waste management facilities, holding a valid licence pursuant to the Safe Use of Nuclear Energy Act (SUNEA).



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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 set up 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 the 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.

Bulgarian Energy Holding EAD is the sole owner of the Company share capital. 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 five members.

At the beginning of the reporting period as at 01 January 2021, the Board of Directors consisted of:

- Jacklen Cohen - Chair of the Board of Directors;
- Nasko Mihov - Member of the Board of Directors and CEO;
- Ivan Yonchev - Member of the Board of Directors.

As at 31 December 2021, the Board of Directors consisted of the following members with a 5-year mandate as of the date of registration in the Commercial Register:

- Iliya Iliev – Chair of the Board of Directors;
- Nasko Mihov - Member of the Board of Directors and CEO;
- Aleksandar Nikolov– Member of the Board of Directors;
- Vladimir Uruchev– Member of the Board of Directors;
- Iva Nikolova – Member of the Board of Directors;

with this circumstance being entered into the Commercial register on 23 April 2021.

As at 31 December 2021, the Company is represented by the Chief Executive Officer, Nasko Mihov.

Licences

- Licence for operation of a nuclear facility, issued by the Bulgarian Nuclear Regulatory Agency (NRA) - 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 - Serial No. E, Registration No. 5535, entering into force as of 03 October 2019, for the operation of Kozloduy NPP EAD Unit 6 - issued by the Bulgarian Nuclear Regulatory Agency (NRA). Licence validity - 03 October 2029;
- Licence for generation of electricity and thermal power No. A-049- 03 of 11 December 2000 issued by the Energy and Water Regulatory Commission, valid for thirty years - until 11 December 2030;
- Licence for transmission of heat energy No. 050-05 of 11 December 2000, issued by the Energy and Water Regulatory Commission, valid for thirty years - until 11 December 2030;
- Licence Serial No. И-11024, Registration No. 04358, dated 01 April 2014, (amended by Orders No. AA-04-1/27.01.2016, No. AA-04-132/29.08.2018, and No.AA-04-171/27.10.2020), for the use of sources of ionizing radiation for commercial purposes – performing non-destructive testing with radiation methods, issued by the NRA. Licence validity - 31 March 2024;



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- Licence Serial No. I-1708, Registration No. 04366 of 08 April 2014 (amended by Order No. AA-04-106/10.07.2020), for the use of sources of ionizing radiation for commercial purposes – performing radiochemical control, radiological and environmental monitoring, and metrological control - issued by the NRA. Licence validity - 07 April 2024;
- Licence for transportation of radioactive substances, Serial No. T-14002, Registration No.04435 of 30 June 2014, (amended by Order No. AA-04-78 of 01 June 2020), issued by the NRA. Licence validity - 11 July 2024;
- Licence for trading in electricity No. L-216-15 of 18 December 2006 - valid until 18 December 2026, issued by the Energy and Water Regulatory Commission;
- Licence Serial No. CO, Registration No. 5794, dated 05 October 2021, for conducting specialised training in activities in nuclear facilities and activities involving ionizing radiation sources which have an impact on safety, for issue of licences to professionals working in nuclear facilities and with ionizing radiation sources, apart from the ones stipulated in art. 64, para. 1, items 1 and 2 of the SUNEА, issued by the NRA. Licence validity - 05 October 2026;
- Licence for operation of a nuclear facility, Serial No. E, Registration No. 04441, dated 25 June 2014, for the operation of Kozloduy NPP Spent Fuel Storage Facility - issued by the NRA. Licence validity - 25 June 2024;
- Licence for operation of a nuclear facility, Serial No. E, Registration No. 5016, dated 28 January 2016, for the operation of Kozloduy NPP Dry Spent Fuel Storage Facility for storing WWER-440 spent nuclear fuel - issued by the NRA. Licence validity - 28 January 2026.

Basis for preparation of the financial statements

Kozloduy NPP EAD operates in conformance with the Bulgarian and European legislation. The annual financial statements of the Company have been prepared in accordance with the International Financial Reporting Standards as developed and issued by the International Accounting Standards Board, and adopted by the European Union. The financial statements have been prepared on a historic cost basis. The financial statements are presented in Bulgarian Leva (BGN) and all disclosed amounts are rounded up to the nearest BGN thousand.

In conformance with the requirements of art. 31 of the Accountancy Act, the Company also prepares consolidated financial statements. The annual financial statements are published in the Commercial Register no later than 30 September of the next year pursuant to art. 38 of the Accountancy Act.

Management's responsibilities

The management confirms that it has applied adequate accounting policies in preparing the annual separate financial statements as at 31 December 2021, and that they have been prepared under the going concern principle.

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

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

Share capital

As at 31 December 2021, the Company's share capital amounts to BGN 244,584,890 allocated in 24,458,489 ordinary, registered, voting shares at BGN 10 par value per share. All ordinary shares are fully paid.

The Company has not acquired and/or transferred any treasury shares in 2021.

The Company does not hold any treasury shares.



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

Remuneration of the members of the Board of Directors (BGN '000)	31 December 2021	31 December 2020
Short-term remuneration, including:	668	385
Salaries, including bonuses and compensations	605	326
Social security costs	26	26
Social costs	37	33

Detailed information about the members of the Board of Directors is presented in Note 35.4 'Transactions with key management personnel' contained in the Company's financial statements for 2021.

Information on the Company's shares, acquired, held, and transferred by the Members of the Board of Directors throughout the year

No shares or bonds of the Company were acquired or transferred by the members of the Board of Directors. The members of the Board of Directors do not hold any shares of the Company. No privileges or exclusive rights to acquire Company shares and bonds are provided to the members of the Board of Directors. Kozloduy NPP EAD is a 100% owned subsidiary of BEH EAD. BEH EAD is wholly owned by the Bulgarian government.

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

- Nasko Asenov Mihov – CEO and a member of the Board of Directors of Kozloduy NPP EAD, and a member of the Board of Directors of Kozloduy NPP - New Build, UIC 202058513;
- Aleksandar Hristov Nikolov - member of the Board of Directors of Kozloduy NPP; deleted as a member of the Board of Directors of Kozloduy HPP EAD, UIC 106588180.
- Iliya Todorov Iliev - member of the Board of Directors of Kozloduy NPP; manager and sole owner of ICh&EM EOOD, UIC 203651961.

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

Information on the contracts under art. 240b of the Commercial Act

The Company did not conclude contracts with members of the Board of Directors, nor with entities related to them, beyond the management and control contracts throughout the reporting period.

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.

Legal claims to the amount of BGN 50,760 thousand were brought against the Company (31 December 2020: BGN 50.736 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.

Research and development

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

Companies within the Kozloduy NPP EAD Group

Subsidiaries

Kozloduy HPP EAD is registered at the Vratsa District Court under Company file No.495 of year 2004, with the purpose of building a Hydro Power Plant, generation and distribution of electric power generated by a small



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Hydro Power Plant in order to utilize the residual power generating capacity of treated water from Kozloduy HPP EAD. Kozloduy NPP EAD is the sole owner (100%) of the capital of Kozloduy HPP EAD, comprised of 1,082 ordinary, registered, materialized, voting shares, at BGN 1,000 par value per share.

Kozloduy NPP - New Build EAD is a single-shareholder joint stock company, registered in the Commercial Register of the Registry Agency on 09 May 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 16,800 thousand. Kozloduy NPP EAD is the sole owner (100%) of the capital of Kozloduy NPP - New Build EAD, comprised of 1,680,000 ordinary, registered shares, at nominal value of BGN 10 each. Pursuant to Decision No. 28, dated 09 June 2015 and Decision No. 36, dated 07 July 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.

Pursuant to Decision No. 28, dated 18 November 2020 of the Company's Board of Directors it was decided to simultaneously decrease and increase the capital of Kozloduy NPP - New Build EAD, as follows: The capital is decreased from BGN 14,000,000 to BGN 9,800,000 by cancellation of 420,000 ordinary, registered shares, at nominal value of BGN 10 each. The decrease of the capital is carried out in order to cover the accumulated loss as at 31 December 2020 in the amount of BGN 4,200,000. The increase of the capital from BGN 9,800,000 to BGN 16,800,000 by issuing 700,000 ordinary, registered, voting shares, at nominal value of BGN 10 each and taking over these shares by Kozloduy NPP EAD.

NPP Construction Supervision Ltd. is a company, registered in the Commercial Register of the Registry Agency on 25 November 2021, with UIC 206736961. The Company has its registered office at: NPP site, Kozloduy, Kozloduy Municipality, Vratsa District. The Company's registered capital amounts to BGN 5 thousand. Kozloduy NPP EAD is the sole owner (100%) of the capital of NPP Construction Supervision, comprised of 50 (fifty) ordinary, registered shares, at nominal value of BGN 100 each. The principal activity of the Company is to assess the compliance of the investment projects and exercise construction supervision over the design and construction as well as to perform any other business activity not forbidden by law.

Companies with controlling interest and other investments

Interpriborservice OOD was set up pursuant to a Decision No.55, dated 13 April 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.

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

Kozloduy NPP EAD has a share of 1.12% of the capital of **ZAD Energia Insurance Company**. The value of the investment as at 31 December 2021 amounts to BGN 549 thousand.

Branches of the Company

The Company does not have any branches.



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2. ACTIVITY OVERVIEW

The common factors directly affecting the Company's business activity in 2021 are as follows:

- On 19 January 2021, the BEH Group's commitments to the EC in relation to case AT-39767-BEH-Electricity, provided entirely by Kozloduy NPP EAD during the past year due to difficulties of NEK EAD (insufficient water resources) and TPP MI-2 (high prices of emission allowances), were completely met.
- The increasing connectivity of the Bulgarian market with the neighbouring hourly markets (finalisation of the project for the unification of the regional markets "Day Ahead" with Greece as of May 2021, and with Romania - as of October 2021) inevitably affected the price levels achieved on the Bulgarian energy exchange (). (Day Ahead segment).
- There has been an electricity price increase across Europe, which has led to tensions among businesses in the country. The trend that has emerged in recent years to shift demand entirely to the short-term (hourly) markets and the linking by traders of the price of delivery to the end customers to the price of an unpredictable and highly volatile hourly market such as the DAM has led to price escalation.
- By Decision of the Energy and Water Regulatory Commission No. LI-27 of 01 July 2021 for the new regulatory period July 2021 - June 2022, the regulated price of Kozloduy NPP EAD was increased to BGN 55.01/MWh and the quota was increased to 2 900 000 MWh, with the typical monthly irregularity so far. The access price of BGN 2.42/MWh, payable by all generators, has also been changed, increasing the cost of realisation.

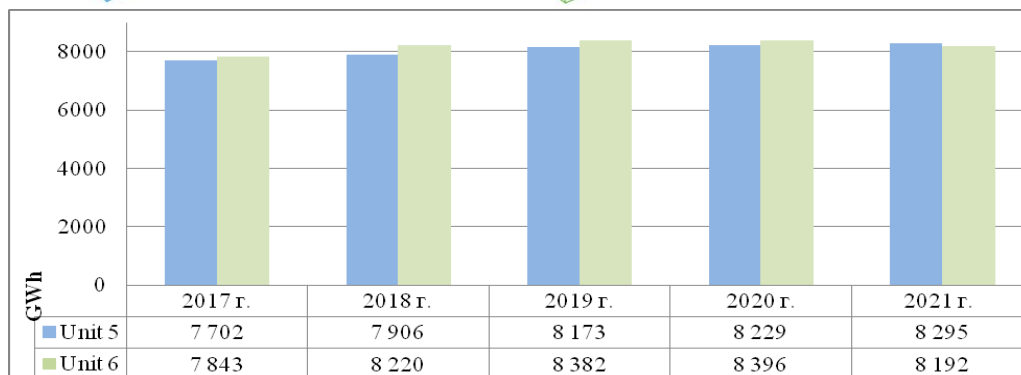
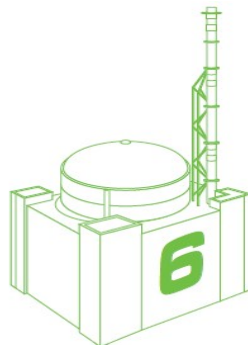
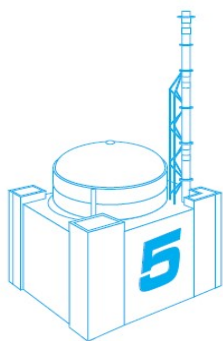
GENERATION OF ELECTRICITY

The production activity for 2021 was successful. The generation and sale of electricity are the principal means of the Company's production structure.

The nuclear power plant generated 16,487,GWh of electricity adhering to all safe operation requirements. Throughout the year, Units 5 and 6 operated steadily at uprated power providing for 34.6% of the national electricity generation for the year.

8 295 GWh

8 192 GWh



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In 2021, Unit 5 generated 8,295,108 MWh of electricity, which is by 0.8% more compared to the generation in 2020 and it is the maximum reporting value since the commissioning of the unit in 1987.

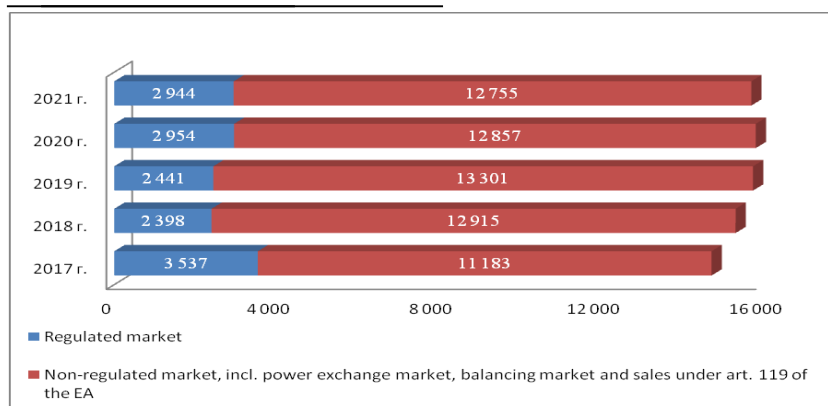
The electricity generated by Unit 6 in 2021 amounts to 8,191,786 MWh, which is by 2% less than 2020.

The planned supplies of fresh nuclear fuel (FNF) in compliance with the terms and conditions of the additional annex to the existing contract were completed in order to ensure the production programme throughout the reporting year.

Sale of electricity

The net active electricity supplied to the national grid by Kozloduy NPP amounted to 15,699,510 MWh, sold in compliance with the current regulations.

Sales structure (GWh)



2,944 GWh (18.8%) of the net electricity generation was supplied to the public supplier at regulated prices in compliance with monthly quotas set by the Energy and Water Regulatory Commission. The remaining electricity was sold on the organised power exchange market for electricity administered by Independent Bulgarian Energy Exchange EAD, balancing market and sales under art.119 of the Energy Act (EA).

The electricity amounts sold on the non-regulated market, incl. power exchange market, balancing market and sales under art. 119 of the EA, were by 102 GWh (-0,8%) less compared to 2020.

Market sales structure

Market sales follow national trends, namely the dominance of the Day Ahead market segment. In this market segment, 88% of the total amount of electricity was traded, which is by 28% more than in 2020. Long-term transactions (under bilateral contracts) were by 64% less than the volumes traded last year. The volumes traded in the Intraday Market (IDM) to manage imbalances accounted for the smallest share.

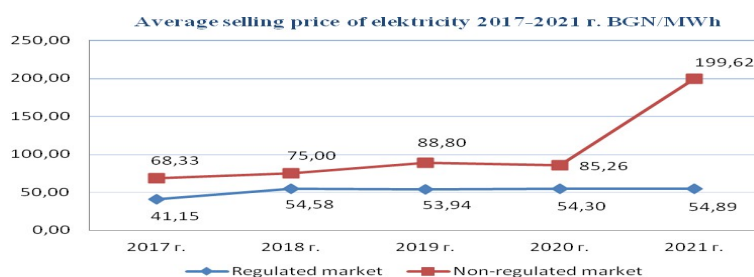
The OTC electricity supplies regulated by the Energy Act recorded a 36% growth in 2021 compared to the same period in 2020, due to the supply of all own sites located in the country with electricity from the plant. The balancing balance was driven by the presence of unscheduled events in 2021, which were partially worked on the DAM.

The average selling price of electricity produced by Kozloduy NPP, realised in all directions in 2021, is BGN 172/MWh, and marks an increase of 117% compared to 2020. The main reason for this is the extreme clearing prices of the DAM (159% growth), where 88% of the electricity volumes were realised. The other two segments of the power exchange market also reported growth in the average prices, with transactions in DAM (255%) and long-term BC products (85%). The average price in OTC transactions was determined by the price of the largest consumer (State Enterprise 'Radioactive Waste'), bound by contract by decision of the Kozloduy NPP Board of Directors.



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GENERATION AND SALES OF HEAT ENERGY

In 2021, the Company produced 181 GWh of heat energy, which is by 19% more compared to the same period of 2020. The total volume of heat energy consumed on site and in the town of Kozloduy was 80 GWh, which is by 5 GWh (7%) over the reported amount in the previous year, as a result of the increased consumption due to more severe weather conditions.

PERFORMANCE INDICATORS

The World Association of Nuclear Operators (WANO) and the International Atomic Energy Agency (IAEA) use a system of specific performance indicators of the nuclear units in normal operation, which are applied to monitor and analyse the trends in the nuclear industry.

UNIT 5

UNIT 6

91,05	LF (Load Factor), %	89,92	LF (Load Factor), %
88,40	UCF (Unit Capability Factor), %	89,74	UCF (Unit Capability Factor), %
0,42	UCLF (Unit Capability Loss Factor), %	0,85	UCLF (Unit Capability Loss Factor), %
1,00	UA7 (Unplanned Reactor Scram Activation/7000 hrs)	0,00	UA7 (Unplanned Reactor Scram Activation/7000 hrs)

For 2021, Kozloduy NPP Load Factor (LF) was 90.48% (Unit 5 – 91.05%, Unit 6 – 89.92%). In recent years, this Kozloduy NPP indicator has shown a lasting trend of keeping values of about 90% and above. The high comprehensive safety and reliability rating throughout the year was also based on the indicators Unit Capability Factor (UCF), Unit Capability Loss Factor (UCLF) and Unplanned automatic scrams per 7,000 hours critical indicator (UA7).

According to the WANO criteria, UCF values exceeding 85% and UCLF up to 3% demonstrate very good reliability and safety levels of the nuclear power plants, as well as a high level of operation process optimisation.

The excellent performance indicators achieved by Kozloduy NPP in 2021 formed a lasting trend towards high reliability and safety levels, thus rating the plant among the best nuclear power plants in the world.



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MAINTENANCE PROGRAMME



THE HIGH QUALITY PERFORMANCE OF MAINTENANCE ACTIVITIES ENSURES THE OPERABILITY OF NUCLEAR FACILITIES IN THE LONG TERM

The annual maintenance programme of Kozloduy NPP comprises a large number of preventive maintenance and repair activities, performance tests and inspections, specialised inspections and diagnostic non-destructive testing of structures, systems and components of the safety systems, safety important systems, and systems important to the production process.

All activities were carried out in compliance with the licensing obligations, technical specifications for safe operation, and manufacturer requirements in order to ensure operability of the nuclear installations and balance of plant in the long term.

The main part of the annual maintenance programme was completed when the units were shutdown for outage and refuelling. The activities were optimised and team coordination enabled timely completion of the maintenance, repairs and modernisations planned for 2021. The outage of Unit 5 lasted 40 days, while the outage of Unit 6 was performed in the record-short time of 33 days for a consecutive year.

Along with the required maintenance activities, the scheduled activities in the programmes for long-term operation, safety enhancement, ageing management, as well as the activities enhancing the equipment resistance against extreme external impacts, were implemented during the outage.

All maintenance and modernisation activities were performed to an extremely high-quality standard and funded with own funds of the nuclear power plant.

The value of the activities implemented under the Kozloduy NPP EAD Maintenance Programme for 2021 amounted to BGN 81,845 thousand, including BGN 1,360 thousand for maintenance activities of investment nature. .

The costs of the following maintenance and repair activities had the largest share in the maintenance programme:

- Maintenance of common plant facilities - BGN 43,650 thousand. The implemented activities were related to the supply of spare parts, consumables and maintenance and electric operations on main and auxiliary plant equipment and systems of power units 5 and 6 during units' outages or were related to units' outages.
- Maintenance - BGN 6,636 thousand. The implemented activities were related to maintenance, repair, supply of spare parts and consumables with the aim of maintaining good housekeeping of the systems and instrumentation and control devices.
- Servicing of devices – BGN 3,730 thousand. The implemented activities were related to maintenance, repair, and supply of spare parts and consumables for diagnostics devices, analysers, electric distribution boards, etc.
- Maintenance of valves, pipelines, pressure vessels and tanks – BGN 3,838 thousand. The implemented activities included supply of spare parts and consumables for safety valves, stop valves, isolating valves,



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sealing materials, safety and main steam line isolation valves related to units 5 and 6 routine maintenance, outages and normal operation.

- The maintenance and repair of the systems and equipment manufactured, supplied and installed by AREVA NP GmbH and SIEMENS AG on open switchyard, bank pump station and Units 5 and 6 – BGN 3,386 thousand.



Safety Culture

Kozloduy NPP has adopted a systematic long-term approach to establishing and developing a strong safety culture (SC) as a mandatory requirement for safety enhancement. This includes periodic SC assessment and enhancement activities, involvement of all employees and fostering an attitude of personal responsible behaviour. Special emphasis is placed on building of values associated with the motivation to continuously improve SC.

The organisation and implementation of the planned activities is coordinated by the Safety Culture Committee – an advisory body to the Safety and Quality Director. A ‘Safety Culture and Human Performance’ Group was established in 2020 with the aim of assessing, analysing and enhancing human performance, personnel motivation and safety culture.

All activities for safety culture maintenance, assessment and enhancement included in the annual work plan for 2021 were completed as scheduled. The fourth safety culture self-assessment in compliance with the IAEA methodology was launched throughout the year. The initiative to publish the questionnaire on the SC self-assessment on the plant Intranet site with the aim of involving workers not included in the representative sample, but willing to express their opinion also continued.





Nuclear Safety

The operation of Kozloduy NPP nuclear power units is performed in full compliance with the conditions of the licences, requirements of the technical specifications and operating procedures.

In 2021, six operating events were registered at Kozloduy NPP and reported to the Bulgarian NRA pursuant to the ‘Regulation of the conditions and procedure for notification of the nuclear regulatory agency about events in nuclear facilities and sites with sources of ionising radiation’ - 3 operating events at unit 5, 2 operating events at unit 6 and 1 operating event at common plant facility.

The results of the safety system monthly performance tests comply with the technical specifications requirements.

The safe operation limits and conditions have not been violated during the reporting period.

Radiation Protection

The annual individual and collective dose exposure values for 2021 confirm the efficiency of the radiation protection measures and rank Kozloduy NPP among the well performing in this area nuclear power plants.

The maximum individual dose was 9.00 mSv which is within the normative annual occupational exposure limit. The total collective dose received during the operation of the two WWER-1000 reactors for the year was 427.13 manmSv.

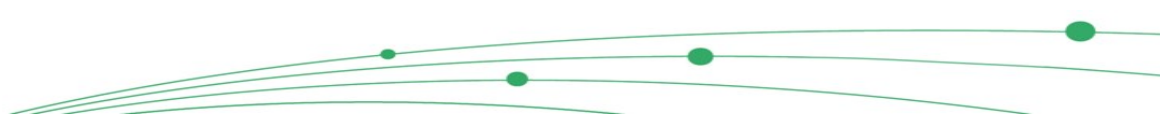
To ensure continuous enhancement of radiation protection effectiveness, Kozloduy NPP systematically implements the ALARA principle (as low as reasonably achievable).

Radiation monitoring of discharges to the environment

The continuous improvement of operational practices and adoption of the highest standards in nuclear industry ensure high quality radiological monitoring at Kozloduy NPP.

In 2021, the amounts of the discharged radioactive noble gases (RNG), aerosols and iodine-131 were approximately 0.03%, 0.06% and 0.16% below the reference levels. The radioactive substances in the plant waste waters were within 0.2% of the reference levels. The limits set for tritium content in the discharges to the environment were not exceeded.

The plant stipulated annual limit values of the discharge activity were significantly lower than the normatively defined limits. An independent external control on behalf of the NRA, MEW and the National Centre of Radiobiology and Radiation Protection (NCRRP) is performed. Data from the monitoring of liquid and gaseous radioactive discharges to the environment are annually reported to the European Commission (EC).



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Radioactive Waste Management

The approach to radioactive waste management (RAW) adopted at Kozloduy NPP is aimed at transferring the currently generated RAW for further processing and phased retrieval of historical RAW from repositories according to the approved annual schedule. In 2021, some 100 tonnes of solid and 195 m³ of liquid radioactive waste was generated and transferred to the State Enterprise 'Radioactive Waste' (SE RAW) for subsequent processing.

Spent Nuclear Fuel Management

Kozloduy NPP spent nuclear fuel (SNF) is managed according to the National Strategy for SNF and RAW Management, and stored in compliance with all safety requirements. After being kept for a specified time period in the spent fuel pools (SFP), the SF assemblies are transferred to the wet spent fuel storage facility which is common for all the power units. Spent nuclear fuel from Units 1, 2, 3, and 4 loaded in Constor 440/84 casks is stored in the Dry Spent Fuel Storage Facility (DSFSF).

2 shipments of SNF from units 5 and 6 to Russian for technological storage and processing were carried out in the period March - June 2021.

Emergency Planning and Preparedness

Maintaining and improving emergency preparedness pursuant to the requirements of the national legislation, the European and global standards is an important element in ensuring plant safety.

The Emergency Preparedness Department coordinates, organises and implements activities related to planning and maintaining the preparedness for response action of Kozloduy NPP in the event of a nuclear, radiological or other accident, disasters and catastrophes and exercises control over the obligations of the personnel pursuant to the Kozloduy NPP Emergency Plan.

In 2021, 871 Kozloduy NPP employees, 21 members of the Kozloduy NPP Sanitary Team, 42 employees of SE RAW, officials of Kozloduy NPP Police Department and Kozloduy NPP Fire Safety and Civil Protection Regional Department were trained in emergency planning and preparedness related topics with the aim of enhancing personnel qualification in emergency preparedness area.

2 general (full-scale) exercises were carried out in 2021 with the aim of improving and enhancing the level of emergency preparedness of the personnel: 'Multi unit accident at the Kozloduy NPP site' and 'Examination and validation of the Framework Plan for recovery and restoration following an accident at Kozloduy NPP'; 2 emergency drills with the Bulgarian NRA, 2 emergency drills with the SE RAW, 1 training to test the emergency plan related to plant personnel response to chemical accident, 1 unexpected training during non-working hours and 3 trainings conducted during non-working hours together with the teams of Kozloduy NPP Fire Safety and Civil Protection Regional Department and response team members from Electrical Equipment Operation Section and Turbine Equipment Operation Section to test the teams' preparedness to response in the event of a severe accident.

The activities related to the construction of a new off-site emergency response centre (ERC) of Kozloduy NPP to be located in the town of Kozloduy continued. The construction of a new state-of-the-art ERC is a requirement specified in the documents of the International Atomic Energy Agency and the Bulgarian Nuclear Regulatory Agency. The construction of a second (off-site) ERC is a measure included in the National Action Plan of the Republic of Bulgaria following the Fukushima NPP accident and, then, included in the Programme for the implementation of the measures of the Updated National Action Plan based on the recommendations from the performed "stress tests" of the Kozloduy NPP nuclear facilities. The investment activity is financed by Company's own funds. The off-site ERC is constructed and in the process of commissioning. Performance tests of the systems and facilities installed in the ERC are ongoing.

Physical Protection

No violations of the planned physical protection system were committed throughout the reporting period. The operating on-call duty and maintenance of the security systems were implemented according to the schedules.



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The planned preventive maintenance activities were completed. The security systems were actuated in accordance with their design characteristics.

Study and analysis of physical protection risk management is a permanent task to be performed in compliance with the plans undertaking daily measures to adjust its compliance with the current operating situation.

Activities on 'Nuclear Security Culture' development and progress were carried out routinely; measures to improve nuclear security during the transport of nuclear materials were also undertaken.

Active efforts are being made to improve the interaction and coordination of work with Kozloduy NPP Regional Police Department, the Regional Directorate of the Ministry of Interior and the units of the General Directorate 'Border Police'- Ministry of Interior. The coordination of the work with the units of the State Agency for National Security /SANS/ and its Territorial Directorate in Vratsa, testifies to the systematic and smooth work, both on the personnel of the Headquarters and on the other operational problems of our security.

Priority in the area of physical protection is the prevention of unauthorised removal, theft, sabotage and other illegal actions against the nuclear facilities, nuclear material and radioactive substances, as well as their protection from external and internal threats.

Cyber-security

Being a strategic site of national importance widely using advanced technologies, Kozloduy NPP is building and developing a modern cyber-security system.

The measures implemented for maintaining network and information security are consistent with the legislative requirements, applicable international standards, recommendations of the software and hardware manufacturers and vendors, as well as with the best global practices in the field.

The Internet communication system and all other important systems were upgraded to enhance cyber-security, which provides a high information protection level.

In 2021, the information security system did not register any event that could have been classified as a cyberattack.

Fire Safety

Kozloduy NPP maintains a high level of fire safety (FS) in accordance with the Bulgarian legislation, and the IAEA and EU standards. A set of technical and organisational measures provides efficient fire protection of the production process and the workers.

In 2021, a scheduled training was performed for the operational staff and the designated officers directly involved in the fire safety control in the respective nuclear power plant structural units.

The projects, technical decisions and terms of references developed to be implemented are analysed for compliance with the requirements of the regulations.

A project is in progress for construction of new seismically qualified garages and a building for the On-site Fire Safety and Public Protection Service at Kozloduy NPP.

Throughout the year, no fires or ignitions occurred on the production facilities.

Radioecological monitoring

The environmental radiological monitoring within the Kozloduy NPP region is a subject of continuous monitoring including detailed and systematic studies performed in accordance with validated and practically recognised analysis methods and measurements. The monitoring is performed of the main components of the environment - air, water, soils, vegetation, and agricultural products. The systems for laboratory and automated monitoring are high-tech ones and allow recording even the smallest changes in the radiation situation and analysing the root cause. The analyses are performed in an accredited plant laboratory for radioecological monitoring, which is additionally guarantees the quality and accuracy of the results. The activities are in full



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compliance with the requirements of art. 35 of the Euratom Treaty, Recommendation 2000/473/Euratom, and IAEA documents.

Despite the plant radioecological monitoring of Kozloduy NPP, which is agreed with the competent authorities on behalf of the Ministry of Environment and Water (MEW) and Ministry of Health (MH) and is approved by the Bulgarian Nuclear Regulatory Agency (NRA), an independent monitoring on programmes implemented by the MEW, the Executive Agency for the Environment (EAE) and MH, the National Centre of Radiobiology and Radiation Protection (NCRPP) is also applied, and the NRA exercises regulatory control.

The monitoring area covers the Kozloduy NPP site and the Bulgarian part of the 30-km monitored zone within a 100-km radius from the nuclear power plant. The automated radiological monitoring system measures continuously the gamma background radiation levels in 14 local populated areas. Broad public access is provided to the measured data which are displayed on information boards in public places and transmitted on-line to the central station at Kozloduy NPP, and thence – to the EAE and the NRA.

Over 1,280 measurements of the gamma background radiation and more than 4,160 analyses of over 2,400 samples of different environmental constituents were conducted throughout 2021. The results were fully comparable with those from previous years and did not deviate from the natural background radiation levels specific for the region. The scope of the radioecological monitoring was completed successfully.

No radiological effects due to the operation of Kozloduy NPP on the components of the environment were detected. The analysed environmental radiation parameters are within normal background levels. The dose exposure to the public from the Kozloduy NPP operation is negligibly low, hundreds of times below the natural background radiation.

A WANO Design-Informed Peer Review was successfully carried out at Kozloduy NPP in 2021

The Moscow Centre of the World Association of Nuclear Operators (WANO - MC) conducted a Design-Informed Peer Review* at Kozloduy NPP. From 25 November to 10 December 2021, WANO representatives reviewed work documentation, performed site tours and observed activity performance in the field. At the same time, they conducted a series of interviews with experts and managers from Kozloduy NPP.

Eleven areas were included in the scope of the review: ‘Organisation and Administration’, ‘Operations’, ‘Maintenance’, ‘Engineering’, ‘Chemistry’, ‘Radiation Protection’, ‘Training and Qualification of Personnel’, ‘Operating Experience and Performance Improvement’, ‘Fire Protection’, ‘Emergency Preparedness and Severe Accident Management’ and ‘SOER’ (Significant Operating Experience Reports – reports of events with significant operating experience from various nuclear power plants around the world). The WANO team included 22 experts from France, Russia, USA, Ukraine, Hungary, Finland, United Kingdom, Slovakia and Spain. The Design-Informed Peer Review at Kozloduy NPP ended on 10 December with a final briefing during which WANO experts presented the conclusions of their work, which are to be included in an official report. According to the WANO peer review programme, the document is not intended for public dissemination, but is provided only to the nuclear operator – Kozloduy NPP.

Health and safety at work

Maintaining health and safety at work is a major responsibility of Kozloduy NPP senior management. The plant has adopted a modern approach aimed at implementing highly effective health and safety measures, enhancing the safety culture of workers and building an awareness-based behaviour of compliance with the safety requirements. The requirements of the legislative regulations of the Republic of Bulgaria on occupational health and safety are strictly adhered to, and the best international practices in this field are applied.

The long-term industrial safety enhancement and risk evaluation programmes have been harmonised with the recommendations of the International Atomic Energy Agency and relevant international practices. The programmes cover the protection and prevention of occupational risks arising from work processes, work equipment and the working environment in all aspects of the nuclear power plant activities – operation, maintenance, repairs, etc.



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Risk assessment at workplaces and laboratory measurements of working environment parameters are conducted systematically. Only individuals with the required education, qualification or licence are admitted to work. Workers periodically undergo training on safety at work, and receive the necessary briefings – pre-job, on-the-job, periodic, daily and extraordinary ones.

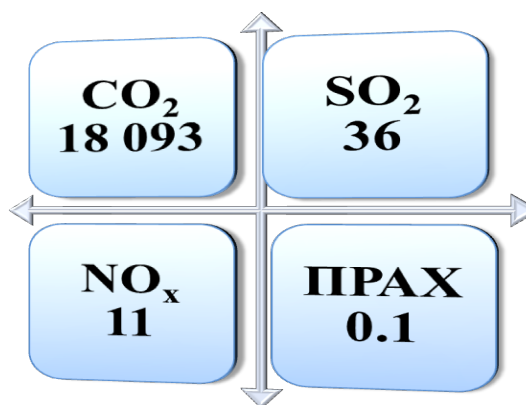
As a result, Kozloduy NPP has established a stable downtrend for the lost-time rate due to industrial incidents.

Environmental Protection

The motto of Kozloduy NPP – Clean Energy, clearly states the responsibility with which the biggest electricity producer in the country treats environmental protection.

As a producer of clean energy, Kozloduy NPP is strongly committed to protecting the environment. All the permits issued to the Company in accordance with the regulatory framework are maintained up-to-date.

Greenhouse and other harmful gas emissions saved by Kozloduy NPP compared to conventional thermal power plants in 2021 (in thousand tons)



2,035 tests of 347 samples from waste, surface and ground waters collected from the area surrounding the nuclear power plant have been conducted within the self-performed, non-radiation monitoring. The analyses have been made by Kozloduy NPP accredited laboratories and by the Vratsa Regional laboratory at the EAE. The results fully comply with the individual emission limits specified for the plant. The period of validity of the permits for use of a water body to discharge waste water in a surface water site was extended till mid-2023.

The nuclear power plant uses its own landfill for non-radioactive household and industrial waste operated in compliance with the regulatory requirements and good practices. The separate waste collection and utilisation of the generated non-radioactive waste contribute to the slower filling of the second landfill stage. 22.3% of its capacity was filled in at second landfill stage for the 5-year operation of the landfill.

The Vratsa Regional Inspectorate for Environment and Water conducted four inspections and the Black Sea Region Basin Directorate carried out one inspection, but found no deviations and issued no prescriptions.

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-H3/2020 issued for the operation of these systems. The total amount of CO₂ emissions generated in 2021, as per the Company’s Report on reporting yearly emissions, is 471 tons.





The total amount of the funds invested under the Company's Investment Programme in 2021 was BGN 88,527 thousand, provided by Kozloduy NPP own funds.

Over 81% of the total reported investment costs were used to fund the implementation of measures related to Units 5 and 6 operational safety, reliability and efficiency, and for improving the operation of the facilities and equipment to secure the long-term operation of the nuclear power units. The rest of the investment costs paid refer to the phased implementation of energy efficiency measures in compliance with the obligations of the Company pursuant to the Energy Efficiency Act with the aim of achieving a stable improvement of the energy consumption indicators; measures ensuring the normal operation of the common plant facilities, supporting the production activities and measures maintaining and continuously improving the level of the physical protection and access control at the Kozloduy NPP site.

Maintain and enhance safety

The total amount of the funds invested in 2021 in costs for measures related to licensing conditions, regulatory requirements and activities targeted at safety enhancement, were BGN 15,760 thousand.

All actions to maintain and enhance safety in the nuclear power plant are implemented in compliance with the respective provisions of the Safe Use of Nuclear Energy Act and in observance of the provisions of the licences and permits issued by the authorised oversight and regulatory bodies.

Ensure long-term operation

After the successful completion of the Plant Life Extension project for the two units and the renewal of their operational licences, a Plan for Managing the Activities during Units 5 and 6 Long-term Operation was adopted at Kozloduy NPP. The document foresees the implementation of technical measures on structures, systems, and components, as well as measures resulting from the expiry of the operating life of major equipment and systems. In 2021, the amounts invested in ensuring Units 5 and 6 long-term operation were BGN 50,301 thousand.

Measures to ensure the reliable operation of the reactor installations of Units 5 and 6 at uprated power.

In 2021, the total amounts invested in measures under the Investment Programme related to the operation of Units 5 and 6 at uprated power were BGN 5,658 thousand.

Routine maintenance of the power units and infrastructure

For the maintenance of major and auxiliary equipment, as well as for ensuring the normal operation of the facilities supporting the production activity, BGN 16,808 thousand were invested in 2021 under the Investment Programme.

The planned investment activities related to the upgrade and replacement of equipment, measures to enhance physical security, maintenance of rest and recreation and other plant facilities were carried out over the year.



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The value of the long-term assets launched in operation throughout the amounted to BGN 60,491 thousand.

PERSONNEL

As at 31 December 2021, the number of the staff employed by the Company under employment contracts is 3,706, of which 1,168 women.

The age distribution of staff shows that the largest number of staff is in the 50 to 60 age range at 38%, followed by those between 40 and 50 at 29%. The focus of the Company's activities is on attracting young professionals with appropriate education to ensure continuity of knowledge and prevent loss of expertise and skills.

Personnel Educational Structure

The educational structure of the personnel is maintained. The relative share of the personnel with higher and secondary vocational education is 87%, while the personnel with primary education is less than 1% of the total number of personnel.

FINANCIAL RESULTS FOR 2021

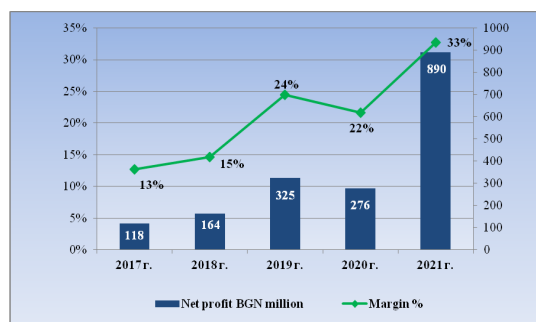
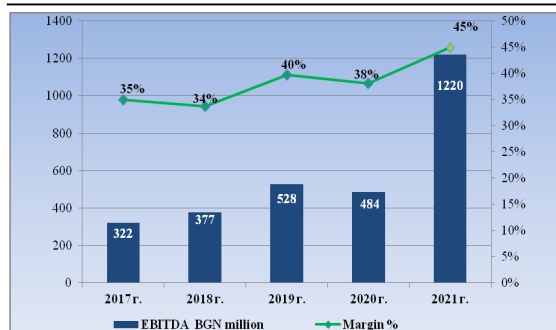
Upholding Kozloduy NPP financial stability is of key significance for ensuring safe, efficient and environmentally friendly energy generation.

In 2021, the financial and economic indicators of Kozloduy NPP are significantly improved compared to 2020.

The Company ended the year 2021 with net profit to the amount of BGN 890,304 thousand (a profit of BGN 275,810 thousand was recognised for the year 2020), with cash and cash equivalents to the amount of BGN 914,193 thousand (BGN 485,106 thousand for 2020). The excellent results are based on the record high electricity prices that have been sustained over the last quarter, better collectability of sales revenues, and effective management of expenditure.

EBITDA-earnings before interest, taxes, depreciation (and amortization)

Net profit (in BGN million)



Indicators	2021	2020
Return on equity	0.27	0.10
Return on assets	0.22	0.08
Return on sales	0.33	0.22
Total liquidity ratio	4.24	3.36
Leverage ratio	0	0.004

Revenues

For 2021, the operating income from the Company's operation amounts to BGN 2,716,914 thousand (31 December 2020: BGN 1,272,236 thousand). The generation and sale of electricity are the principal means of the



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Company's production structure. The sharp increase in electricity prices, which began in September and peaked in December, is the main factor affecting more than doubling of revenues compared to last year.

Regulated market – The reported revenues from electricity sold to the Public Supplier NEK EAD amount to BGN 161,588 thousand and marked minimum increase of 1% more than the reported in 2020, due to higher price of electricity set by the EWRC.

Non-regulated market – The revenues from the sale of electricity at non-regulated prices amount to BGN 2,539,722 thousand, which is by 132% (BGN 1,445,600 thousand) above the amounts reported for 2020. The increase is due to the change in the structure of market sales (dominant share of exchange transactions on the 'Day Ahead Market') and the drastic spike in prices.

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 1,387 thousand.

The income from financing amounting to BGN 3,922 thousand are recognised as current income in relation to the DSFSF. (31 December 2020: BGN 3,942 thousand).

Other revenues and incomes - BGN 6,740 thousand, include revenues from the sale of services, goods, materials, rents, penalties under contracts, insurance indemnities, and others. Compared to the previous 2020, the reported revenues for 2021 are by -28% lower due to the reduced revenues from the sale of non-current assets.

Expenses

Types of expenses (BGN '000)	2021	Structure % 2021	2020	Structure % 2020
Annual expenses	1,679,562		968,029	
Nuclear fuel management	142,558	8%	154,145	16%
Expenses for instalments in the DNF Fund, RAW Fund, and SES Fund	418,918	25%	194,650	20%
Expenses for access and transmission of electricity through the electricity distribution grid	36,658	2%	34,593	4%
Expenses for operation and maintenance	164,827	10%	146,703	15%
Staff costs	245,929	15%	218,769	23%
Social security costs	37,945	2%	39,023	4%
Depreciation costs	180,371	11%	178,559	18%
Expenses under Council of Ministers' Decree No.739/26.10.2021	450,000	27%	-	-
Financial costs	2,356	0.1%	1,587	0.2%

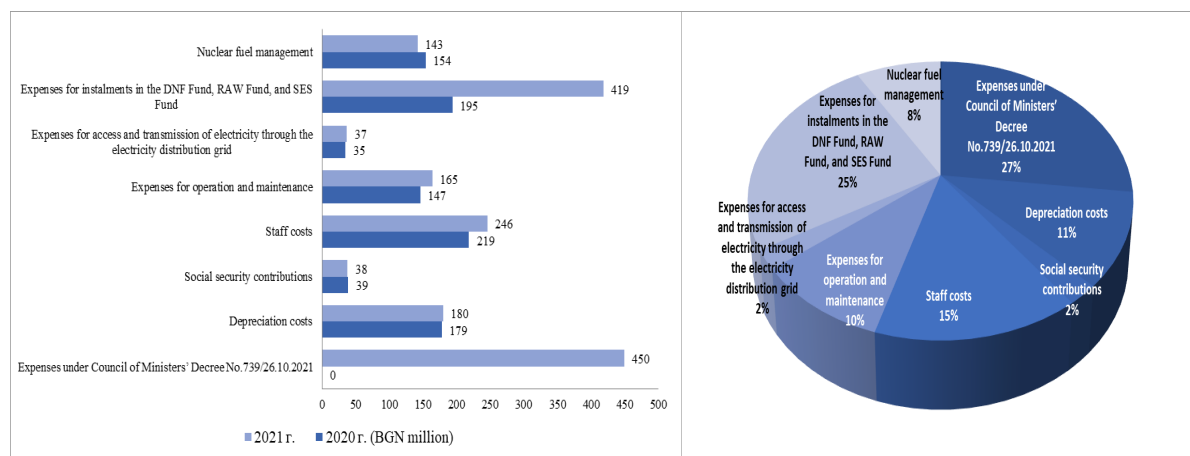
The operating expenses of the Company in 2021 are in the amount of BGN 1,677,206 thousand. They mark significant increase by 73.5% compared to 2020.



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Structure of expenses



In 2021, there is a significant change in the expenses compared to the previous year. The deviation results from the increased expenses for the DNF Fund, RAW Fund, and SES Fund, due to the increase in revenues and the accrued costs of BGN 450 million for the grants provided to the state budget under Decree No. 739/26.10.2021 of the Council of Ministers, for the implementation of the approved Programme for Compensation of Non-Domestic End Customers of Electricity with support of BGN 110/MWh for the entire business for October and November 2021. .

Cash and cash equivalents

The cash and cash equivalents of Kozloduy NPP EAD as at 31 December 2021 amounted to BGN 914,193 thousand.

During the reporting year, the Company provided the required amount of cash through electricity sales under favourable market conditions which resulted in timely performance of the obligations under commercial contracts for the supply of nuclear fuel, reagents, maintenance and investment activities.

Preferentially, using its own financial resources, the Company secured the measures ensuring safe and reliable operation of the nuclear facilities, including the activities related to the completed 2 shipments of SNF from WWER-1000 reactors to the Russian Federation for technological storage and processing. The Company effected insurance premiums in relation to the insurances as legally stipulated in the SUNEА and the Vienna Convention, contributions to the RAW Fund, the DNF Fund, and the SES Fund, payments for salaries and wages, and social security contributions.

In 2021, the annual revenues from the main activity of the Company - sale of electricity amount to BGN 3,247,898 thousand, by BGN 1,712,098 thousand (111%) more compared to the revenues in 2020.

Due to the drastic increase in the exchange prices of electricity in 2021, the increase is mainly in the level of inflows from sales on the non-regulated market, which amount to BGN 3,054,784 thousand compared to the inflows in 2020 in the amount of BGN 1,325,770 thousand.

From regulated sales of electricity in 2021, the Company received BGN 193,113 thousand. The Public Provider regularly paid its obligations over the year, and there are no overdue amounts owed the Company.

Kozloduy NPP EAD settled its obligations, under the long-term loan, obtained from the European Atomic Energy Community (EURATOM), under the Programme for modernisation of Units 5 and 6, within the contracted time schedule and amounts, in consistence the clauses of the Loan Agreement, dated 29 May 2000. During the reporting period, the last two instalments of two tranches of the loan to the amount of BGN 11 million were paid, whereby the loan was finally repaid by the final maturity date 10 May 2021.

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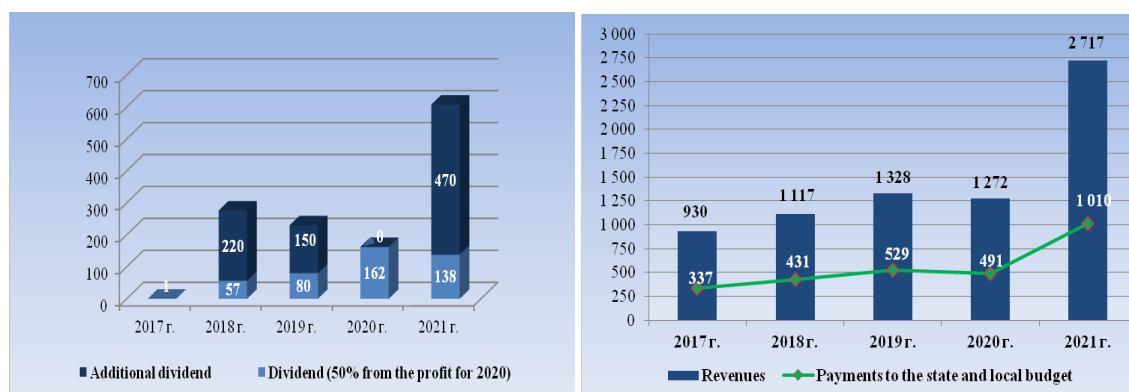
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Kozloduy NPP EAD paid BGN 138 million dividend to BEH EAD deducted from the profit for 2020 in accordance with Council of Minister' Decree No.1/28.04.2021. Pursuant to the resolutions of the Board of Directors of BEH EAD, an additional dividend in the total amount of BGN 470 million was paid as follows: in February - BGN 220 million on account of the Other Reserves Fund and in August - BGN 250 million on account of retained earnings from previous years and on account of the Other Reserves Fund.

Dividends paid (in BGN million)

National Social Security Institute (NSSI) and National Health Insurance Fund (NHIF) (in BGN million)

Payments to the state and local budget,



As at 31 December 2021, the Company ended the reporting year without any outstanding payments.

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

3. FINANCIAL INSTRUMENTS USED BY KOZLODUY NPP EAD

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.

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.



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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. The loan was fully repaid on 10 May 2021.

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 currency exchange rates, interest risk, as well as risk of changes in specific prices, resulting from the operating and investment activities of the Company. A significant risk event in the med-term is the observed persistent unfavourable upward trend of inflation in the country and in Europe in 2021, when the economic recovery of countries after the COVID pandemic is underway and a rapid pace of development of European economies is reported. The high levels of inflation identified inevitably lead to an increase in the market prices for supplies and services, and respectively to an increase in costs and a negative effect on the financial result.

Another risk factor is the transition to a fully liberalised electricity market, where all producers, including the electricity supplier, will be able to benefit from a more liberalised market. RES and RECs with an installed capacity of 0,5 MW and above are obliged to transact on an organised exchange market. Although Kozloduy NPP EAD's record high revenues in 2021 of BGN 2.7 billion have been realised, the strong volatility and the variation of exchange prices in wide ranges lead to unpredictability in the Company's revenue streams. A serious threat to Kozloduy NPP's earnings is possible in the event of a possible decrease in the prices of both long-term and short-term energy products, which are determined entirely on a market basis depending on the supply and demand on the Bulgarian energy exchange.

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 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 on the international financial markets.

Interest risk

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

As at 31 December 2021, the loan under the Loan Agreement with Euratom dated 29 May 2000 has been finally repaid, including the tranches contracted with a floating interest rate equal to six-month EURIBOR plus margins in the range between 0.079% to 0.13%. Therefore, the Company's cash flows are not exposed to interest rate risk as a result of changes in the market EURIBOR rates.

Interest risk is possible with regard to the credit, granted to the subsidiary company Kozloduy HPP EAD, under floating interest rate conditions, based on the BIR plus a margin of 2.5%. The effect of the Company's loans floating interest rates drop or rise regarding the provided financial assets in Bulgarian currency on the profit or loss and respectively on the equity of the Company is minimal.

The Company is exposed to interest risk with regard to the developed retirement defined employee benefit plan. Changes to the calculated current value of the liabilities are possible in the presence of changes in the discount rate which is based on the profitability of the treasury shares held. A possible decline in the market yield of government securities held will increase the Company's future liabilities related to defined benefit plans.

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.



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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 a timely manner, 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 on a regular basis 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 on concentration under the Rules for application of the Public Enterprises Act. 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 claiming bank institutions insolvent, wherefore the possible risk is limited to a low level. Liquidity risk for the Company's finances is probable in connection with corporate decisions for payment of an additional dividend for the sole owner of the capital, beyond those provided for in the updated medium-term budget forecast of the Ministry of Finance (50% of the profit). Similar decisions represent high risk and lead to reduction of the accumulated cash and cash equivalents of Kozloduy NPP EAD. The Company paid additional dividend for the sole owner of the capital in the total amount of BGN 840 million in the period 2018 - 2021. Moreover, pursuant to the Council of Ministers' Decree No. 739/26.10.2021 and a Decision of the Board of Directors of BEH EAD, the Company awarded the Ministry of Finance a grant in the amount of BGN 450 million in November 2021 for the implementation of the Programme for Compensation of Non-Domestic End Customers of Electricity. Maintaining a financial resources reserve is required for funding the planned investment costs in mid-term perspective 2022 - 2023, which are expected to reach BGN 825 million. These resources are aimed at implementing key investment projects related to the safe, reliable and effective operation of Units 5 and 6 and improving the operation of the facilities an equipment ensuring the long-term operation of the nuclear power units.

Credit risk

The Company is exposed to this risk in the contracts related to sale of electricity, heat energy and services, granting loans, and 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.

Cash flows risk

The Company's cash flows depend on the fluctuations in the amount of the expected future cash flows related to the financial instrument at hand. In order to limit the risk of unpredictability and uncertainty 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. The non-adjustment events are disclosed in Note 43 Post-reporting date events of the separate annual financial statements.

The Decree No. 27 of 25 January 2022 of the Council of Ministers of the Republic of Bulgaria is classified as a non-adjustment event. The Decree states that a Facility for processing and conditioning of solid RAW with a high-volume reduction factor and other assets as attached to the Decree are declared private state property. In pursuance of the above-mentioned Decree, simultaneous decrease and increase of the capital of Kozloduy NPP EAD will be made with the amount of the proprietary rights of the assets handed over to SE RAW for management.

Pursuant to Minutes of Meeting No. 4 of 10 February 2022 of the Board of Directors of Kozloduy NPP EAD, a decision to establish a new subsidiary (NPP Service Ltd.) of Kozloduy NPP EAD was taken. NPP Service Ltd. is a company, registered in the Commercial Register of the Registry Agency on 11 March 2022, with its registered



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office at: NPP site, Kozloduy, Kozloduy Municipality, Vratsa District. The Company's registered capital amounts to BGN 750 thousand, comprised of 1000 (one thousand) ordinary, registered shares, at nominal value of BGN 750 each. Scope of business activity of the new company: Servicing of automation equipment, software technical complexes, automated technical complexes and instrumentation equipment, etc. and any other commercial activity not prohibited by law.

At the end of February 2022, in response to Russia's decision to formally recognise the two regions that have separated from Ukraine as the Donetsk People's Republic and the Lugansk People's Republic, and Russia's military operations on the territory of Ukraine that began on 24 February 2022, a number of countries, the European Union (EU) and the UN Security Council, imposed economic sanctions and measures against Russia. Some of the sanctions include restricting access of certain Russian banks and companies to primary and secondary capital markets in the EU, banning exports of dual-use goods, restricting Russia's access to certain sensitive technologies and services, excluding certain banks from the international SWIFT system, etc. The Russian ruble (RUB) began to depreciate in the days after 24 February 2022 and from 95.71 rubles per Euro reached 117.20 rubles per Euro on 01 March 2022 according to the exchange rate of the European Central Bank. After this date, the Bank stopped publishing the RUB/EUR reference rate.

As of the date of compiling this report, our Russian counterparties and their servicing banks are not on the EU sanctions lists against Russia and do not pose a direct threat to the receipt and payment of goods and services. Notwithstanding the above, the situation is extremely dynamic and further restrictive measures may be adopted, with new banks and entities coming under the scope of the measures. The military conflict and the sanctions imposed could significantly affect and lead to significant risks and consequences that are not typical for developed markets and countries in normal economic status and development.

The events of the Russia-Ukraine military conflict and related sanctions are non-adjusting events for the purposes of Kozloduy NPP's 2021 annual financial statements under IAS 10.

Serious risk for Kozloduy NPP EAD from the conflict between Ukraine and Russia may arise in the relations with contractors. A key supplier for the Company is the Russian company TVEL JSC, with which the company has a long-term contract for the supply of fresh nuclear fuel (FNF) concluded until 2025. In case the situation becomes more complicated and there is no possibility to supply FNF, the Company has stockpiles to operate in continuous mode for another 3 years, without taking into account the upcoming 2 deliveries in 2022.

Another negative effect could arise from the inability to ship spent nuclear fuel to Russia for technological storage and reprocessing under a contract with FSUE 'PA 'Mayak', in compliance with the Safe Use of Nuclear Energy Act, its implementing regulations and the national policy defined in the Strategy for Spent Nuclear Fuel and Radioactive Waste Management until 2030. The Kozloduy NPP site has a wet spent fuel storage facility, SFSF, where spent nuclear fuel is stored in pools under water. Assuming the extremely unfavourable scenario, i.e. inability to ship SNF in 2022, inability to ship SNF from WWER-1000 in the long term (e.g. due to complication of the international situation), as well as inability to deliver the planned "baskets" from Russia for storage of this type of fuel in the SFSF and taking into account the refuelling regime of Units 5 and 6, it is expected that in the second half of 2024 there will be no possibility to store WWER-1000 SNF at the SFSF, mainly due to the lack of baskets.

As of the date of compiling this report, the Company has contractual relationships with other Russian and Ukrainian contractors for the supply of specific spare parts and long lead-time equipment and specific services for the plant. If no other alternatives are found, there is a significant risk of a delay and/or non-performance of key supplies and services. Deliveries from Ukrainian contractors whose production has been temporarily or permanently suspended /Harkov/ are not urgent and pressing. The spare parts and equipment manufacturing by them have analogues and negotiations with other contractors are ongoing.



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The economic consequences of the military conflict in Ukraine cannot be quantified, but already indicate extremely serious effects on the overall global economy. Energy and commodity prices have risen significantly, exacerbating inflationary pressures from supply chain disruptions and from the recovery from the Covid-19 pandemic. Price shocks are expected to have an impact globally. If the conflict develops negatively or drags on for a prolonged period, the economic damage will be significant and is expected to affect all sectors of economy, both in Bulgaria and the EU. The International Monetary Fund notes that the sanctions against Russia are having an impact on the global economy and financial markets, and will have significant country effects worldwide.

At this stage, plant management is not in a position to reliably assess the effects of the conflict as events unfold on a day-to-day basis, and the longer-term impact may also affect trade volumes, cash flows, profitability, etc. Management believes that the going concern basis of accounting is applicable to the Company for the 2021 financial statements.

5. FUTURE DEVELOPMENT OF KOZLODUY NPP EAD

The planned economic policy of the Company for 2022 is in compliance with the five-year Business Programme for the period 2022 – 2026 approved by Board of Directors of BEH EAD on 19 January 2022.

It presents the mid-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.

The plant primary goals remain the long-term operation of the nuclear facilities ensuring the highest level of safe, efficient and environmentally-friendly generation of energy, maintaining qualified, certified and motivated personnel, and sustaining financial stability of the Company.

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 analysis of the operational experience. The planned investment costs for the period 2022 to 2026 amount to BGN 825 million. A significant share of them (over 75%) are aimed at enhancing the Kozloduy NPP EAD safety, improving the operation of the facilities and equipment related to ensuring the long-term operation of the nuclear power units and the reliable operation of Units 5 and 6 nuclear facilities at uprated power up to 104%.

The activities to be implemented are aimed at completing Company's priority projects such as the following:

- Implementation of measures included in the integrated programmes for enhancement of safety of Units 5 and 6 under long-term operation conditions.
- Implementation of technically justified measures to ensure the reliable operation of the reactor installations of Units 5 and 6 at uprated power.
- Implementation of measures planned for maintaining and enhancing safety at Kozloduy NPP, in compliance with the requirements of the SUNEА and the licences.
- Implementation of investment activities for current maintenance of the units and the auxiliary facilities and infrastructure.

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 cost effectiveness is still among the priorities of the Board of Directors, in the context of Ordinance No. E-PA-04-4 of 14 July 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, with 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 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 2022 will be aimed at ensuring maximum realisation of the generated electricity, stable market presence and maintaining competitive prices. The Company's pricing policy for the non-regulated market will be oriented towards providing secure and regular sales revenues, complying with the market conditions.



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Maintaining a sufficient number of certified, competent and motivated personnel for ensuring the safe operation of the units over the relevant licensing period remains a major priority of the plant Management in its intentions related to the Company management. Special attention for the next five years will be drawn on the activities related to maintaining the high interest and attracting the necessary candidates graduating technical specialities both from secondary vocational and higher education.

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 2021.

6. ADDITIONAL INFORMATION under APPENDIX No. 2 of Regulation No. 2 of 09 November 2021 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 that occurred during the reporting financial year;

The main product of Kozloduy NPP EAD is the electricity generated by Units 5 and 6, and the second product is the result of the operation of the boiler facilities of Units 5 and 6, which produce heat energy. The two main activities of the Company are the generation of electricity and the generation and distribution of heat energy.

Main products	2021	% share	2020	% share
Net energy (in-house generation), MWh	15,674,935	99.84%	15,810,197	100.00%
Purchased energy (substitute), MWh	24,575	0.16%	661	0.00%
Total realisation, MWh	15,669,510	100.00%	15,810,858	100.00%

In 2021, Kozloduy NPP EAD realised income in the total amount of BGN 2,718,688 thousand. Almost 100% are from electricity sales and a very small insignificant share are from heat energy sales. Revenues reported by services provided are from: hotels, recreational facilities, rental of departmental housing, transport, metrology and medical services performed for external organisations, and other services performed by specialised units of the Company. In accordance with the Company's accounting policies, a portion of the funding for dry SFSF is recognized annually as current revenue.

Structure of revenues from sales and share of main categories

Indicator	2021	% share of income	2020	% share of income
Total revenue from sales of production /BGN '000/	2,706,252	99.54%	1,258,910	98.78%
Revenue from electricity sales	2,702,696	99.87%	1,255,807	99.75%
Revenue from sale of heat energy	3,556	0.13%	3,103	0.25%
Income from financing /BGN '000/	3,922	0.14%	3,942	0.31%
Revenue from services and other revenues /BGN '000/	6,740	0.25%	9,384	0.74%
Income from sales of services	2,117	31.41%	2,972	31.67%
Revenue from other sales and income	3,847	57.08%	5,750	61.27%
Income from sales of assets	776	11.51%	662	7.05%
Financial income /BGN '000/	1,774	0.07%	2,170	0.17%
Total revenue /BGN '000/	2,718,688	100.00%	1,274,406	100.00%

No changes in the structure of the main income categories occurred during the reporting financial year.

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; in the cases where the relative share of any of those exceeds 10 per cent of the costs of sales or the sales revenue, information on each person, individually, on their share in the sales or purchases, and their relation to the Company shall be submitted.



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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. After the change of the market model in 2018 and the introduction of the exchange trading as the only and mandatory market mechanism, the main customer of Kozloduy NPP EAD is Independent Bulgarian Energy Exchange EAD (IBEX EAD). IBEX EAD accounts for 84% of the Company's revenue.

The contracts concluded within the reporting period do not go beyond the usual business activities of the Company and do not deviate from the market conditions.

3. Information on major transactions concluded

In 2021, the Company did not enter into any major transactions outside its ordinary business activities, or such that are material in nature in terms of their impact on the financial results. Information on significant transactions and events over the year is disclosed in the separate annual financial statements of the Company as at 31 December 2021.

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

All related party sales and purchases are made under market conditions, except for transactions related to the purchase and sale of electricity at regulated prices as determined by the Decision of the Energy and Water Regulatory Commission (EWRC). The transactions with related parties do not deviate from the normal market conditions. Kozloduy NPP EAD did not conclude any transactions with related parties outside its usual business.

Quantitative data regarding the transactions with related parties is disclosed in detail in the annual separate financial statements of the Company as at 31 December 2021 (explanatory note 35 'Related Party Disclosures').

5. 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;

At the end of 2021, the Company awarded the Ministry of Finance a grant in the amount of BGN 450 million in compliance with Council of Ministers' Decree No. 739/26.10.2021 as a governmental measure to compensate the non-domestic end customers of electricity in the course of the high electricity price crisis. This is an event of unusual for Kozloduy NPP EAD nature and it has a significant impact on the financial result of the Company presenting 27% of total costs. Pursuant to the accounting and tax legislation, the awarded grant to the Ministry of Finance shall be treated as non-operating expenses of the Company and shall not be recognised for tax purposes. In addition to the reduction of the accumulated cash reserve of Kozloduy NPP, the negative effect is manifested in the reduction of the reported accounting profit by BGN 450 million and higher corporate tax expenses by BGN 45 million.

6. Information on off-balance sheet transactions: 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 2021. The Company reports off-balance sheet foreign assets pledged as collateral as follows:



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- bank guarantees that Clients shall provide in favour of the Company, in accordance with the contracted terms for sale of electricity
- bank guarantees that Clients shall provide in favour of the Company, in accordance with the contracted terms other than sale of electricity

Other entity's assets, pledged as compensation /BGN '000/	Available as at 01 January 2021	Received in 2021	Discharged in 2021	Available as at 31 December 2021
Received bank guarantees, denominated in BGN	21,955		21,955	
Received bank guarantees, denominated in foreign currencies (BGN equivalent)	14,346	11,190	16,237	9,300
Received bank guarantees under maintenance contracts, denominated in BGN	1,908	782	1,809	880

7. Information on the Company's participating interests. 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;

The Company holds shares and investments only in the country. In 2021, Kozloduy NPP EAD has invested in the establishment of a new subsidiary - NPP Construction Supervision Ltd.

Information on the assets held is presented in detail in the Company's Annual Separate Financial Statements as at 31 December 2020 (explanatory note 9 'Investments in Subsidiaries').

8. Information on the contracts concluded by the Company, its subsidiary or Parent Company, in their capacity of borrowers - information on any 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 2021. Thorough information on the loans received is disclosed in the Company's Annual Separate Financial Statements as at 31 December 2021.

During the reporting period the last two instalments of the remaining two tranches of the state-guaranteed loan with Euratom under the Loan Agreement dated 29 May 2000 to the amount of BGN 11 million were finally paid within the final maturity date 10 May 2021.

9. Information on the contracts, concluded by the Company, its subsidiaries 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 2021. According to a credit line agreement No. 880080 of 07 October 2008, a decision made by the Bulgarian Energy Holding EAD, dated 07 November 2008, and signed annexes to this Agreement, Kozloduy NPP EAD granted a loan to its subsidiary, Kozloduy HPP EAD, UIC 106588180, to the amount of BGN 22,000 thousand. The financial resources are awarded purposely for the construction of a hydroelectric power plant. According to Contract Annex No. 4, signed on 20 January 2015, the loan has a repayment deadline 15 January 2024, with repayment starting on 15 July 2013. The loan shall be repaid in 22 instalments, the amount of the first 2 instalments being BGN 150 thousand (15 July 2013) and BGN 1,300 thousand (15 January 2014) respectively. A repayment schedule was prepared for the 1/15 of the unpaid principal after 15 January 2014. In accordance with Annex No. 4, the contracted annual interest rate agreed is floating and equals the BIR plus 2.5% margin. The loan is secured by a promissory note and as at 31 December 2021, the loan had been regularly paid. Repayment instalments amounting to BGN 16,010 thousand have been paid, while the loan remainder is BGN 5,990 thousand (principal).

Detailed information on the movements and balances on the granted loans is disclosed in the Company's Annual Separate Financial Statements as at 31 December 2021.



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As at 31 December 2021, the Company had provided the following guarantees and collaterals:

- Guarantee collateral under a contract for organised exchange market (monetary guarantee) - BGN 3,200 thousand;
- Guarantee collateral on the provision of a financial limit when initiating a CMBC bid for electricity (monetary guarantee) - BGN 350 thousand;
- Guarantee 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 (monetary guarantee) - BGN 75 thousand.
- Guarantee collateral for participation on the electricity exchange market (monetary guarantee) - BGN 50 thousand.
- Guarantee obligations to society, for trading in electricity /monetary guarantee/ - BGN 566 thousand.
- Guarantee collateral on balancing contract /monetary guarantee/ - BGN 326 thousand.
- Guarantee collateral under a contract for supply of reactive power to the off-site emergency response centre (ERC)/monetary guarantee/ - BGN 19 thousand.
- Collateral on contract for access and transmission of electricity /monetary guarantee/ - BGN 7 thousand.
- Guarantee collateral on securing financial limit to cover transactions - BGN 5,500 thousand.
- Guarantee collateral on procuring electric devices for the collection of road user charges for vehicles of over 3.5 t – BGN 6 thousand.
- Guarantee collateral for network services – BGN 3 thousand.
- Guarantee collateral under a framework contract for provision of electricity – BGN 11 thousand.

10. Information on the use of funds from the new securities issue during the reporting period

No securities were issued during the reporting period.

11. Analysis of the relationship between the financial results achieved, as reported in the financial statements for the financial year, and the previously published estimates of those results

The Company has not published any financial results estimates.

12. Analysis and evaluation of the financial resources management policy, stating the ability to settle the obligations, any 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 is a main priority. An effective financial management and control system is in place of the Company, functioning 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 action 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. Detailed information on potential threats and measures undertaken is presented hereinabove in the Report. The risks that Kozloduy NPP EAD faces on the electricity market are mainly related to the Company's participation on the non-regulated market, chiefly due to difficulties in forecasting the market environment, and the unpredictability of the market prices dynamics, as well as the continuing COVID crisis.

As at 31 December 2021, the available cash and cash equivalents of the Company exceed by 23% the total liabilities.



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Indicator (BGN '000)	2021	2020
Total liabilities	745,380	695,189
Cash and short-term deposits	-914,193	-485,106
Net debt	-	210,083
Long-term liabilities	376,528	349,186
Equity	3,327,343	2,786,418
Long-term liabilities/Equity ratio	0.11	0.13

13. Assessment of the possibilities for realisation of the investment intentions, indicating of the amount of funds available, and specifying possible changes in the financing structure of this activity

The main priority in the Company's investment programme is the implementation of actions ensuing from the Safe Use of Nuclear Energy Act, the current licences for operation of Units 5 and 6, and the measures identified in the integrated programmes for continuous enhancement of the level of safety at Kozloduy NPP. Implementing them will ensure the long-term operation of nuclear power units over the next 30 years, and will guarantee the Kozloduy NPP EAD nuclear safety, quality and security, radiation protection and environmental protection during the operation of the power units and the auxiliary facilities, in compliance with the requirements of the applicable normative legislation in force. The possibilities for realisation of the investment intentions are estimated on the basis of the amount of the available funds as at 31 December 2021, and the estimates made in the Business Programme of the Company. It is envisaged to realise the investment intentions with own funds from the net profits realised (after deducted dividend in the amount of 50% of the estimated financial results, and depreciation). At present, the current forecast parameters do not envisage the Company assuming new long-term debt, or making changes in the financing structure of this activity.

14. Information on any changes occurring in the core management principles of the Company and the companies within its group, within the meaning of the Accountancy Act, in the reporting period:

No changes in the core management principles of the Company and its economic group occurred in 2021.

15. Information on the key features of the internal control system and risk management system, implemented by the Company in the process of preparing its Financial Statements:

The Company has integrated an adequate and effective financial management and control system, through developed policies and procedures, in compliance with the requirements of the Financial Management and Control in the Public Sector Act, in order to ensure reasonable assurance that the goals set by the management will be achieved. The financial management and control system is characterised by: risk assessment; control environment; exchange of information and communication; and monitoring of activity.

Part of this system is internal audit, which appears as a third line of defence. Pursuant to the Internal Auditing in the Public Sector Act, the internal auditing is one of the tools to assess the adequacy and effectiveness of the financial management and control system. An Internal Auditing Department is established at Kozloduy NPP EAD, which is directly subordinated to the plant CEO and whose main subject of activity is planning and implementation of auditing to provide assurance or consult. The management system established in Kozloduy NPP is process-based which guarantees good synchronisation in managing the risks assumed by the Company.

Sufficient policies, procedures and internal rules have been developed and implemented in accordance with the legislation in force, taking into account the specificity in the implementation of the core activity of Kozloduy NPP EAD. Upon finding any weaknesses in the system, the Company management takes the necessary timely and adequate measures to remedy them. The Accounting Policies Manual comprises procedures, designed to ensure complete, true, accurate and timely booking, which are in compliance with the Accountancy Act and the International Financial Reporting Standards, endorsed by the European Union, applied as an accounting basis by the Company. 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 preventive, 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, the access to different types of information, and the responsibilities related to the information



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flows management. The established system ensures effective implementation of internal control while creating and managing all types of documents, including financial statements and other regular information that the Company is obliged to disclose in compliance with the statutory regulations.

The Company applies the Financial Policy and Risk Management Policy adopted by BEH EAD. The risk management at Kozloduy NPP EAD is applied to ensure that all actions have been taken to identify, assess, plan, and implement measures to minimise the risks impact on achieving the Company's objectives.

16. Information on any changes made to the management and supervisory bodies during the reporting financial year

As of 23 April 2021 (the date of registration in the Commercial Register), a change in the Board of Directors of Kozloduy NPP EAD was made as follows:

- Nasko Asenov Mihov - Chief Executive Officer and a member of the Board of Directors, no change
- Aleksandar Hristov Nikolov - Member of the Board of Directors, no change
- Ivan Todorov Yonchev- Member of the Board of Directors until 23 April 2021
- Jacklen Yosif Cohen - Member of the Board of Directors until 23 April 2021
- Vladimir Andreev Uruchev - Member of the Board of Directors as of 23 April 2021
- Iliya Todorov Iliev - Member of the Board of Directors as of 23 April 2021 and chair of the Board of Directors
- Iva Edward Nikolova - Member of the Board of Directors

17. 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 were included in the Company's expenses, or were derived from profit distributions, inclusive;

Remuneration of the members of the Board of Directors (BGN '000)	31 December 2021	31 December 2020
Short-term remuneration, including:	668	385
Salaries, including bonuses	605	326
Social security costs	26	26
Social costs	37	33

18. Information about arrangements known to the Company (including after the end of the financial year), which may result in future changes in the relative share of the stocks or bonds of the current shareholder or bondholder

At present, the Company is not aware of any agreements that in the future could lead to changes in the relative share of stocks held by the sole owner of the capital.

19. Information on pending judicial, administrative or arbitration proceedings, relating to liabilities or receivables 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.

As at 31 December 2021, there are not any pending proceedings, relating to liabilities or receivables of the Company, amounting to at least 10 per cent of its equity. The Company is not a party in any proceedings with an amount of the claim/borrowing of at least 10 per cent of its equity.

20. Additional information about the Company

Information about the Company is published on the official website: www.kznpp.org.

21. Other information

The Company considers that there is no other relevant information that would be of importance to the users.



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NON-FINANCIAL STATEMENT

Information in accordance with Article 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 Market segment (DAM) - hourly transactions at the clearing exchange price with account taken of the Commitments under the agreement with the EC, and in case of certain imbalances (surplus);
 - Intraday Market segment (IDM) - 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 - for remaining quantities (difference between planned sales and the actual measured net production).
- Supplying company's facilities (art.119, para.1 of the Energy Act) and end customers connected through their own electrical systems (art.119, para.2 of the Energy Act).

The heat energy generated by Kozloduy NPP EAD is realised at prices regulated by the EWRC to satisfy the need of:

- Households and non-domestic customers in the town of Kozloduy;
- Non-domestic (commercial) customers on and in the close vicinity of the plant site.

The long-term intentions of the Kozloduy NPP EAD Management regarding the management of the Company are summarised in the Management Policy of the Kozloduy NPP EAD and the Kozloduy NPP EAD Management Policy Statement regarding the management of the Company which can be found on the website: www.kznpp.org.

The strategic goal of Kozloduy NPP EAD is safe, efficient, and environmentally friendly generation of energy, under long-term operation conditions and with 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 an integrated management system that incorporates all requirements towards the activities, in compliance with the following priorities:

- Highest level of safety;
- Effective and competitive electricity generation;
- Certified, competent, and motivated personnel;
- Financial stability.

The priorities in the different management areas as stated by the management are developed and substantiated in policies of the Management System, which set out the principles, specify the objectives, and the way to achieve them:

- Kozloduy NPP EAD Safety Management Policy;
- Kozloduy NPP EAD Security Management Policy;
- Kozloduy NPP EAD Quality Management Policy;
- Kozloduy NPP EAD Environmental Management Policy;
- Kozloduy NPP EAD Health and Safety Management Policy;



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- Kozloduy NPP EAD Business and Financial Management Policy;
- Kozloduy NPP EAD Fire Safety Management Policy;
- Kozloduy NPP EAD Human Resource Management Policy.

The policies reflect the senior management commitment to achieve the goals and the specific objectives, principles and tools to measure the achievement of constant improvement.

Environmental issues

The management has declared its top priority in its Safety Management Policy, namely - nuclear safety and radiological protection at stable operation of the nuclear facilities under long-term operation conditions in compliance with the licences issued by the NRA. The Company's Management is committed to maintain and develop the safety monitoring and assessment system with highly qualified, trained, and well-motivated personnel for the conduct and control of the nuclear facilities' operation in compliance with the safety requirements as a top priority of the integrated management system.

The plant observes all safety standards applicable to radioactive waste and spent nuclear fuel (SNF) management. The SNF is stored in special spent fuel ponds and in the on-site Wet 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 an undue burden in this area for 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 NRA 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 EAD 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 course of 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). The collective dose of plant personnel and the contractor's staff who worked in the controlled area of Kozloduy NPP EAD in 2021 is within the planned values.

The plant radioecological monitoring is specified in the Kozloduy NPP EAD long-term radioecological monitoring programme. An effective and reliable radioecological monitoring during Kozloduy NPP EAD operation is ensured with the aim 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, assessing 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 2021. The achieved results show that the equivalent dose rate of gamma-radiation varied within the limits of the natural background radiation (0,05÷0,18) $\mu\text{Sv/h}$. 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 in non-radiological aspect, associated with the activities implemented at the Kozloduy NPP EAD site. As a nuclear facilities' operator, the plant 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-



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radiological aspect. The Environment Management Policy is targeted at achieving goals related to the protection of the atmosphere and the purity of the atmospheric air, reducing the impact from the Company's activities on the quality of waters, safe management, minimising and utilising the non-radioactive waste, increasing the energy efficiency, optimising the use of raw materials and reducing the emissions to the environment, and last but not least, minimising the risk of occurrence of environmental damages and incidents.

Greenhouse gas emissions are formed in the atmosphere as a consequence of the operation of diesel-generators and diesel-pumps, designed to provide emergency power supply for Kozloduy NPP safety systems. These facilities are kept in "hot standby" and are periodically tested. Kozloduy NPP EAD holds a greenhouse gas emissions permit No. 143-H2/2013 issued for the operation of these systems. The total amount of CO₂ emissions generated in 2021, as per the verified Company's Report, is 471 tons. Compared to the conventional TPPs using coal, in 2021, Kozloduy NPP prevented the adverse impact of emissions of about 18 million tons of CO₂, about 36 thousand tons of SO₂, 11 tons of NO_x, and 0.1 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, firefighting and other needs. The cooling waters are returned to the Danube River without any changes to their chemical content, and very often even cleaner compared to the intake from the Danube. The waste water generated by the Company's activity is treated in specially designed and erected treatment facilities - neutralisation pits, sludge and oil retainer, and petrol products separator. 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 it does 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 waste generated by the production activity are collected on dedicated sites (storage facilities), where they are sorted and prepared to be transferred for subsequent safe reuse or disposal. 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 disposal to specialised companies holding the necessary permits in compliance with the Waste Management Act. In 2021, a total of 6,144.67 tons wastes were transferred for subsequent safe treatment. 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.

Social and employee matters

Issues related to the number of employees of different genders, and information can be provided by area of employment and by occupation (gender pay equity for jobs of equal value, etc.):

The human resource management in the Company is carried out in accordance with the objectives of the Human Resource Management Policy at Kozloduy NPP EAD and in compliance with the requirements related to the personnel in the obtained licence for the operation of Units 5 and 6 for the new period. Implementing these requirements, the Company fulfils its commitments to maintain a sufficient number of qualified and competent personnel to perform all activities.

Pursuant to the licensing provisions, in the following period 2022-2026 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.

As of 31 December 2021, the plant has 3,706 employees and workers on the payroll, of them 1,168 women.



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Employment-related issues, including consultation and employee participation in decision-making on terms and conditions of employment (need for and frequency of employee consultation, number of new jobs created, proportion of employees on fixed-term contracts, etc.):

Kozloduy NPP EAD builds and maintains correct employment relationships based on trust, protection of rights and interests of the employees and workers and their social well-being. The Company adheres the applicable regulations regarding employment relationships. The Company provides for conditions for continuous employment of workers and employees under employment contracts. Fixed-term employment contracts are concluded annually for a short period of implementation of seasonal works such as snow removal in winter and servicing the recreation centres in summer, as well as for replacement of absent workers or employees.

Employer's responsibility to provide for the required technical provisions, facilities, raw materials, materials, energy, tools, work clothing, personal protective equipment, and other adequate conditions to ensure normal performance of employment duties is guaranteed by the Collective Labour Agreement.

Each newcomer shall complete an Introduction to NPP training course before being assigned to work independently to familiarize with the site access procedure, industrial safety rules, radiation protection rules, fire safety rules, first aid, general rules for actions in the event of an accident and safety culture.

Upon starting the job or reappointment to a new position, the Employer is obliged to acquaint the worker or employee with his/her rights and obligations under the job description for the job, Plant interior regulations, the Plant regulations on salaries, the requirements for health and safety at work, the clauses of the current Collective Labour Agreement, and other internal Company documents. For the purposes of the conducted transparent policy on selection, recruitment and reappointment of personnel, the Employer is bound to use information displays /boards/ and the internal information system to announce the vacancies and the application requirements.

Enterprise's relationship with trade unions, including respect for trade union rights (employee social benefits):

Kozloduy NPP EAD is a socially responsible company. Pursuant to the Plant interior regulations, the Employer is obliged to provide conditions and cooperate with trade unions to perform their activity and with the personnel - to exercise their civil rights and to participate in public or trade union activities if this does not interfere with the work performed.

A Collective Bargaining Agreement is concluded between the plant trade unions and the Company's management, which governs labour, social security and welfare relations not covered by the mandatory provisions of the law and ensures compliance with the employer's commitments to guarantee personnel rights.

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

In connection with the fulfilment of their commitments under the Collective Labour Agreement, upon written request by a trade union organisation(s) the Employer is bound to presents information on the financial and economic position of the Company, pursuant to the rules in force.

The trade unions are involved in drafting the Plant interior regulations and the Plant regulations on salaries to ensure that employees' rights are respected. A Medicines and Treatment Aid Committee has been set up as an advisory body of the employer, with the participation of trade union representatives, to assist in decision making on the expenditure of a portion of the cultural and amenity services fund for employees and workers with health problems.

Pursuant to Regulation No.11 dated 21 December 2005 on Determining the Terms and Procedure for Ensuring Free Food and/or Supplements to it, the workers in ionizing radiation environment are provided with free food and/or supplements to it, and for the off-site staff - means for cheaper food are secured by the Employer.

The Company provides workers with increased paid annual leave and the opportunity to use free company transport.

The Company workers and employees are provided with additional voluntary pension scheme at the Employer's expense.

A contract has been concluded with an insurance company for supplemental health insurance for the Company's staff. The contract provides insurance coverage for a wide range of medical and non-medical services organised in the following packages:

- outpatient medical care;
- inpatient medical care;
- sanatorium treatment;



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- sanitary transport;
- reimbursement for medicines and supplies.

The Occupational Medical Service, which forms part of the Kozloduy NPP EAD organisational structure, performs 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 employees working at the Company, as well as developing and participating in the implementation of measures to manage and reduce the risks related to health and safety at work.

Taking care of the health prevention, recreation and cultural life of the Company's employees and their families, social facilities are maintained - recreational facilities, sports and health complex, House of Culture, etc., where a wide range of health, social and cultural activities are covered.

The plant provides the plant employees and their families with the opportunity to stay in housing and dormitories owned by the Company and use the social facilities at preferential rates.

The plant also provides care for its retired workers and employees. They can also benefit from social facilities at preferential rates. Funds are allocated to support the activities of the Pensioners' Club by which the social life of retired people is encouraged.

Human capital management, including management of restructuring, management of professional development, labour payment and training system (time-based and work-based labour payment system; average number of training hours per year per employee, employee retraining programmes):

The Company's management pursues a policy based on the importance of highly qualified staff to ensure the safe operation of the plant. This is stipulated in the Kozloduy NPP EAD Human Resources Management Policy.

The NPP operation is carried out by a sufficient number of qualified staff who knows and understands the design basis, safety analyses, design and operational documents of the 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 Licences for Use of Nuclear Power.

The Employer ensures, at his own expense, conditions for the preparation and vocational qualification of his 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 process is implemented in compliance with the international standards and national requirements, which is an inseparable part of the Kozloduy NPP EAD management system. The Plant has its own, licensed by the NRA, training centre, which provides conditions for delivering specialised training and includes a WWER-1000 full-scope simulator. The Company conducts compulsory initial and continuing specialised training for activities in nuclear facilities and with sources of ionizing radiation. The scope, topics, settings, and sequence of the training are defined in the training programmes, training schedules, programmes for initial and continuing training at the full-scope simulator, and requests for training. The average number of training hours per employee per year is 50.

The Employer encourages the staff education enhancement, providing, to this end, 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 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 and to identify workers/employees with very good and excellent performance, demonstrating a desire and potential for development. Regarding the development of the workers/employees in the Company, as a result of the evaluation of the work performance, specific activities are planned for expanding their professional competence, in support of the conditions for conducting fair and transparent procedures for professional and career development. This process is regulated by a Quality Assurance Procedure.



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The Plant Regulations on Salaries and the Collective Labour Agreement establish an organisation for effective management of the salaries at Kozloduy NPP EAD and guarantee non-discrimination or prevention of unequal treatment of workers and employees in determining their individual remuneration.

These rules stipulate the issues related to:

- labour payment system;
- accounting of the work time;
- minimal base work salaries according to the positions;
- types of additional labour remunerations;
- procedure, periodicity, and dates of payment of labour remunerations.

The labour payment system at Kozloduy NPP EAD is based on the time worked and the quality of the performance, i.e. the amount of the base pay is directly dependent on the duration of the work, and a premium, in the form of additional remuneration (monthly bonus) for results achieved.

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, and the latter is not lower than the amount of the minimal base work salary for the respective job position.

Health and safety at work

Ensuring occupational health and safety (OHS) at Kozloduy NPP is carried out in accordance with the regulatory requirements for occupational safety and health, international legal norms, criteria, standards, recommendations and forms of 'good practice' that have proven their effectiveness.

The objectives, principles and priorities of the management with regard to occupational health and safety are defined in the Kozloduy NPP EAD Occupational Health and Safety Management Policy. Prevention takes the leading role in ensuring occupational health and safety - preliminary implementation of occupational health and safety measures in order to prevent adverse consequences of hazardous and harmful factors.

A leadership approach is applied through the personal example of supervisors in the performance of work activities in order to achieve a high level of safety culture among workers and to build safety conscious behaviour adhering to the safety requirements. Mechanisms for communicating, consulting and coordinating OSH actions with workers and their representatives are stipulated.

Internal documents reflecting the regulatory requirements for OSH provision have been developed and implemented, and an appropriate organisation has been established to implement and monitor the regulatory requirements.

Occupational health and safety is ensured through:

- individuals who are appropriately trained, instructed, possessing the required certificates and qualification are provided independent job assignment;
- ascertaining the actual state of working conditions at workplaces;
- providing effective personal protective equipment;
- providing sanitary servicing;
- providing initial and periodic medical care;
- planning of measures for working conditions continuous improvement;
- periodic reporting, analysis and assessment of the occupational health and safety.

All the employees/workers are provided with personal protective equipment depending on the specifics of the workplaces, potential hazards, and the risk at work. Continuous medical monitoring and analysis of the health condition of the employees is provided, including provision of first aid, through the plant' Occupational Medical Service and its medical emergency team. Prophylactic medical examinations are organised, their frequency is determined by the nature of the work, working conditions, and the age of the employees. A health and recreation centre is established and designed to strengthen the health and working capacity of the employees. Reduced working hours are introduced, as well as defined hours of work and breaks, and free food.

As a form of social partnership for discussing all issues related to occupational health and safety, which relies on the direct interest of the workers to think about their safety and health at work and the integration of workers in



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the overall activity of ensuring health and safety at work, a Work Conditions Committee (WCC) has been established, which is an advisory body to the Chief Executive Officer on occupational health and safety issues.

In 2021, two industrial injuries have occurred under art. 55, para 1 of the SIC with employees of the Company under circumstances having no direct relation to the production activity of the Company or not adhering to the requirements for ensuring OHS.

No occupational diseases we reported.

Human Rights Issues

The company's commitment to respecting human rights (rights of children, women, indigenous peoples, people with disabilities, local communities, workers, etc.):

As of 2013, the Company has introduced a Code of Ethics which defines the expected behaviour of Kozloduy NPP EAD employees based on the Company's common 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 at increasing public trust in the professionalism and ethics of the Kozloduy NPP EAD staff.

The Code of Ethics is based on the following core values:

- Safety First;
- Commitment, mutual respect, and recognition;
- Personal responsibility and integrity at work;
- Striving for excellence;
- Continuous learning.

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 the Kozloduy NPP EAD site.

In accordance with the provisions of the Protection Against Discrimination Act, recruitment announcements in the Company shall not be restrictive on the grounds of gender, race, nationality, ethnicity or state of health, except where, by reason of the nature of the work, gender, respectively age or state of health, is an essential element of it.

Kozloduy NPP EAD bases its recruitment decisions on educational and qualification requirements, psychological characteristics, medical indications for work in ionizing radiation environment, regardless of race, nationality, ethnicity, age, gender, race, belief, origin, sexual and political orientation, marital status, and physical disabilities.

Kozloduy NPP EAD maintains an open, fair, honest, impartial and accessible recruitment policy which is a subject of the main priority to ensure safe operation of the nuclear facilities.

Women at Kozloduy NPP EAD occupy both senior operational and senior management positions. Over the years, the share of female employees in the Company has remained constant - just over 31%. About 25.4% of all who hold management positions are women.

Equal rights and opportunities for work, development and career advancement are provided, depending solely on the initiative, professional qualifications, experience and personal qualities of employees, as well as the results achieved in their work.

Ensuring adequate remedies for human rights (the process of receiving and addressing complaints and providing remedies for human rights violations):

In accordance with the Collective Labour Agreement, the Employer commits to respond within 14 days to written applications, requests and warnings /complaints/ filed by the workers or employees.

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.



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The Corruption Prevention section is involved in implementing the measures contained in the plan; the main activity of the section 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 7-62-62.

These alerts are examined applying the principle of information confidentiality and protection of the whistleblowers' anonymity. There is also an administrative procedure in place for the registration and work on the corruption and/or conflict of interest alerts, and for protection of whistleblowers.

In 2021, there was 1 report of corruption; it was sent to Vratsa Regional Prosecutor's Office to be assessed whether an offence has been committed.

The employees who have direct relation to the fight against corruption in the Company were adequately trained on the topic of Anti-corruption, with continuous professional training foreseen in this area in order to ensure the required expertise to prevent and counteract corruption.

Outlook on environmental and social policies

Kozloduy NPP EAD will continue to work actively for the environmental protection in all its aspects. The Company is implementing 'Environment non-radiological aspects management programme', in compliance with BDS ISO EN 14001:2015.

Kozloduy NPP EAD implements a programme for maintaining and enhancing safety in 2021, 2022 and 2023, 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.

A safety culture improvement programme is ongoing at the plant. The activities for safety culture enhancement envisaged in the programme are directly related to safety leadership, improving human performance, personal responsibility and teamwork, creating a non-punitive environment, and problem and error reporting, optimisation of documents, human resource management, as well as transfer and retention of knowledge. The activities regarding security culture are aimed at widespread communicating issues on ensuring the security of nuclear facilities, including preparation of the necessary information materials both for the staff of the plant and external organisations, review, update and further development of training materials, as well as conducting training.

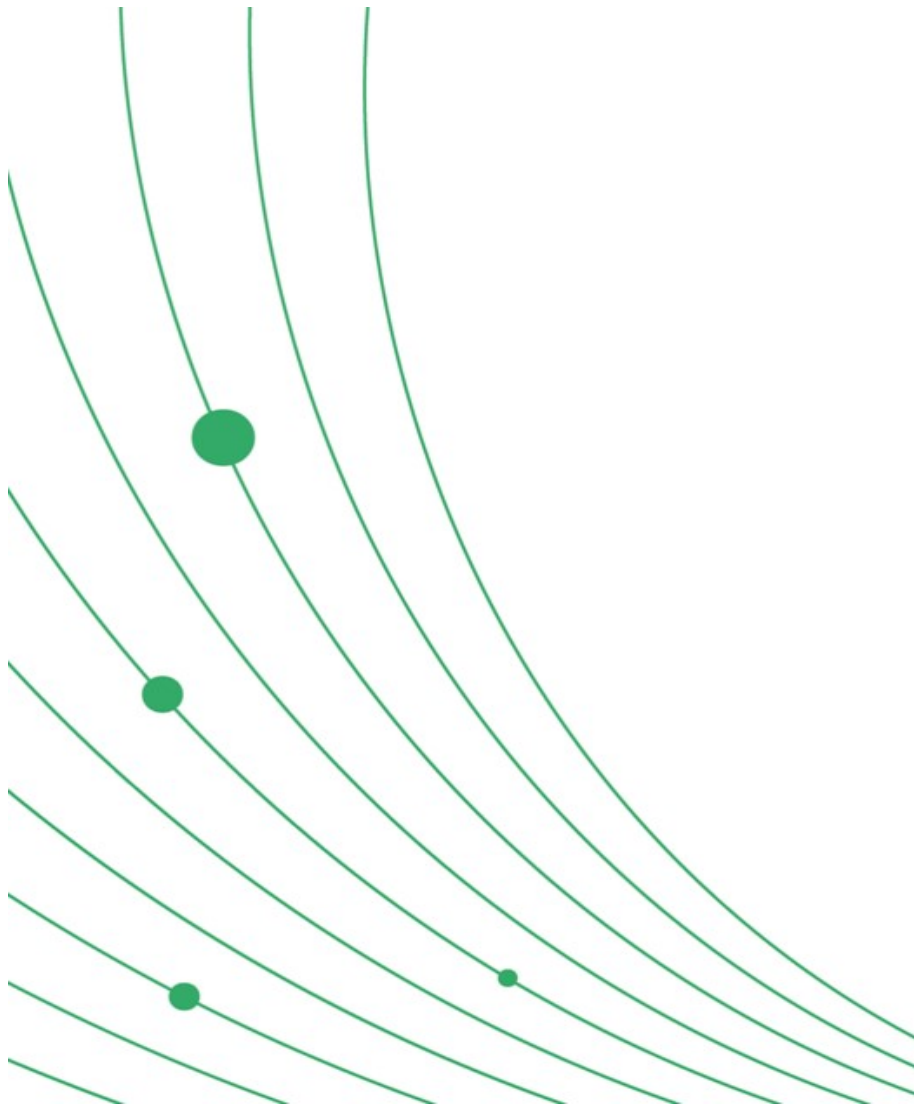
A Plan for the staff required for key positions at Kozloduy NPP EAD has been developed in order to provide the necessary information to ensure the timely selection and training of personnel for taking-up positions in the Company in order to ensure safe and long-term operation of the nuclear facilities.

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

NASKO MIHOV
CHIEF EXECUTIVE OFFICER
KOZLODUY NPP EAD







**Corporate Governance Statement
31 December 2021**

Corporate Governance Statement

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The Corporate Governance Statement is a separate report that is issued together with the Management Report of Kozloduy NPP EAD. It is prepared in pursuance of article 61, para 3, item 5 of the Rules for Application of the Public Enterprises Act (RAPEA), in conformity with article 100(n), para 7, item 1, and article 8 of the Public Offering of Securities Act (POSA).

1. Information on article 100n, para 8, item 1 of the POSA concerning compliance as appropriate of: a) The National Corporate Governance Code or b) another Corporate Governance Code, as well as information on the corporate governance practices applied by the Company in addition to the Code under bullet “a” or bullet “b”

Kozloduy NPP EAD complies, as appropriate, with the National Code of Corporate Governance (NCCG), established in October 2007, subsequently amended in July 2021, approved by the Chair of the Financial Supervision Commission by Decision No. 850-KKV/25.11.2021 and approved by the National Corporate Governance Committee.

The Code is applied based on the observe or “explain principle”. This means that the Company complies with the Code, and in case of deviation, the management shall clarify the reasons for that.

In addition to the National Corporate Governance Code, the Company follows the good corporate governance principles and norms established with the Commerce Act and the Public Enterprises Act. Good corporate governance means loyal and responsible corporate governance, transparency and independence, as well as the Company's responsibility to society.

The Company has adopted and follows a Code of Ethics which specifies the behaviour expected of Kozloduy NPP EAD employees by describing basic moral and ethical norms, principles and rules. The Code of Ethics aims at developing a shared values based organisational culture on which helps reinforce the Company as a socially responsible entity applying the universal principles of the UN Global Compact. The Code of Ethics is applied and observed by the Board of Directors, managers and all the employees of Kozloduy NPP EAD.

2. Information under Article 100n, para 8, item 2 of the POSA regarding the explanation of the Company which parts of the Corporate Governance Code under item 1, (a) or (b) are not observed and why this is the case, respectively, when the Company decides not to refer to any of the rules of the Corporate Governance Code - grounds for this

The Company observes the basic principles of the National Corporate Governance Code in relation to all the requirements relevant for its activities, insofar as they do not contradict the legislation.

The election and dismissal of the Board of Directors members is within the powers of the Sole Owner of Capital, according to the texts of the Commercial Law and the Articles of Association of the Company. The BoD members get elected and appointed following a competition, the conditions and the order for which are regulated in the Regulations for Application of the Public Enterprises Act.

The selection criteria are determined by the body exercising the rights of the state, in accordance with the Public Enterprises Act and taking into account the provisions of specific acts. The contracts of the Board of Directors can be terminated ahead of time, as per the text of article 24 of the Public Enterprises Act.

The members of the Board of Directors receive remuneration as determined by the terms and conditions of the Rules for Application of the Public Enterprises Act.

Kozloduy NPP EAD does not have an approved disclosure policy. In connection with the requirements of the Bulgarian legislation, the Company observes the terms, comprehensiveness of the

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information and reporting regarding its financial statements and management reports. The annual financial statements and management reports are published in the Commercial Register in accordance with the Accountancy Act, and on the Company's website. Information in quarterly, six-monthly, nine-monthly and annual financial statements, analyses and management reports is promptly published through the electronic information system for public enterprises of the Public Enterprises and Control Agency.

Other important information regarding the Company's activity is communicated on its website www.kznpp.org.

Kozloduy NPP EAD does not have in place a set of approved rules for taking into account the interests of stakeholders, but complies with pertinent legal requirements and the principles of transparency, accountability and business ethics.

3. Information under Article 100n, para 8, item 2 of the POSA - description of the principal characteristics of the Company's internal control and risk management systems in relation to the financial reporting process

The Company has integrated an adequate and effective financial management and control system through policies and procedures conforming to the provisions of the Financial Management and Control in the Public Sector Act (FMCPSA), in order to provide reasonable assurance that the goals set by the management will be achieved. The financial management and control system follows the COSO model and features five components:

- Risk assessment
- Control environment
- Monitoring activities
- Information and communication exchange
- Existing control activities

Monitoring activities have been introduced in Kozloduy NPP EAD that cover the risks and assist in goals achievement. The monitoring that forms part of the work processes is adapted to the plant specific nature.

Kozloduy NPP EAD applies the Risk Management Policy of BEH EAD, as well as the Risk Management Strategy of BEH EAD.

Kozloduy NPP EAD applies risk management to ensure that all actions have been taken to identify, assess, plan, and implement measures to minimize the risks' impact on achieving the Company's objectives. The strategic risks are specified in the Business Programme of the Company and are managed by the senior management together with the Board of Directors.

The strategy of the management is aimed at implementing a risk management process for risks associated with achieving the goals at the Company, process, and design levels, as well risks arising at operative level when performing specific activities. In processes involving decision-making and significant business risks, risk monitoring and minimisation actions are integrated, and the responsibilities for performance, control and decision-making are defined contingent on the activity.

"Quality Rules. Risk Management at Kozloduy NPP EAD" have been developed. These Rules are subject to periodic reviews, and updates, if applicable. A risk-register has been in place comprising the identified risks in the processes of Kozloduy NPP EAD Management System, approved at a Safety and Quality Committee meeting.

The Company's Internal Audit department reports directly to the Chief Executive Officer, as required by the Public Sector Internal Audit Act. The main function of Internal Audit is to perform audits for independent and objective inspections, analyses and evaluations of processes, so as to assure the

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management of the reliability, efficiency and effectiveness of risk management systems, internal control and corporate governance. The internal audit function performs audits for legality and expediency, as well as provides advice and makes recommendations for improving the operational activity of the Company.

4. Information on article 10, para 1, (c), (d), (f), (h) and (i) of Directive 2004/25/EC of the European Parliament and the Council of the European Union, of 21 April 2004, on takeover bids:

4.1. Article 10, para 1, (c) - significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and crossshareholdings) within the meaning of Article 85 of Directive 2001/34/EC

Kozloduy NPP EAD is a legal entity, a commercial company with registered capital in the amount of BGN 244,584,890, distributed in 24,458,489 shares with a par value of BGN 10. The Bulgarian Energy Holding (BEH) EAD is the sole owner of the capital of Kozloduy NPP EAD. The principal of the former is the Bulgarian state through the Ministry of Energy. The Minister of Energy exercises the right of ownership on behalf of the state. As at 31 December 2021, Kozloduy NPP EAD is the owner of a business group comprised of the following companies with Bulgaria as the country of their incorporation:

<i>Subsidiaries</i>	<i>Share</i>	<i>Investment Value in BGN '000</i>
1. Kozloduy HPP EAD	100%	1,082
2. Kozloduy NPP - New Build EAD	100%	21,000
3. NPP Construction Supervision EOOD	100%	5
4. Interpriborservice OOD	63.96%	79

The Company has a share of 1.12% in the capital of ZAD Energia. The value of the investment as at 31 December 2021 amounts to BGN 549 thousand.

4.2. Article 10, para 1, (d) - the holders of any securities with special control rights and a description of those rights

The company has not issued any securities with special control rights.

4.3. Article 10, para 1, (f) - any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the company's cooperation, the financial rights attaching to securities are separated from the holding of securities

There are no restrictions on the voting rights of the Sole Owner of Capital.

4.4. Article 10, para 1, (h) - the rules governing the appointment and replacement of board members and the amendment of the articles of association

The rules governing the appointment or replacement of BoD members and the amendment of the Company's Articles of Association are regulated in the Commerce Act, the Public Enterprises Act, the Rules for Application of the Public Enterprises Act and the Articles of Association. The rules governing the appointment or replacement of BoD members are described in item 5.

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4.5. Article 10, para 1, (i) - the powers of board members, and in particular the power to issue or buy back shares

The Board of Directors exercises its entire competence pursuant to the Company's Article of Association. Changes to the capital through shares issuance or buy-back takes place upon decision made by the Sole Owner of Capital and, therefore, the BoD members do not have such powers.

5. Information on Article 100n, para 8, item 5 of the POSA - the composition and functioning of the administrative, management and supervisory bodies and their committees

Kozloduy NPP EAD has a one-tier management system, its management bodies being: The **Sole Owner of Capital** and the **Board of Directors**.

On the grounds of article 107 of the Independent Financial Audit Act, the Company has established its **Audit Committee**.

1. The Sole Owner of Capital

The Bulgarian Energy Holding (BEH) EAD is the Sole Owner of the Capital of Kozloduy NPP EAD. The principal of the former is the Bulgarian state through the Ministry of Energy. The rights of ownership of the state are exercised by the Minister of Energy.

1.1. Competency

The sole owner of the capital has all the rights of a shareholder of the Company, according to the law and the Articles of Association of the Company and makes decisions on all issues within the competence of the Shareholders' General Assembly.

The Sole Owner of Capital may:

- Modify and amend the Articles of Association (AoA) of the Company;
- Increase or reduce the Company's capital;
- Reorganise and terminate the Company;
- Appoint and discharge the members of the Board of Directors, determine their remuneration; send BoD members on business trips abroad;
- Appoint and discharge the certified expert accountant;
- Approve the annual balance sheet after its verification by the appointed certified expert accountant;
- Decide on the issue of bonds;
- Appoint liquidators upon termination of the Company (except in cases of insolvency), participate in the election of a special representative if the circumstances are present for the State Energy and Water Regulatory Commission to appoint a special representative under the Energy Act, and conclude contracts with these liquidators.
- Exempt from liability the members of the Board of Directors;
- Make decisions to open, transfer or close branches of the Company;
- Give permits for: disposition transactions with fixed assets; contracts for the use or rental of real estate or assets whose balance value exceeds 5% of the total balance value of the fixed assets as at 31 December of the preceding year, or transactions which (without regard to the value of assets) require authorisation by the State Energy and Water Regulatory Commission; acquisition of shares and/or stock in other companies, as well as the disposition with shares and/or stock owned by the Company in other companies; conclusion of credit agreements; contracts for joint activity (aka joint venture), partnership and cooperation, agreements with clauses for division of profit and loss, and contracts for participation in international projects or relating to such projects and their implementation; undertaking bill of exchange liabilities; securing the obligations of the Company through creating a mortgage or lien on fixed assets of the Company; providing collateral in favour of third parties;

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conclusion of a judicial or extra-judicial agreement which recognises obligations of the Company or remits receivables of the Company with regard to third parties; material change to the Company's activity; significant organisational changes, long-term cooperation essential to the Company, as well as the termination of such cooperation;

- Approve the choice of insurer when entering in a contract for mandatory insurance;
- Agree the Board of Directors decision of initiating procurement procedures for over BGN 500,000 (five hundred thousand), VAT excluded;
- Give permit for awarding contracts for sale, exchange and lease of fixed assets, regardless of their balance value to be implemented by direct negotiation;
- Agree the acquisition of assets or the conclusion of contracts and the amendments thereto, with single or totalling value of over BGN 500,000 (five hundred thousand), VAT excluded, except for contracts for electricity sales at freely negotiated prices and contracts concluded in pursuance of any legal and/or licensing obligation at regulated prices, as well as the amendments to such contracts;
- Adopt and submit to the Board of Directors the Policy for Corporate Governance, the Financial and Accounting Policy, Information Technology Policy, Human Resources Management Policy, Investment and Project Management Policy, Public Procurement Policy (including Policy for conducting of tenders, competitions and direct negotiations for the procurement of goods and execution of works and services), Policy for conducting of tenders, competitions and direct negotiations for the conclusion of contracts for sale, exchange or lease of fixed assets, Risk Management and Internal Audit Policy, and other policies that are mandatory for the Company ("Policies"), and approve the business programme of the Company prepared by the Board of Directors;
- Make decisions about the Company's profit distribution and payment, and payment of additional remuneration to the members of the Board of Directors, and determine the amount of such remuneration;
- Give consent for election of a procurator of the Company and approve in advance the conditions of the procuration;
- Give consent prior to the decisions on the preceding items (except regarding secondment) which the Company makes in respect of its subsidiaries and project companies (if applicable and appropriate according to the type of company), and on the conclusion of any contracts between the Company and its subsidiaries and project companies, if any;
- Make decisions on other issues within its purview as provided by the law and the Articles of Association.

1.2. Decision-making

The Sole Owner of Capital shall make decisions within the competence of the regular annual general meeting held once a year, and within the competence of any extraordinary general meeting, as needed. To exercise the competences of the general meeting, the Sole Owner of Capital does not communicate any invitation in the Commercial Register. The Sole Owner of Capital may at any time make decisions in writing within the competence of the general meeting, notifying the Board of Directors of this by submitting through its Chair the original of such decisions in view of their implementation.

The Board of Directors shall fulfil its obligations under Article 223, and Article 251 of the Commerce Act, respectively, by sending an application in writing to the Sole Owner of Capital concerning the need, and the preparedness of the Sole Owner of Capital to make decisions. The application in writing shall contain proposals regarding the issues on which the Board of Directors suggests that the Sole Owner of Capital make decisions. The proposals shall neither bind the Sole Owner of Capital to consider and resolve the issues raised, nor limit it with respect to the range of issues on which it can make decisions.

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The Sole Owner of Capital shall write a report on the decisions which shall bear the signature of the principal of the Company.

If the Sole Owner of Capital requires attendance of the decision-making meeting by BoD members, the latter shall be obliged to attend. The Sole Owner of Capital may require that the attending members of Board of Directors or other attendees it has invited co-sign the report on the decisions it has made. In the cases provided by law, the persons employed by the Company shall take part in the decision-making as appropriate.

The application for registering of the decisions of the Sole Owner of Capital when such decisions are subject to registration, shall be assigned to the Chief Executive Officer, who in such case shall be entitled to authorise another person to do this.

2. The Board of Directors

2.1. Status and Function

The Board of Directors is accountable to the plant Sole Owner of Capital for governing the Company including strict adherence to the Policies. It shall hold meetings as necessary, but not less than once in three months.

The Board of Directors of Kozloduy NPP EAD consists of 5 (five) members that are physical persons appointed by the Sole Owner of Capital, under the provisions of the Rules for Implementation of the Public Enterprises Act.

The Board of Directors shall elect one or two of its members for executive members, while the rest shall function as non-executive members. The tenure is the maximum allowed by the current law, as of the entry of the Board of Directors in the commercial register and in the register of non-profit legal entities (non-profit organisations). The Board of Directors shall continue to exercise its powers even after the expiration of its term of office until the entry of a new Board of Directors.

Pursuant to the AoA, member of the Board of Directors may not be a natural person who:

- performs on his/her behalf or on someone else's behalf commercial transactions similar to the Company's business activity;
- is a partner in a general partnership, limited partnership, or a limited liability company running a business similar to the Company's business activity;
- has been a member of a governance or oversight body of a company that has been terminated due to insolvency over the previous two years, preceding the date of the decision for declaring insolvency, if unsatisfied creditors had remained;
- is a spouse or a relative up to the third degree by direct or collateral line, including kinship by marriage to other member of the Board of Directors;
- has been sentenced for criminal offence, including deprived through a verdict or administrative penalty of the right to hold office associated with material accountability;
- is a member of parliament, minister, district governor, deputy district governor, mayor, deputy mayor, appointive mayor, secretary of a municipality, chair of a state agency, member of a state commission, executive director of an executive agency, head of a state institution established by law or by a decree of the Council of Ministers, has functions in connection with the executive power implementation, is an executive director or a member of a council of the Privatisation Agency and the Post-Privatisation Control Agency;
- owes public receivables to the state or a municipality;
- does not hold a higher education degree or does not meet other requirements provided by law.

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The Board of Directors' functions are to carry out the operative governance of the Company and supervise the activity of the Chief Executive Officer, including in terms of observance of the Policies. The Board of Directors shall fulfil all the functions and address all the matters that fall outside of the exclusive competence of the Sole Owner of Capital, pursuant to the law or to the Company's AoA. The BoD shall adopt Rules of Procedure for the implementation of its activities, and these Rules shall be approved by the Sole Owner of Capital.

2.2 Competence

The Board of Directors shall exercise all its board of directors' competence as provided by law and the Company's AoA, and in doing this it shall:

- organise, lead and control the whole activity of the Company;
- prepare a business programme of the Company for the entire term of office and for each separate year, submit this programme for approval by the Sole Owner of Capital, and ensure its implementation;
- implement the investment policy of the Company and make decisions on the acquisition of property and other rights on real estate which are not of the exclusivity competence of the Sole Owner of Capital;
- bear responsibility for: pursuit of the Policies and draft procedures for their implementation by the Company and its subsidiaries (if any); fulfilment of the licence conditions by the Company and its subsidiaries (if any) and maintaining of the licence; completion of the production and business programmes of the Company; monitoring and being in charge of the good economic condition of the Company;
- elect one or two of its members as Chief Executive Officers and empower them to manage and represent the Company before third parties. Should two Chief Executive Officers be elected, they shall represent the company jointly;
- reach unanimous decisions on all transactions as envisaged in Article 236, para 2 of the Commerce Act;
- upon request of the principal, seek for and obtain from the State Energy and Water Regulatory Commission or other competent authority the required permits and agreements, make motions to the principal for solving issues which are of the competency of the Sole Owner of Capital and resolve all other issues intended for settling by the Board of Directors as per the Articles of Association.

2.3. Decisions

The Board of Directors can make valid decisions when at least half plus one of its members are attending or are represented, while the absent members have been duly invited. A member of the BoD can be represented at a meeting only by another member of the Board. None of the attending members can represent more than one absent member. Authorisation shall be submitted in writing. It shall be granted for each separate meeting and attached to the documents resulting from the meeting. When the authorisation does not contain specific voting instructions, the representative shall cast two equal votes reflecting the manner in which he/she votes on the respective issue. The procurators, if any, shall attend the meetings of the BoD with a deliberative vote right.

The Board of Directors shall adopt decisions by simple majority of all members, unless the law or Articles of Incorporation require a decision to be made by qualified majority or unanimity.

The Board of Directors can also make decisions "in absentia" when all the members have stated in writing their approval of the decisions. The approval shall also be valid when sent as a fax message, identified by signing before forwarding or in another manner as agreed among the members of the Board of Directors.

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2.4. Status of an executive member of the Board

The Board of Directors shall assign the CEO to manage and represent the Company. The non-executive members of the Board of Directors shall supervise the activity of the Chief Executive Officer.

The Chief Executive Officer shall represent the Company individually and shall be entitled to carry out all actions and transactions related to the activity of the Company, draft and sign documents on behalf of the Company, as well as authorise other persons to execute separate actions and transactions. If two CEOs have been elected, they shall represent the Company under the conditions of joint representation.

The Chief Executive Officer shall organise the activity of the Company in compliance with the law, Articles of Association, the BoD's Rules of Procedure, the policies and decisions of the Sole Owner of Capital, and the decisions of the Board of Directors. The CEO shall take over the operative governance of the Company's activity, conclude and terminate labour and other types of contracts with the Company's employees and associates, and bear responsibility for the Company's accountability and archives. The CEO shall decide on all other issues that are not of the exclusive competence of the

Sole Owner of Capital or the Board of Directors as provided by the law or the Articles of Association, or issues that he/she has been assigned via a decision of the Sole Owner of Capital.

The CEO governance contract as well as the governance contracts of the rest of the Board of Directors' members shall be signed by a representative of the Sole Owner of Capital, unless the Board of Directors of the Sole Owner of Capital has authorised another of its members to this effect.

2.5. Contracts with the members of the Board of Directors, remunerations and expenses

Each member of the Board of Directors shall conclude a management contract with the Sole Owner of Capital. The contract shall be valid until the end of the term of office of the Board of Directors and shall specify the rights and obligations of the parties, remuneration amount and method of payment, liability in the event of a default, grounds for termination of the contract, type and amount of the guarantee paid by the members for their management, and amount of penalty in the event of an early termination of the contract not through the fault of a member of the Board of Directors.

The members of the Board of Directors shall receive remuneration as determined by the terms and conditions of the Rules for Application of the Public Enterprises Act.

The members of the Board of Directors shall submit a performance guarantee for the governance they will deliver in the amount of three-monthly remunerations. The guarantee thus provided shall be returned upon termination of the contract for governance and following a decision of the Company's Sole Owner of Capital for release from liability.

If business trips need to be made, the members of the Board of Directors shall be sent on assignment by the Chief Executive Officer (including his/her own business assignments) at the expense of the Company. In case of conducting meetings of the Company's bodies, the costs for meeting arrangements and secondment of members of the Board of Directors, if the venue is different from their place of residence, shall be borne by the Company.

2.6. Staff

As at 31 December 2021, Board of Directors of Kozloduy NPP EAD consists of, as follows:

- Iliya Todorov Iliev
- Nasko Asenov Mihov

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- Aleksandar Hristov Nikolov
- Vladimir Andreev Uruchev
- Iva Edward Nikolova

The BoD has a term of office for 5 years as of the date of entry in the Commercial Register. Iliya Todorov Iliev chairs the BoD. Nasko Asenov Mihov is the Chief Executive Officer and representing Kozloduy NPP EAD,

3. Audit Committee

The Audit Committee is an independent monitoring body that reports on its activity to the Board of Directors of the Bulgarian Energy Holding EAD. It consists of 3 (three) members one of them being the Chair. The Chair and the members of the committee are elected and assigned by the Single Owner of Capital of Kozloduy NPP EAD for a term of 3 (three) years.

As at 31 December 2021, The Audit Committee on behalf of Kozloduy NPP EAD consists of, as follows:

- Elena Dimitrova Georgieva, Chair
- Ognyan Bozhidarov Todorov, member
- Kostadin Stefanov Yanev, member

The Committee assists the Board of Directors of Kozloduy NPP EAD regarding the internal control systems and financial reporting, internal audit and risk management in view of the principles of good corporate governance and the set strategic goals of Kozloduy NPP EAD. Monitors and verifies the independence of registered auditors in accordance with Chapters VI and VII of the Independent Financial Audit Act.

The primary functions of the Audit Committee are to:

- Monitor the financial reporting process in the Company;
- Monitor the effectiveness of internal control and risk management systems in the Company;
- Monitor the effectiveness of the internal audit activity in terms of financial reporting in the Company;
- Supervise the independent financial audit of the Company.

The Audit Committee has authorised access to information and documents, as well as assistance on behalf of the BoD and the employees. It has the right to require of the BoD to provide sufficient resources for the effective performance of its duties.

The Audit Committee members shall comply with the requirements provided in the Independent Financial Audit Act.

In the process of delivering its functions, the Audit Committee interacts with auditors (internal and external ones), as well as with the Commission for Public Oversight of Statutory Auditors (CPOSA) As provided in article 108 of the Independent Financial Audit Act, the Audit Committee shall, following the acceptance of the Company's annual financial statement, report on its activity to the Sole Owner of Capital.

In addition to the above governance bodies and the committee, Kozloduy NPP EAD has in place as follows:

- Business and Finance Committee;
- Safety and Quality Committee;

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- Energy Efficiency Committee;
- Nuclear Safety Advisory Committee.

Business and Finance Committee - functions and structure

The Business and Finance Committee (BFC) with the Chief Executive Officer considers all issues related to the senior management policy on financial and business matters. The organisation and activity of the Committee, its goals and objectives, as well as the rights, obligations and responsibilities of its members are regulated in the Rules of Procedure of the Business and Finance Committee, subject to approval by the Chief Executive Officer of Kozloduy NPP EAD.

Functions of the Business and Finance Committee:

1. Review, approve and propose for approval by the Chief Executive Officer of the Draft Budget of the Company for each calendar year;
2. Consider the participation of Kozloduy NPP EAD in other companies;
3. Review, approve and propose solutions to the Chief Executive Officer regarding:
 - reports from the organisational units for initiating public procurement procedures within the meaning of the Public Procurement Act;
 - public procurement award without conducting a tender procedure for amounts exceeding BGN 70,000;
 - commercial transactions outside the application scope of the Public Procurement Act for over BGN 70,000.
4. Consider proposals for optimising the performance of the BFC.
5. Consider business and finance matters related to the preparation and implementation of projects, programmes, tasks and specific activities in view of their conformity with the Company's objectives and priorities.

The BFC consists of a chair, deputy chair, secretary and members. The BFC may hold meetings in its permanent or extended composition.

The permanent composition: members are regulated in the Rules of Procedure of the Business and Finance Committee as approved by the Kozloduy NPP EAD Chief Executive Officer.

The BFC extended composition includes the permanent composition that may be extended to involve specialists from Kozloduy NPP EAD and external organisations relevant to the matters to be considered and part of the agenda for the respective meeting, at the discretion of the Chief Executive Officer, on the grounds of proposals made by the Chair or the permanent Committee members. During discussions on general financial matters, the BFC may use the assistance of additional specialists from the Company as well as external consultants with expertise on the matters discussed. The additionally recruited specialists prepare in writing and submit to the BFC their opinions on the topics they had been invited to comment on. They are entitled to deliberative vote rights.

Safety and Quality Committee - functions and structure

The Safety and Quality Committee (SQC) is an advisory body with the Kozloduy NPP EAD CEO on all safety and quality related issues during plant operation, maintenance, and reconstruction of the nuclear facilities, nuclear fuel cycle and radioactive waste management, and sustaining emergency preparedness.

The Safety and Quality Committee strictly adheres to the provisions of the Safe Use of Nuclear Energy Act (SUNEA), the ordinances on its implementation as issued by the Nuclear Regulatory Agency (NRA), and other applicable laws and regulations as well as Kozloduy NPP EAD internal

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documents. The Committee's activity organisation, structure and composition, tasks and responsibilities are regulated by the Rules of Procedure of the Safety and Quality Committee, as approved by the Chief Executive Officer of Kozloduy NPP EAD.

Safety and Quality Committee Functions:

1. Review the Management System of Kozloduy NPP EAD
2. Discuss and evaluate (if required) the documents herein below, suggest solutions for their approval by the Kozloduy NPP EAD Chief Executive Officer, as well as the taking of the related technical and organisational measures:
 - technical solutions for making modifications to the design of systems and facilities important to safety;
 - plans, time schedules and programmes for activities related to safety, quality and environment preservation;
 - terms of reference, projects, accounts and close-out reports, reports from inspections performed, analyses and evaluations of safety, quality and the environment;
 - tender documents for procurement and services related to safety, quality and the environment;
 - projects, reports, analyses and papers regarding the functioning of the management system;
 - annual report on the safety of the nuclear facilities at Kozloduy NPP EAD;
3. Upon the order of the CEO of Kozloduy NPP EAD, the SQC considers and suggests solutions under other issues (including the issues brought up by other advisory bodies and committees), related to safety, health, security, quality, and environmental protection.
4. Addresses issues concerning the Management System (MS):
 - reviews, assesses and proposes for approval by the CEO a set of policies for managing the Company and strategies for their implementation;
 - reviews, evaluates and approves a process-based model of the MS;
 - reviews and proposes for approval a draft order listing managers and responsible persons for the MS processes;
 - reviews and analyses the Company's strategic risks and the process risks having the highest residual risk, and approves actions for their monitoring and minimisation;
 - approves changes made to the objectives, policies, strategies and process model of the MA and/or individual processes;
 - deals with matters regarding the independent assessment process;
 - approves applicable normative documents of a recommendatory nature (guidelines, good practices, etc.) as mandatory for implementation in the Company;
 - approves a report on the MS condition and a programme (actions) for the MS further development and improvement.

The Safety and Quality Committee is made up of a chair, deputy chair, secretary and members. The Safety and Quality Committee holds its meetings in its permanent or extended composition.

The standing committee members are specified in the Rules of Procedure of the Safety and Quality Committee approved by the Kozloduy NPP EAD Chief Executive Officer.

The Committee's extended composition includes the permanent members and may be supplemented upon an order of KNPP EAD CEO with specialists from the plant or from external organisations relevant to the issues discussed, as well as independent experts in the field.

Proposals to the chair of SQC for extending its composition can be made by any of its permanent members, or by the officials that have requested the holding of a specific meeting of the Committee.

Representatives of senior management bodies within the Company, as well as NRA agents may attend the SQC meetings in the role of observers and without any prior invitation.

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Energy Efficiency Committee - functions and structure

The Energy Efficiency Committee (EEC) is an expert committee with the CEO of Kozloduy NPP EAD with advisory functions on all matters related to the Company's energy efficiency policy. The Energy and Efficiency Committee strictly adheres to the provisions of the Energy Efficiency Act (EEA), the ordinances on its implementation as issued by Minister of Energy, and other applicable laws, regulations, as well as Kozloduy NPP EAD internal documents. The Rules of Procedure of the Energy Efficiency Committee, approved by the Kozloduy NPP EAD Chief Executive Officer, specify the work arrangements, objectives and tasks, rights, obligations and responsibilities of the Committee members.

Energy Efficiency Committee functions:

1. The Energy Efficiency Committee (EEC) discusses and evaluates the administrative, organisational and engineering documents prepared by the Company's structural units (levels 1 and 2) and departments (levels 3 and 4) related to the plant energy efficiency management policy.
2. The principal tasks of the Committee are to:
 - 2.1. Evaluate and accept initial, interim and final results from the implementation of terms of reference, technical solutions, programmes, plans, time schedules and other documents related to the management of energy efficiency and performance of energy efficiency actions;
 - 2.2. Approve proposals and make decisions to ensure the required preconditions and resources for the practical implementation of the approved developments;
 - 2.3. Compare the scope and times for implementing energy efficiency actions listed in the reports with the requirements specified in the terms of reference and the work programmes per contracts for services awarded to external organisations;
 - 2.4. Evaluate and set optimal timeframes for the realisation of approved plans and documents developed for energy efficiency;
 - 2.5. Analyse the results from energy monitoring and propose corrective measures;
 - 2.6. Discuss and approve the annual report as required by the Energy Efficiency Act, prior to it being forwarded to the Sustainable Energy Development Agency (SEDA).
 - 2.7. Act on other tasks as may be assigned by the Board of Directors, or via an order of the Chief Executive Officer.

Energy Efficiency Committee is made up of a chair, deputy chair, secretary and members. Committee holds meetings in its permanent or extended composition.

The standing committee members are specified in the Rules of Procedure of the Energy Efficiency Committee, approved by the Kozloduy NPP EAD Chief Executive Officer.

The EEC extended composition includes the permanent composition that may be extended to involve specialists from Kozloduy NPP EAD and external organisations relevant to the matters to be considered and part of the agenda for the respective meeting, at the discretion and on the grounds of proposals made by the Chair or the permanent Committee members. Also, at the discretion of the the EEC chair, the Committee meetings may be attended by managers of the structural units whose documents will be discussed. In cases of discussing general technical and economic matters, the Energy Efficiency Committee may invite relevant consultants and specialists to participate in teh meetings.

Independent Nuclear Safety Advisory Council - functions and structure

The Independent Nuclear Safety Advisory Council is an outside advisory body with the Chief Executive Officer of Kozloduy NPP EAD. This independent Council was established to provide external expert assessments and recommendations for the safe operation of Kozloduy NPP EAD on

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topics in the field of nuclear safety and radiation protection, safe management of nuclear fuel and safe management of radioactive waste. The whole activity of the Council, namely work arrangements, tasks, structure, composition, and responsibilities are regulated in the Rules of Procedure of the Independent Nuclear Safety Advisory Council, approved by the Kozloduy NPP EAD, Chief Executive Officer.

Functions of the Independent Nuclear Safety Advisory Council:

1. The primary task of the Independent Nuclear Safety Advisory Council is to support the work of the Kozloduy NPP EAD management team through provision of external expert assessments and recommendations on the safe performance of the nuclear power plant. The advisory Council carries out this task by means of:

- proposals for identifying the priorities regarding nuclear safety and radiation protection, safe management of nuclear fuel and safe management of radioactive waste;
- opinions on drafts of normative statutory instruments and on the implementation of the current normative regulations;
- opinions on programmes and projects for enhancing the safety of the nuclear facilities;
- proposals for studies, investigations and other activities in the respective field;
- dissemination and exchange of information and expertise, including international one among the specialists in the area concerned;
- analyses of documents assigned by the Chief Executive Officer of Kozloduy NPP EAD;
- study and analysis of specific problems upon decisions made by the Advisory Council;
- other activities as proposed by the Chief Executive Officer of Kozloduy NPP EAD.

The Independent Nuclear Safety Advisory Council consists of not less than three members that elect a chair from among themselves. The Advisory Council staffing by name is determined with a decision of the Board of Directors of Kozloduy NPP EAD upon a proposal made by the Chief Executive Officer for a term not longer than two years. The Council comprises experts with recognised professional qualities and long-term experience in the operation of nuclear power plants, in the field of nuclear and radiation safety, safe management of nuclear fuel and of radioactive waste. The members of the Advisory Council may not be employed under a labour contract or a management contract in any of the companies within the Bulgarian Energy Holding EAD, the Ministry of Energy or the Nuclear Regulatory Agency.

6. Information under Article 100n, para 8, item 6 of the POSA - description of the diversity policy applied to the issuer's administrative, management and supervisory bodies in relation to aspects such as age, gender or education and professional backgrounds, the objectives of that diversity policy, how it has been implemented and the results in the reporting period; when such a diversity policy is not applied, the statement shall contain an explanation as to why this is the case.

The diversity policy is applied in terms of the management bodies. The Board of Directors members of Kozloduy NPP EAD satisfy certain criteria for taking this position as stipulated in the Public Enterprises Act and the Articles of Association of the Company. Appointments for the BoD positions take place following a competition, the arrangements for which are regulated in the Rules for Application of the Public Enterprises Act. The physical persons that are members of the BoD shall have the required educational and professional background, good reputation and managerial qualities.

The members of the Audit Committee shall satisfy the requirements provided in the Independent Financial Audit Act as regards their education and qualification level and professional length of service.

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The gender equality principle has been adhered to. In the Company there are women members of the Board of Directors and of the Audit Committee, as well as participants in the Business and Finance Committee and the Safety and Quality Committee.

The diversity policy as regards the management bodies prevents restrictions in terms of gender or age. The application of a diversity policy is of crucial importance for the successful management of the Company. The variety of capabilities, skills, experience and qualities of each member of the above-mentioned management bodies, committees and council contribute to making the right, cost-effective and strategically useful decisions of the Company. The implementation of the diversity policy results in good corporate governance, good commercial reputation, recruiting of highly qualified staff.

NASKO MIHOV

CHIEF EXECUTIVE OFFICER

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INDEPENDENT AUDITORS' REPORT

To the sole shareholder of
Kozloduy NPP EAD
Kozloduy, site NPP

Report on the Audit of the Separate Financial Statements

Qualified Opinion

We have audited the separate financial statements of Kozloduy NPP EAD (the Company), which comprise the separate statement of financial position as at 31 December 2021 and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the 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 effects of the matters described in the "Basis for Qualified Opinion" section of our report, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation.

Basis for Qualified Opinion

1. As disclosed in Note 4.23.9 "Provisions" to the separate financial statements as of 31 December 2021, the specifics of the Company's operations as well as the requirements of the applicable regulatory framework require the Company to prepare an estimate of expected future costs for decommissioning of nuclear facilities, which was not provided to us during the audit. As a result, we have not been able to provide sufficient assurance as to the valuation of provisions and related receivables as of 31 December 2021 as presented in the Company's separate financial statements. Accordingly, we have not been able to determine whether and to what extent additional adjustments would be required to the amounts associated with the Company's provisions in case that an assessment has been made in accordance with applicable legislation and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" in the preparation of the attached separate financial statements of the Company as of 31 December 2021.

2. As disclosed in Note 13 Inventories to the separate financial statements as of 31 December 2021, the Company's inventories in the amount of BGN 112 102 thousand mainly include spare parts with a carrying amount of BGN 99 827 thousand, incl. spare parts and equipment from the closed power units 1-4 in the amount of BGN 5 105 thousand. Due to the specifics of the Company's activities and the large volume of spare parts, we were not able to obtain sufficient appropriate audit evidence that the carrying amount of spare parts does not exceed their net realizable value as per management's judgement on the manner in which they will generate future economic benefits to the Company either through subsequent use or sale. Accordingly, we have not been able to determine with reasonable certainty the value of the spare parts presented in the separate financial statements and, accordingly, whether any adjustments would be necessary with reference to their carrying amount in the separate financial statements as at 31 December 2021 and respectively in the results of operations for the period ending on that date in the separate statement of profit or loss and other comprehensive income.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements of Bulgarian Independent Financial Audit Act, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion

This version of independent auditors' report is free translation from Bulgarian to English language. Independent auditors' report on the separate financial statements as at 31 December 2021 of Kozloduy NPP EAD has been issued and signed on 18 April 2022.

Emphasis of matter

We draw your attention to Note 32. Compensations of industrial end-users of electricity to the separate financial statements, which discloses information on the financial effect for the Company due to the implementation of the Program for compensation of industrial end-users of electricity adopted by the Council of Ministers in 2021. The program provides for a supporting mechanism to industrial end-users through electricity traders, suppliers of last resort, electricity producers selling directly to industrial end-users, and operators of an organized electricity exchange market (Suppliers).

We draw attention to Note 43. Events after the end of the reporting period to the separate financial statements, which discloses information about the occurrence of the non-adjusting event in connection with the military invasion of the Russian Federation in Ukraine started on 24 February 24 2022.

The management of the Company has performed a review and analysis of activities, contractors and economic relationships and has identified specific Company's exposures to significant risk. At this stage, the supply of basic raw materials and assets for the implementation of the activity of electricity production through nuclear fuel at Kozloduy NPP EAD is highly dependent on contractors in Russia. The management of the Company is not able to reliably assess the impact of military actions in Ukraine on the future financial situation and results of its activities in 2022 due to the high degree of uncertainty that could have a significant negative impact on the national economy, European energy market, the continuity of the supply of energy resources for Bulgaria. The management of the Company will continue to monitor the development and impact on all aspects of its activities, taking all necessary measures to limit potential future negative effects on the financial condition and results of its activities.

As the situation is extremely dynamic, the Company's management is not able to reliably assess the quantitative effect of the war on the future financial condition and results of its activities in 2022. This, in turn, may lead to a change in the carrying amounts of Company's assets which are measured in the financial statements on the basis of number of management's judgments and assumptions considering the most reliable information available at the date of estimates, as well as to influence the forecasts for future development, cash flows and results of the activity of the Company.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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 we have determined the matters described below to be the key audit matters to be communicated in our report.

Valuation at fair value of property, plant and equipment	
Note 4.23. Estimates, which are of significant importance in applying the Company's accounting policy. Key best estimates and assumptions with high level of uncertainty. Key estimates and assumptions with high uncertainty, Note 6 Property, plant and equipment, Note 41 Fair value measurement	
Key audit matter	How this matter was addressed during the audit
<p>The Company has adopted the revaluation model for subsequent valuation of assets in the class of property, plant and equipment. The revalued amount represents the fair value of the asset at the date of revaluation, less subsequent depreciation and accumulated impairment losses. The fair value of property, plant and equipment is determined on the basis of market evidence presented in a report prepared by an independent licensed appraiser. The revaluation of property, plant and equipment is carried out every 3 years.</p> <p>As at the date of the financial statements the fair value of property, plant and equipment amounts to BGN 2 456 097 thousand, which represents 60% of the value of the Company's assets. The revaluation reserve related to non-financial assets as of December 31, 2021, amounts to BGN 2 171 928 thousand, and its increase in 2021 as a result of the fair value assessment amounts to BGN 258 427 thousand, net from taxes.</p> <p>The revaluation of property, plant and equipment at their fair value is a complex process involving the calculation of estimates using multiple assumptions and the application of specific methods and models.</p> <p>The machines, facilities and equipment of Kozloduy NPP EAD are unique, specifically defined and related to the production of electricity through nuclear fuel, where significant part do not have alternative use. Due to the lack of market comparable assets, the valuer has given the greatest weight to the amortized replacement cost method, which is part of the cost approach. The assessment is influenced by assumptions about replacement cost, physical, functional and economic deterioration of machinery and equipment and residual useful life.</p> <p>Therefore, these estimates are characterized by some uncertainty related to the use of different forecasts and assumptions with a high degree of subjectivity. Due to the specifics of the valuation process, the type of assets and the significant use of fair value at level 3 of the fair value hierarchy, as well as the materiality of this group of assets, we have identified this issue as a key audit matter.</p>	<p>During our audit, our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> - Review of the adopted accounting policy of the Company regarding the subsequent reporting of property, plant and equipment and analysis of its compliance with applicable IAS / IFRS. - Review of the determined useful life of non-current assets and analysis of the appropriateness in defining it. - Assessment of the methodology used, and the key assumptions used by the appraiser in determining the market value of the assets in terms of and based on our knowledge of the energy sector; - Testing of selected input data, on which the assessment of properties, machines and equipment is based, according to appropriate supporting documentation, for assessment of their accuracy, reliability and completeness; - Research of the economic conditions that affect the environment in which the company operates, as well as business plans and strategies that may affect the risks of significant inaccuracies, deviations and inconsistencies regarding the usability of available assets; - Assessment of the professional qualification, competence and experience of the hired certified appraiser for the purposes of the assessment of the market value of the assets prepared by him; - Sampling of independent impairment tests based on our knowledge of the nature and activities of the Company, as well as information on the specifics of the Company's assets when reporting external and internal indicators of impairment; - Meetings and discussions held with the independent appraiser who performed the evaluation and gaining understanding of the overall approach chosen by the appraiser and its applicability in the context of the Company's work process, sources of information and key factors influencing the evaluator's opinion and evaluation; - Reconciliation of the results of the evaluation report with the accounting registers and items from the financial statements, which are influenced by the evaluation; - Assessment of the adequacy of the disclosures in the separate financial statements.

Other Matters

The financial statements of the Company for the year ended 31 December 2020 have been audited by another auditor who expressed a qualified opinion on those statements on 12 April 2021.

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

Management is responsible for the other information. The other information comprises the annual management report, including the corporate governance statement and, the non-financial, prepared in accordance with Bulgarian Accountancy Act, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or whether our knowledge obtained in the audit may indicate that there is a material misstatement or otherwise the other information 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 above, we were unable to obtain sufficient and appropriate audit evidence about the issues stated in that section. Accordingly, we were unable to conclude whether or not the other information is materially misstated with regard to these matters.

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

in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU and Bulgarian legislation, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 and Bulgarian Independent Financial Audit Act will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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 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.

We are jointly liable for the performance of our audit and for the audit opinion expressed by us, in accordance with the requirements of the Independent Financial Audit Act applicable in Bulgaria. In undertaking and fulfilling the commitment for joint audit, in connection with which we report, we have been guided by the Guidelines for implementation of joint audit, issued on 13.06.2017 by the Institute of Certified Public Accountants in Bulgaria and the Commission for Public supervision of registered auditors in Bulgaria.

Report on Other Legal and Regulatory Requirements

In addition to our responsibilities for reporting under ISAs, described above in section "Information Other than the Financial Statements and Auditor's Report Thereon", regarding annual management report, including the corporate governance statement and the non-financial declaration, we have performed the additional procedures contained in the Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). The procedures on the existence, form and contents of the other information have been carried out in order to state whether the other information includes the elements and disclosures in accordance with Chapter Seven of Bulgarian Accountancy Act and Article 100m, paragraph (7) subparagraphs (2) of Bulgarian Public Offering of Securities Act, as well as Article 29 of Public Companies Act, applicable in Bulgaria.

Statement Pursuant to Article 37, Paragraph (6) of Bulgarian Accountancy Act

Based on the procedures performed, we describe the outcome of our work:

- (a) the information in the management report is consistent with the financial statements for the same reporting period, on which we have issued qualified opinion in the section "Report on the Audit of the Financial Statements" above;
- (b) the management report is prepared in accordance with the applicable legal requirements;
- (c) as a result of the acquired knowledge and understanding of the activities of the Company and the environment in which it operates, we have found no cases of material misrepresentation in the management report, except for the effect of the matter described in section "Information Other than the Financial Statements and Auditor's Report Thereon" of "Report on the Audit of the Financial Statements";
- (d) the corporate governance statement for the financial year contains the required information in accordance with the applicable legal requirements, including Article 100m, paragraph (8) of Bulgarian Public Offering of Securities Act;
- (e) the non-financial declaration is prepared and made available in accordance with the requirements of Bulgarian Accountancy Act.

Reporting Pursuant to Article 59 of Bulgarian Independent Financial Audit Act in relation to Article 10 of Regulation (EC) № 537/2014

In accordance with the requirements of Bulgarian Independent Financial Audit Act and in relation with Article 10 of Regulation (EC) № 537/2014, we report additionally the information as follows:

- Grant Thornton OOD and Zaharinoва Nexia EOOD, as participants in the association DZZD AUDIT BEH have been appointed statutory auditors of the financial statements of Bulgargaz EAD for the year ending December 31, 2021, by the sole shareholder on December 15, 2020, for a period of three years.
- The audit of the financial statements for the year ended 31 December 2021 of the Company is the first consecutive year of continuous commitment for mandatory audit of this company, performed by each of the joint auditors Grant Thornton Ltd. and Zaharinoва Nexia Ltd.
- In support of our audit opinion, we have provided a description of the most significant assessed risks of material misstatement, a summary of the auditor's response and where relevant, key observations arising with respect to those risks in the section „Key audit matters“ of this report.
- We confirm that our audit opinion is consistent with the additional report to the audit committee, which was provided in accordance with Article 60 of Bulgarian Independent Financial Audit Act.
- We declare that prohibited non-audit services referred to in Article 64 of Bulgarian Independent Financial Audit Act were not provided.
- We confirm that we remained independent of the Company in conducting the audit.
- For the period covered by our statutory audit, in addition to the audit, we have not provided other services to the Company.

Grant Thornton OOD**Audit firm №032****Mariy Apostolov
Managing partner****Emilia Marinova****Registered auditor responsible for the audit****Zaharinoва Nexia EOOD****Audit firm №138****Dimitrina Zaharinoва
Managing Partner****Grigor Petrov****Registered auditor responsible for the audit**

18 April 2022
Sofia, Bulgaria

Separate statement of financial position

	Note	31 December 2021	31 December 2020 Restated*	01 January 2020 Restated*
Assets		BGN'000	BGN'000	BGN'000
Non-current assets				
Property, plant, and equipment	6	2,456,097	2,279,582*	2,359,449*
Intangible assets	7	22,990	6,768	8,672
Investment property	8	4,127	4,115	4,120
Investments in subsidiaries	9	22,166	22,161	15,161
Loans granted to related parties	35.2	3,670	5,989	8,289
Receivables from related parties		-	1,145	3,818
Financial instruments at fair value through other comprehensive income (OCI)	10	549	510	457
Non-current assets		2,509,599	2,320,270	2,399,966
Current assets				
Nuclear fuel	12	428,446	433,399	303,607
Inventory	13	112,102	105,650*	103,025*
Trade and other receivables	14	5,125	29,881	58,363
Loans granted to related parties	35.2	2,391	2,398	2,374
Receivables from related parties	35.1	44,625	46,827	66,185
Income tax receivables		-	1,834	764
Cash and cash equivalents	15	914,193	485,106	395,583
		1,506,882	1,105,095	929,901
Assets included in disposal groups classified as non-current assets held for distribution to owners	16	56,242	56,242	57,277
Current assets		1,563,124	1,161,337	987,178
Total assets		4,072,723	3,481,607	3,387,144

Prepared by: _____
 /Volodya Bonovski/

CEO: _____
 /Nasko Mihov/

Date: 21 March 2022

The separate annual financial statements were approved for issue by decision of the Board of Directors on 29 March 2022 and signed on 18 April 2022.

Auditors' report issued by joint auditors

Grant Thornton OOD

Audit firm No.032

Mariy Apostolov

Managing partner

Emilia Marinova

Registered auditor responsible for the audit

Zaharinoва Nexia EOOD

Audit firm No.138

Dimitrina Zaharinoва

Managing partner

Grigor Petrov

Registered auditor responsible for the audit

The accompanying notes, pages 8 to 77, form an integral part of these separate annual financial statements.

This version of separate financial statements as at 31 December 2021 of NPP Kozloduy EAD is free translation from Bulgarian to English language. These financial statements have been prepared and audited as of 18 April 2022.

Separate statement of financial position (continued)

	Note	31 December 2021	31 December 2020 Restated*	01 January 2020 Restated*
		BGN'000	BGN'000	BGN'000
Equity and liabilities				
Equity				
Share capital	17.1	244,585	244,585	244,585
Legal reserves	17.2	24,458	24,458	24,458
Revaluation reserve of non-financial assets	17.3	2,171,928	1,913,926*	1,914,812*
Remeasurement of defined benefit liability		(76,552)	(76,615)*	(77,540)*
Revaluation reserve of financial assets at fair value		285	250	203
Other reserves	17.4	21,406	109,309*	109,309*
Retained earnings		941,233	570,505*	456,319*
Total equity		3,327,343	2,786,418	2,672,146
Liabilities				
Non-current liabilities				
Borrowings		-	-	10,879
Retentions on construction contracts	19	97	326	978
Financing	20	99,182	103,158	106,966
Pension and other employee obligations	21	101,211	89,115	84,707
Long-term trade and other payables	22	117	6,118	13,181
Deferred tax liabilities	11	175,921	150,469*	156,928*
Non-current liabilities		376,528	349,186	373,639
Current liabilities				
Trade and other payables	22	227,290	167,969	143,684
Payables to related parties	35.1	5,156	4,827	5,489
Borrowings	18	-	11,170	22,833
Financing	20	4,319	4,206	4,340
Retentions on construction contracts	19	7,137	3,626	3,210
Pension and other employee obligations	21	30,876	28,606	34,272
Provision for spent nuclear fuel and others	23	24,908	79,720	81,652
Income tax payables		23,287	-	-
		322,973	300,124	295,480
Liabilities included in disposal groups classified as non-current assets held for distribution to owners	16	45,879	45,879	45,879
Current liabilities		368,852	346,003	341,359
Total liabilities		745,380	695,189	714,998
Total equity and liabilities		4,072,723	3,481,607	3,387,144

Prepared by: _____
 /Volodya Bonovski/
 Date: 21 March 2022

CEO: _____
 /Nasko Mihov/

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Managing partner

Emilia Marinova

Registered auditor responsible for the audit

Zaharinova Nexia EOOD

Audit firm No.138

Dimitrina Zaharinova

Managing partner

Grigor Petrov

Registered auditor responsible for the audit

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Separate statement of profit or loss and other comprehensive income for the year ended 31 December

	Note	2021 BGN'000	2020 BGN'000
Revenue from sale of electricity		2,702,696	1,255,807
Revenue from sale of heat energy		3,556	3,103
Revenue from sale of production	24	2,706,252	1,258,910
Income from sale of services, goods and other sales	24	3,155	2,944
Income from financing		3,922	3,942
Other income	25	3,550	6,030
Gains from sales of non-current assets		23	415
Change in the fair value of investment properties		12	(5)
Cost of materials	26	(138,333)	(131,783)
Hired services expenses	27	(171,206)	(157,358)
Employee benefits expenses	28	(254,568)	(240,446)
Provisions for defined benefit plans	28	(29,305)	(17,346)
Depreciation and amortization of non-financial assets	6.7	(180,859)	(178,559)
Provision expenses	29	(24,908)	(37,924)
Recognised/ reversed expected credit losses of financial assets, net	30	(430)	1,693
Other expenses	31	(430,824)	(205,417)
Compensations of industrial end-users of electricity	32	(450,000)	-
Cost of goods and other current assets sold		(426)	(368)
Change in work in progress		3,539	834
Acquisition of machinery, plant, and equipment, self-constructed		114	232
Operating profit		1,039,708	305,794
Finance costs	33	(2,356)	(1,587)
Finance income	33	1,774	2,170
Profit before tax		1,039,126	306,377
Income tax expenses	34	(148,822)	(30,567)
Profit for the year		890,304	275,810

Prepared by: _____
 /Volodya Bonovski/

CEO: _____
 /Nasko Mihov/

Date: 21 March 2022

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Separate statement of profit or loss and other comprehensive income for the year ended 31 December (continued)

	Note	2021 BGN'000	2020 BGN'000
Profit for the year		890,304	275,810
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit liabilities	21	63	1,028
Revaluation of non-financial assets	6	287,141	-
Change in the fair value of financial instruments at fair value through other comprehensive income			
– profit/losses for the current period		39	(19)
Income tax relating to items that will not be reclassified into profit or loss	11	(28,718)	(101)
Other comprehensive income for the year, net of tax		258,525	908
Total comprehensive income for the year		1,148,829	276,718

Prepared by: _____
 /Volodya Bonovski/

CEO: _____
 /Nasko Mihov/

Date: 21 March 2022

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Auditors' report issued by joint auditors
Grant Thornton OOD
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 Mariy Apostolov
 Managing partner

Zaharinoва Nexia EOOD
Audit firm No.138
 Dimitrina Zaharinoва
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Emilia Marinova
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Grigor Petrov
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Separate statement of changes in equity for the year ended 31 December

All amounts are presented in BGN'000	Share capital	Legal reserves	Revaluation reserve of non- financial assets	Remeasurement of defined benefit liabilities	Revaluation reserve of financial assets at fair value	Other reserves	Retained earnings	Total equity
Balance at 01 January 2020 as originally presented	244,585	24,458	1,400,140	(70,375)	203	676,667	405,645	2,681,323
Effect of correction of error (Note 5)	-	-	514,672	(7,165)	-	(567,358)	50,674	(9,177)
Balance at 01 January 2020 (restated)	244,585	24,458	1,914,812	(77,540)	203	109,309	456,319	2,672,146
Dividends	-	-	-	-	-	-	(162,446)	(162,446)
Transactions with the Sole Owner	-	-	-	-	-	-	(162,446)	(162,446)
Profit for the year	-	-	-	-	-	-	275,810	275,810
Other comprehensive income, net of tax	-	-	(64)	925	47	-	-	908
Total comprehensive income for the year	-	-	(64)	925	47	-	275,810	908
Transfer of revaluation surplus to retained earnings	-	-	(822)	-	-	-	822	276,718
Balance at 31 December 2020	244,585	24,458	1,913,926	(76,615)	250	109,309	570,505	2,786,418

Compiled by: _____
 /Volodya Bonovski/

Date: 21 March 2022

CEO: _____
 /Nasko Mihov/

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Auditors' report issued by joint auditors

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

All amounts are presented in BGN'000	Share capital	Legal reserves	Revaluation reserve of non- financial assets	Remeasur- ment of defined benefit liabilities	Revaluation reserve of financial assets at fair value	Other reserves	Retained earnings	Total equity
Balance at 01 January 2021	244,585	24,458	1,913,926	(76,615)	250	109,309	570,505	2,786,418
Dividends	-	-	-	-	-	(225,808)	(382,097)	(607,905)
Transactions with the sole owner	-	-	-	-	-	(225,808)	(382,097)	(607,905)
Profit for the year	-	-	-	-	-	-	890,304	890,304
Other comprehensive income, net of tax	-	-	258,427	63	35	-	-	258,525
Total comprehensive income for the year	-	-	258,427	63	35	-	890,304	1,148,829
Transfer of retained earnings to reserves	-	-	-	-	-	137,905	(137,905)	-
Transfer of revaluation surplus to retained earnings	-	-	(425)	-	-	-	425	-
Other changes in capital	-	-	-	-	-	-	1	1
Balance at 31 December 2021	244,585	24,458	2,171,928	(76,552)	285	21,406	941,233	3,327,343

Compiled by: _____
 /Volodya Bonovski/

CEO: _____
 /Nasko Mihov/

Date: 21 March 2022

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Separate cash flow statement for the year, ended 31 December

	Note	2021 BGN'000	2020 BGN'000
Operating activities			
Cash receipts from customers		3,264,067	1,544,057
Cash paid to suppliers		(441,685)	(469,081)
Cash paid to employees and social security institutions		(265,073)	(248,582)
Paid licences, taxes and other payments to the Nuclear Regulatory Agency (NRA)		(5,385)	(6,025)
Payments to the RAW Fund, DNF Fund, and ESS Fund		(371,709)	(190,867)
Cash flows related to other taxes and payments to the governmental budget and local budgets		(429,529)	(182,665)
Cash flows related to insurance		(16,135)	(13,925)
Income tax payments, net		(126,966)	(38,198)
Other cash flows from operating activity, net		(4,264)	2,546
Payments under a programme of the Council of Ministers to compensate non-household end customers of electricity	32	(450,000)	-
Net cash flows from continuing operations		1,153,321	397,260
Net cash flows from operating activity		1,153,321	397,260
Investing activity			
Acquisition of long-term investments in subsidiaries		(5)	(7,000)
Purchase of property, plant, and equipment		(101,676)	(112,810)
Received and reimbursed financing, net		(6,303)	(6,303)
Proceeds from disposals of property, plant and equipment		24	1,383
Loan repayments received		2,300	2,250
Dividends received	0	770	969
Interest received		196	254
Net cash flows from investing activity		(104,694)	(121,257)
Financing activity			
Repayments of borrowings	36	(10,879)	(22,248)
Interest paid	36	(452)	(912)
Dividends paid	17.5	(607,905)	(162,446)
Lease payments	36	(232)	(232)
Net cash flows from financing activity		(619,468)	(185,838)
Net change in cash and cash equivalents		429,159	90,165
Cash and cash equivalents at the beginning of the period		485,106	395,583
Expected credit losses of cash and cash equivalents	15	(72)	(642)
Cash and cash equivalents at the end of the period	15	914,193	485,106

Prepared by: _____
 /Volodya Bonovski/

CEO: _____
 /Nasko Mihov/

Date: 21 March 2022

The Separate Annual Financial Statements were approved for issue by decision of the Board of Directors on 29 March 2022 and signed on 18 April 2022.

Auditors' report issued by joint auditors

Grant Thornton OOD
Audit firm No.032

Mariy Apostolov
 Managing partner

Emilia Marinova
 Registered auditor responsible for the audit

Zaharinoва Nexia EOOD

Audit firm No.138

Dimitrina Zaharinoва
 Managing partner

Grigor Petrov
 Registered auditor responsible for the audit

The accompanying notes, pages 8 to 77, form an integral part of these separate annual financial statements.

This version of separate financial statements as at 31 December 2021 of NPP Kozloduy EAD is free translation from Bulgarian to English language. These financial statements have been prepared and audited as of 18 April 2022.

Notes to the Separate Financial Statements

1. Principal activities

Kozloduy NPP EAD ("the Company") is a single-owner shareholding company, established by virtue of Decision No. 582 from 2000 of Vratsa District Court. The Company has its registered office in the town of Kozloduy 3321, Vratsa District, Bulgaria. The Company was established as a shareholding 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 of 18 September 2008, the rights of the 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.

As at 31 December 2021, Bulgarian Energy Holding EAD is the sole owner of the Company's share capital. 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. At the beginning of the reporting period as at 01.01.2021, the Board of Directors consisted of:

- Jacklen Cohen - Chair of the Board of Directors;
- Nasko Mihov - Member of the Board of Directors and CEO;
- Ivan Yonchev - Member of the Board of Directors.

As at 31 December 2021 as well as at the date these Financial Statements were prepared, the Board of Directors consisted of the following members with a 5-year mandate:

- Iliya Todorov Iliev - Chair;
- Nasko Asenov Mihov - Member of the Board of Directors and Chief Executive Officer
- Aleksandar Hristov Nikolov - Member and Deputy Chief Executive Officer
- Vladimir Andreev Uruchev - Member
- Iva Edward Nikolova - Chair,

with this circumstance being entered into the Trade register on 23.04.2021.

As at 31 December 2021, the Company is represented by the Chief Executive Officer Nasko Mihov.

As at 31 December 2021, the number of the staff employed by the Company under employment contracts is 3,706. (31 December 2020: 3,674).

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). Within the meaning of paragraph 1, item 8 of the Additional Provisions of the Accountancy Act, applicable in Bulgaria, the term "IFRS adopted by the EU" means International Accounting Standards (IAS) adopted in compliance with Regulation (EC) No.1606/2002 of the European Parliament and of the Council.

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

These financial statements are separate for the Company. The Company also prepares consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) as developed and issued by the International Accounting Standards Board (IASB) and adopted by the

European Union (EU), where investments in subsidiaries are stated in accordance with IFRS 10 "Consolidated Financial Statements."

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

As at 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 review carried out 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

3.1. New standards, amendments, and interpretations of the IFRS which came into effect as of 01 January 2021

The Company applies the following new standards, amendments, and interpretations in force as of this year:

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 effective from 1 January 2021 adopted by the EU.

The amendments resulted in a deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023 and change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 effective from 1 January 2021 adopted by the EU

The amendments include elements affecting financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments published address issues that might affect financial reporting when an existing interest rate benchmark is actually replaced.

Amendments to IFRS 16 Leases: Covid-19- Related Rent Concessions beyond 30 June 2021 effective from 1 April 2021 adopted by the EU

Covid-19-Related Rent Concessions extends by one year, beyond 30 June 2021, the May 2020 amendment that provides lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 amend to:

- permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions and in particular payments initially due on or before 30 June 2021;
- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;
- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment;
- and specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

3.2. Standards, amendments, and interpretations which have not yet come into effect and have not been applied from an earlier date by the Company

As at the date of approval of these financial statements new standards, amendments and interpretations have been published to the already existing standards, but which have not come into effect or have not been adopted by the EU for the financial year starting 01 January 2021, and have not been applied as of an earlier date by the Company. The management expects that all the standards and amendments will be adopted in the accounting policy of the Company in the first period starting after the date of their coming into effect.

Information about these standards and amendments that have an effect on the Company's financial statements is provided below.

Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment IAS 37 Provisions, Contingent Liabilities and Contingent Assets effective from 1 January 2022 adopted by the EU

- IFRS 3 Business Combinations – Update on references to the Conceptual Framework with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements.
- IAS 16 Property, Plant and Equipment - an amendment to the standard in respect of 'Income before bringing the asset to the location and condition necessary to operate it'. It is prohibited to deduct from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets - The changes in Onerous Contracts Cost of Fulfilling a Contract specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

Annual improvements to 2018-2020, effective as of 01 January 2022, adopted by the EU;

- IFRS 1 First-time Adoption of International Financial Reporting Standards - The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences on first-time adoption of IFRSs using the amounts reported in its parent's consolidated financial statements based on the parent's date of transition to IFRSs.
- IFRS 9 Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 Leases - The amendment to IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 Agriculture - The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13.

IFRS 17 "Insurance Contracts" effective from 1 January 2023, adopted by the EU

IFRS 17 replaces for IFRS 4 "Insurance Contracts". It requires a current measurement model where estimates are remeasured each reporting period. Contracts are measured using:

- discounted probability-weighted cash flows;
- an explicit risk adjustment, and
- a contractual service margin representing the unearned profit of the contract which is recognised as revenue over the coverage period.

The standard allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts.

Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as Current or Non-current effective from 1 January 2023 not yet adopted by the EU

The amendments in Classification of Liabilities as Current or Non-current affect only the presentation of liabilities in the statement of financial position - not the amount or timing of recognition of any asset, liability, income or expenses, or the information that entities disclose about those items. The amendments aim to clarify the following:

- that classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- that classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability; and
- that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023 not yet adopted by the EU

The entity is required to disclose its material accounting policy information instead of its significant accounting policies. The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if the entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors effective from 1 January 2023 not yet adopted by the EU

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendments will help companies to improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements.

Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction effective from 1 January 2023 not yet adopted by the EU

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognizes deferred tax for all temporary differences related to leases and decommissioning obligations and recognizes the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information effective from 1 January 2023 not yet adopted by the EU

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

IFRS 17 and IFRS 9 Financial Instruments have different transition requirements. For some insurers, these differences can cause temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information they present in their financial statements when applying IFRS 17 and IFRS 9 for the first time.

The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets.

IFRS 14 'Regulatory Deferral Accounts', effective as of 01 January 2016, not yet adopted by the EU;

IFRS 14, "Regulatory deferral accounts" permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

4. Accounting Policy

4.1. Overview

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

The financial statements have been prepared in accordance with the principles for the measurement of all types of assets, liabilities, income and expenses, in accordance with IFRS. The valuation bases are disclosed in detail further down in the accounting policy to 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 the management as at the date of preparation of the 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.

Two comparative periods are presented in the separate financial statements, 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.

In order to have financial statements that provide more appropriate information on the nature of the Company's activity and the effect of operations and other events of conditions on its financial position, some of the elements are presented in a different way compared to the separate financial statements for the previous periods. The change affects both the way of presenting elements of the separate Statement on the financial position, the Statement on profit and loss and other comprehensive income, and the Statement on the cash flows for the period ending 31 December 2020, and the way of their assessment, stated in Note 6, Effect of correction of errors and reclassifications.

The following changes have been made for the comparative period as at 31.12.2020:
In the separate statement of financial position:

- Trade and other receivables that have been sued have been reclassified as court receivables. Receivables amounts of BGN 6,994 thousand and impairment of BGN 6,994 thousand was reclassified from position Trade receivables to position Court receivables. Receivables amounts BGN 1,649 thousand with impairment of BGN 143 thousand was reclassified from position Other receivables to position Court receivables.
- Two of the Company's contractors, IBEX AD and SE RAW, are identified as related parties under common control (the state) and the balances with them have been reclassified as balances with related parties. Respectively, in Non-current assets, line Non-current trade and other receivables to the amount of BGN 1,145 thousand have been reclassified to Receivables from related parties and in Current assets, receivables in the total amount of BGN 13,959 thousand have been reclassified from line Trade and other receivables to line Receivables from related parties. The payables amounting to a total of BGN 20 thousand were reclassified from the line Trade and other payables to line Payables to related parties. To enable comparison of the information, identical reclassification was also made as at 01.01.2020, stated in Note 6, Effect of correction of errors and reclassifications.
- Deferred tax liabilities to the amount of BGN 9,177 thousand were reported in line Deferred tax liabilities at the expense of reduction of Remeasurement of defined benefit liabilities by BGN 7,165 thousand and reduction of Retained earnings by BGN 2,012 thousand.

In the separate statement of profit and loss and other comprehensive income:

- Revenues from the sale of heat energy consumed by contractors on the NPP site to the amount of BGN 942 thousand, presented as at 31 December 2020 as other revenue, were reclassified as revenues from the sale of heat energy.

In the separate statement of cash flows

- Reversed financing for long-term tangible assets to the amount of BGN 6,303 thousand has been reclassified from position 'Other cash flows from operating activities, net', into 'Received and reimbursed financing, net' in investing activity;
- Payments to the Nuclear Regulatory Agency (NRA) to the amount of BGN 6,025 thousand are presented in a separate line in cash flows from operating activities due to the specifics and materiality of the amounts;
- Payments to local taxes and fees amounting to BGN 3,246 thousand have been reclassified from 'Other cash flows from operating activities, net' into 'Cash flows related to other tax and payments to the governmental budget and local budgets';
- Cash receipts from customers of heat energy amounting to BGN 1,180 thousand have been reclassified from 'Other cash flows from operating activities, net' into 'Cash receipts from clients' in the operating activities.

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 the end of the reporting period, are recognised in the profit or loss.

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

4.4. 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.

4.5. Revenues

A. Revenue from contracts with customers

Recognising and evaluating revenue from customer contracts

The main revenues generated by the Company are related to the sale of electrical and heat energy.

In order to decide whether and how to recognise revenues, the Company uses the following 5 steps:

1. Identification of the contract with the client
2. Identification of the performance obligations
3. Determining the value of the transaction
4. Allocating the value of the transaction to the performance obligations
5. Recognising the revenues when the performance obligations to be performed are met.

The revenues are recognised either at a certain moment or in the course of time, when or until the Company meets the performance obligations transferring the promised goods or services to its customers.

The Company recognises as liabilities under contract payment received in relation to unsatisfied performance obligations and presents them as other liabilities in the statement of the financial position. In the same way, if the Company meets the performance obligation, prior to receiving the payment, it recognises in the statement of the financial position either an asset under a contract, or a receivable, depending on whether something else is required apart from certain time for receiving the consideration.

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

The control is transferred to the customer when (or as) the customer meets 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 gains 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 recognises 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 recognised 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

Revenues are 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 consideration the Company expects to be entitled to in exchange for the transfer of the promised goods or services to the customer, except for amounts collected on behalf of third parties (e.g. value added tax). The consideration 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 recognises as revenue the cost of the transaction (which excludes estimates of variable consideration containing limitations) that is attributable to that performance obligation.

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 consideration, the existence of significant components of funding, non-monetary consideration and consideration 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 simultaneously receives and consumes the benefits, the Company transfers the control over electricity over time and therefore meets the performance obligation and recognises revenues over time.

The sales revenues 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. The electricity is deemed to be delivered to the customer as soon as the schedules of the Seller and the Buyer are recorded in the Schedule Notification System administered by the Electricity System Operator EAD after the parties have an agreement on the schedules. The schedules are uploaded every day until 15.30 for the next day, both for liberalized and for regulated market, and for exchange. The so-called net monthly trade measurement of the quantities at the OSY (Open Switchyard) outlets is carried out, 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 recognised with the delivery of electricity as this is the moment when the right to consideration becomes unconditional and it only requires the expiry of the time before the payment becomes due.

Revenue is invoiced according to the terms of the contract concluded. For electricity sold to IBEX EAD for the “Day ahead” and “Intraday” segments invoicing is done on a daily basis with terms of payment within 2 days from the receipt of the invoice. For all other sales, invoicing is done at the end of the month and the payment deadline is within 30 days.

Sale of heat energy

Heat energy supplies are carried out during the heating season in a continuous mode of operation. Since the customer simultaneously receives and consumes the benefits, the Company transfers the control over the heat energy over time and therefore meets the performance obligation and recognises revenue over time.

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

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

A receivable is recognised with the delivery of heat energy as this is the moment when the right to consideration becomes unconditional and it only requires the expiry of the time before the payment becomes due.

Revenue is invoiced on a monthly basis according to the terms of the contract concluded. The heat energy sold is invoiced in the end of the current month subject to payment within 30 days.

Revenue from services

Lease payments under operating lease contracts are recognised as income on the straight-line basis over the lease term unless the Company's management decide 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 current assets

Revenue from sales of current assets are recognised when the control over the assets sold is transferred. The delivery is effected when the assets have been sent to the customer, the risks of potential losses have been transferred to the customer and/or the customer has accepted the assets in accordance with the sale 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 it controls 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 recognises 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 consideration the Company retains after paying to the other party the consideration 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 consideration to the Company is in the form of a commission;
- the Company is not exposed to a 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/obligation to society component;
- consumables under rental contracts.

Contractual balances

Trade receivables and assets under contracts

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

The asset under a contract is the right of the Company to receive consideration 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 consideration and/or before the payment becomes due, an asset under a contract is recognised for the earned consideration (which is conditional). Recognised assets under contract are reclassified as a trade receivable when the right to consideration becomes unconditional.

Liabilities under contracts

As a contractual liability, the Company presents the payments received from the customer and/or an unconditional right to receive a payment before fulfilling its contractual performance obligations. Liabilities under contract are recognised as revenue when (or as) it meets the performance obligations.

Assets and liabilities arising from one 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 the 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 unusual to the Company's core business and are revenues or incomes that are recognised under other standards and are outside the scope of IFRS 15.

Revenue	Recognition approach
Net profit from sales of property, plant, and equipment and intangible assets	Gains or losses arising from derecognition of assets from 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 over the sold asset is transferred.
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 lease contracts are recognised as income on the straight-line basis over the lease term unless the Company's management decide 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 recognised when surpluses are established.

Revenue	Recognition approach
Revenue from financing	Where the grant (financing) is related to an item of expenditure, it is recognised as revenue for the periods necessary to compare it on a systematic basis with the expenditures it is intended to compensate. When the grant (financing) relates to an asset, it is presented as a liability and is included in the income over the useful life of the related asset.
Income from insurance events	Revenue is recognised when the Company's right to receive payment is established.
Income from penalties	Revenue is recognised when the Company's right to receive payment is established.
Revenues from derecognition of liabilities	The revenue from derecognition is recognised when the liability expires or the creditor waives its rights.

C. Financial revenues

Financial revenues are included in the separate profit and loss and other comprehensive income statement when incurred, and include 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, as per the requirements of IFRS 9 'Financial Instruments', except for financial assets impaired by credit (Phase 3) for which interest income is calculated by applying the effective interest rate on their amortised cost (gross carrying amount adjusted with the provision for expected credit losses).

The income from dividends is recognised at the time when the right to receive the payment arises.

D. Income from financing

Financing represent grants provided 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 comply with any conditions attached to the grant and the grant will be received. Grants that relate to current activities are recognised on a systematic base, over the periods in which the expenses, which the grants shall compensate, are recognised. Grants, related to the acquisition of non-current assets, are presented as deferred income and are recognised in the profit or loss, on a systematic base, over the useful life of the respective asset.

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

4.6. Assets and liabilities under contracts with clients

The Company recognises assets and/or liabilities under a contract when one of the contractual parties has performed its obligations depending on the relation between the activity of the enterprise and the payment by the client. The Company presents separately each unconditional right to consideration as a receivable. Receivable is the unconditional right of the enterprise to receive consideration.

Liabilities under a contract are recognised in the statement of the financial positions, if a client pays a consideration or the Company is entitled to consideration which is unconditional before the control over the goods or service is transferred.

The Company recognises assets under a contract when the performance obligations are met and the payment is not due on behalf of the client. An asset under a contract is the right of the Company to receive consideration in exchange for the goods or services it has transferred to the customer.

Subsequently, the Company evaluates an asset under a contract in accordance with IFRS 9 'Financial Instruments'.

4.7. Operating costs

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

Electricity 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.

Costs, incurred for nuclear fuel, are carried in accordance with the methodology established by the Company. 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 by the relevant unit.

Costs for the Nuclear Facilities Decommissioning (NFD) Fund and Radioactive Waste (RAW) Fund are calculated in accordance with the relevant decrees and regulations of the Council of Ministers and are recognised as other costs for the period.

Cost of generation and distribution of heat energy

The district heating direct prime cost is derived from generation and distribution costs. The district heating costs include the conditionally fixed and variable (nuclear fuel) costs incurred at Units 5 and 6 multiplied by a reduction factor. The reduction factor refers to the relative share of electricity underproduction against the gross electrical energy, generated by Electricity production - 2 (EP-2). Underproduction is calculated on a monthly basis by the Engineering Support Division. The reduced expenses decrease the electricity generation costs. These costs are included into the prime cost of generated heat and the cost derived from the generation of heat intended for the various administrative units on-site.

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

- The prime cost of the heat energy comprises the conditionally fixed and variable expenses of EP-2;
- All variable and conditionally fixed costs of the District Heating Department are included in the heat distribution prime cost.

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

Costs of auxiliary and additional operations

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 NPP on-site facilities – 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 'Electricity Generation' and 'Heat Distribution'.

Administrative costs are accounted for as current costs. The accrued 'taxes on expenses', within the meaning of the Corporate Income Tax Act, are also accounted for here.

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

4.8. Interest and borrowing costs

Interest costs are 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 over 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 weighed average of the borrowing costs, attributable to the loans of the Company, which are unsettled during the period, excluding loans, obtained exclusively for the purpose of acquiring a qualifying asset.

All other borrowing costs are recognised as an expense, in the period when incurred, in the separate profit or loss and other comprehensive income statement under 'Finance costs'.

4.9. Profit or loss from discontinued operations

Discontinued operation is a component of the Company that either has been disposed, or was classified as 'held-for-sale', or as held for distribution to owner, and:

- Represents certain principal activity or covers activities in certain geographical area;
- Is part of a separate coordinated plan to dispose of a principal activity or activities in certain geographical area; or
- Represents a subsidiary acquired exclusively with the purpose of reselling.

Profit or loss from discontinued operations, as well as components of the previous year's profit or loss are presented in the separate statement of profit or loss and other comprehensive income, as one (total) amount.

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 the event that activities previously presented as discontinued are renewed in the current year, the relevant disclosures for the previous reporting period are adjusted, too.

4.10. Intangible assets

Separately acquired intangible assets are measured initially at acquisition cost, including all paid custom duties, non-refundable taxes and any directly incurred costs related to the preparation of the asset for its intended use, where the capitalised costs are then amortised based on the straight-line method over the defined period of the assets' useful life, as the latter is considered limited.

Intangible assets are subsequently measured at their purchase price less all accumulated amortisations 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 are reviewed for impairment, when there are indications that their value may be impaired. The amortisation period and method for amortisation of intangible assets with limited 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 where, because of these subsequently incurred expenses, the intangible asset can generate more than the initially estimated future economic benefits, and where such expenses can be reliably measured, and attributed to the asset. If these requirements are met, the incurred expenses are added to the cost of the asset.

The Management estimates the residual value and useful life of intangible assets as at each reporting date.

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

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

Amortisation costs are included in the statement of profit or loss and other comprehensive income under 'Depreciation costs'.

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

The intangible assets, created under the Company's development activities to serve the purpose of intra-company 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:

- 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 intra-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 the profit or loss when incurred.

Research and development costs incurred in relation to external orders under signed contracts with customers are recognised as asset subject to sale.

Indirect technological production costs are allocated based on labour; together with the direct costs they make the prime cost of a created asset.

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 the profit or loss, when incurred. The capitalised development costs are measured at purchase price, 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.

4.11. Property, plant, and equipment

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

No.	PPE Class	Subsequent revaluation model
1	Land	Revaluation model
2	Improvements on lands and terrains	Revaluation model
3	Buildings and structures	
	Solid	Revaluation model
	Hollow	Acquisition cost
4	Machines, plant, and equipment	Revaluation model
5	Computer systems	Acquisition cost
6	Transport vehicles	
	Cargo vehicles	Revaluation model

No.	PPE Class	Subsequent revaluation model
	Cars	Acquisition cost
	Special vehicles	Revaluation model
7	Furniture, fixtures, and fittings	Acquisition cost
8	Spare parts carried as PPE	Revaluation model
9	Other PPE	Original cost

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 separate statement of profit or loss and other comprehensive income, and are accumulated in equity (revaluation reserve), if there are no already accrued expenses, associated with such. If a revalued asset is sold or disposed, the remaining revaluation reserve is transferred to retained earnings.

Revaluation are carried at the following intervals:

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

When applying the revaluation model, the frequency of subsequent revaluation of PPE depends on whether the carrying amount of a revalued asset differs materially from its fair value at the end of the reporting period.

In this regard, during the annual stock-taking in the end of the reporting period (financial year-end), the Company reviews PPE to check for any indications that their carrying amount differs materially from their fair value.

Any differences of more than 5% in the carrying amount of property, plant and equipment from their fair value as at the date of preparation of the separate financial statements are regarded as material. Deviations of less than 5% are regarded as material too, when the difference between the carrying value of assets and their fair value as 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 evaluated at acquisition cost less the accumulated depreciation and any accumulated 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.

Subsequent costs related to an item of property, plant and equipment are added to the carrying amount of the asset when it is probable that the Company may have economic benefits, exceeding the originally assessed performance efficiency of the existing asset. 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 reporting date.

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

Buildings	25-70 years
Machines, plant, and equipment	5-55 years
Mobile phones	3-5 years
Lifting equipment	22-55 years
Portable tools	5-19 years
I&C systems	5-40 years
Cars	9-42 years
Transport vehicles	5-40 years
Computer equipment	2-28 years
Furniture	3-35 years

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

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

4.12. Lease (Leased assets)

The Company as a lessee

For all new contracts signed on or after 01 January 2021 the Company decides whether the contract is a lease or contains a lease. Lease is defined as a “a contract or part of a contract which conveys the right to use an asset (the main asset) over a period of time against payment”. To apply this definition the Company makes an assessment whether the contract complies with three key assessments they have given:

- the contract contains an asset which is either explicitly identified in the contract, or implicitly specified, being identified in the moment when the asset is provided to the Company;
- the Company is entitled to receive in essence all economic benefits from the use of the asset over the whole period of use, taking into consideration its rights under the scope defined in the contract;
- the Company is entitled to direct the use of the asset over the whole period of use. The Company assesses whether it is entitled to direct “how and to what end” the asset shall be used over the whole period of use.

Assessing and recognising a lease as a lessee

On the start date of the lease the Company recognises a right-of-use asset or a lease obligation in the balance. The right-of-use asset is evaluated at prime cost which comprises of the original cost of the liability under the lease, all original direct costs incurred by the Company, an evaluation of all expenses for dismantling and disposal of the asset in the end of the lease, and all lease payments, incurred before the start date of the lease (excluding any received incentives).

The Company depreciates the right-or-use assets on the straight-line base as of the start date of the lease to the end of the useful life of the right-of-use asset, or the end of the lease term, whichever comes earlier. The Company also performs a review for impairment of the right-of-use asset, when there are such indicators.

As at the start date the Company evaluates the lease obligation on the current value of the lease payments that were not paid as at that date, discounted, using the interest rate included in the lease contract. If this rate cannot be immediately determined the Company uses the interest rate that it should pay in order to borrow for a similar period of time, under similar collateral, the means required to obtain an asset of similar value in a similar economic environment.

Lease payments included in the evaluation of the lease obligation comprise fixed payments, variable payments based on an index or a rate, sums that are expected to be payable pursuant to residual value guarantee and payments arising from options, reasonably safe to be exercised.

After the start date the Company evaluates the liability under the lease increasing the carrying amount to reflect the lease liability interest, and decreasing the carrying amount to reflect the executed lease payments, and revalues the carrying amount of the liability to reflect revaluations or modifications to the lease contract, or to reflect the adjusted lease payments fixed in essence.

The Company is exposed to potential future increases in the variable lease payments based on an index or an interest rate that are not comprised in the lease liability until they are effected. When the adjustments in the lease payments come into effect, based on an index or interest, the lease obligation is revalued and adjusted against the right-of-use asset.

When the lease liability is revalued the respective adjustment is reflected in the right-of-use asset or in the profit and loss, if the right-of-use asset is already reduced to zero.

The Company chose to report the short-term lease contracts and lease contract where the main asset is of low value, using exemptions from the recognition requirements. Instead of recognising a right-of-use asset and a lease obligation, the payments related to them are recognised as an expense in the profit or loss on a straight line over the term of the lease.

The right-of-use assets are included under the property, plant, and equipment in the statement of financial position, whereas the lease obligations are included under the trade and other payables.

The Company as a lessor

The accounting policy of the Group as regards IFRS 16 has not changed since the comparative period.

As a lessor the Company classifies its lease contracts as operating or financial lease.

A lease is classified as a financial lease if it transfers in essence all risks and benefits related to the ownership of the main asset, otherwise it is classified as an operating lease.

4.13. Impairment tests on investments in subsidiaries, intangible assets, investment properties, 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 once per year. 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, which is 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, to eliminate the effect of future reorganisations 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 previous period, may no longer exist or may have decreased. Impairment recognised in a previous period is recovered if the recoverable amount of a cash-generating unit exceeds its carrying amount.

4.14. Investment properties

Investment properties are assessed initially at cost which comprises the purchase price and any expenses that are directly related to the investment property, e.g. fees for legal services, taxes related to the transfer of the property, and other expenses related to the transaction.

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

- It complies with the definition of an investment property;
- It is probable that the Company will obtain economic benefits, associated with the assets lease/rental; and
- Its cost can be measured reliably.

The Company applies the fair value model for subsequent measurement of the 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. The fair value reflects the market conditions as at the date of preparation of the financial statements. Investment properties are revalued on an yearly basis and are included in the statement of financial position at their market values.

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

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

- Commencement of use by the Company - transfers from investment property to property used by the owner;
- Commencement of development with the purpose of selling – transfer from an investment property to inventories;
- End of use by the Company and leasing to third parties - transfer from property used by owner to investment property;
- Commencement of an operating lease, of an asset presented as inventory, to another party – 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 original cost to be used in subsequent measurement.

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

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

The Company derecognises its investment properties when selling them or upon their permanent disposal, in the event that no economic benefits are expected from their disposal. Gains or losses arising from their disposal or their sale are recognised in the statement of profit or loss and other comprehensive income, and are defined as the difference between the net proceeds from the asset disposal and its carrying value.

4.15. Financial instruments

A financial instrument is any contract that generates a financial asset of an entity 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 instruments.

A financial asset is any asset 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 instruments of the Company.

4.15.1. Financial assets

Initial recognition and classification

The Company initially recognises 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 amortised 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). Those financial assets have been classified and will be subsequently measured at amortised 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 recognised 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 amortised 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 amortised 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 amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with 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 recognised credit impairment, the effective interest rate corrected for credit losses, respectively, and the effective interest rate, respectively, apply to the amortised cost of the asset.

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

Profits or losses are recognised 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 recognised in other comprehensive income. Fair values are determined on the basis of prices quoted on an active market, and when there is no such - 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 recognised 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 amortised cost or at fair value through other comprehensive income at fair value through profit or loss.

In case that 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 from 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 recognised 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 recognise the transferred asset to the extent of its continuing participation. In this case, the Company recognises 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 recognises provisions for expected credit losses for all debt instruments that are not carried 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 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 with a financing component	Debt instruments measured at amortised cost	Standardised approach
5	Proceeds from loans	Debt instruments measured at amortised cost	Standardised approach
6	Cash and cash equivalents	Debt instruments measured at amortised cost	Standardised approach
7	Impairment of receivables from litigations and writs	Debt instruments measured at amortised cost	Simplified approach

Expected credit losses are a probability-weighted assessment of credit losses (i.e. 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 recognised 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 recognising 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 recognises 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 the event 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.

4.15.2. Financial liabilities

Initial recognition, classification and measurement

The Company recognises 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 amortised 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 carried at fair value through the 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 amortised 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 subsequent measurement of the financial liabilities depends on their classification as disclosed hereafter:

Financial liabilities carried at fair value in profit or loss

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

Financial liabilities are classified as held for trading if they have been made with the purpose of repurchasing in the foreseeable future.

Profits or losses from liabilities held for trading are recognised 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 the profit or loss.

Financial liabilities measured at amortised cost

The category 'financial liabilities at amortised 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 amortised cost using the effective interest rate method. The amortised cost is calculated, taking into account any discount or premium upon acquisition, also fees or expenses that are an integral part to 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 carried at amortised cost, a gain or loss is recognised in the profit or loss for the period when the financial asset or financial liability is derecognised or impaired also through the amortisation process.

On initial recognition, trade payables 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 recognised when the dividends are approved by the General Assembly.

Derecognition

The Company derecognises a financial liability only when it settles (fulfils) the obligation, the liability expires or the creditor waives its 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 the profit or losses for the period.

Compensation of financial instruments

Financial assets and financial liabilities are compensated and the net amount is accounted for 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.

4.16. Inventory

Inventories include materials, work-in-progress, and goods. The cost of inventories comprises the direct costs of purchase or production, the costs of conversion and other direct costs, related to their delivery, as well as part of the production overheads, determined based on the normal production capacity. Financial costs are not included in the cost of inventories. At the end of each reporting period, inventories are carried at their cost or net realisable value, depending which one is lower. The amount of any impairment of inventories to their 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 the production cycle and the estimated cost of sales. When the inventory was already impaired to their net realisable value and in a subsequent reporting period it is established that the circumstances, which

previously caused the inventory to be impaired no longer exist, the new net 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 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 as at the reporting period represents the remaining value (residual life) of nuclear fuel loaded during the current fuel campaign and is presented in the report as works-in-progress, part of the 'Inventories' section.

Calculations for determining the cost of nuclear fuel 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 value of fresh nuclear fuel, loaded in the respective fuel campaign, and the estimated fuel component, which is determined by dividing the value of the nuclear fuel loaded in the reactor by the estimated electric power, generated in the period, in KWh. The product of the gross energy, generated by the respective unit for the fuel campaign and the fuel component, represents the costs of nuclear fuel for the respective period.

4.17. Income tax

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

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

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

Deferred tax assets and deferred tax liabilities are not discounted. They are measured using the tax rates that are expected to apply in the reporting period when the deferred tax assets and deferred tax liabilities are realised, provided that they are in force, or it is certain that they will come into effect in the end of the reporting period.

Deferred tax liabilities are recognised in full amount.

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 only when the Company is entitled and intends to compensate the current tax assets and current tax liabilities from the same tax institution.

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

4.18. Cash and cash equivalents

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

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

When the Company has assumed a commitment to distribute an asset (or a disposal group) to the owner, the asset or the disposal group is classified as 'held for distribution to the owner' and it is presented separately in the separate statement of financial position. For 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 only if they are directly related to 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'.

4.20. Equity, reserves, and dividend payment

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

In accordance with the Commerce Act, legal reserves are formed from profit distribution.

Revaluation surplus of non-financial assets is formed based on the difference between the carrying amount and the fair value of assets arising from property, plant, and equipment, 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 old age and contributory service retirement benefits.

The 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 previous years.

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

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

4.21. Retirement and short-term employee benefits

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

The company must provide its personnel with retirement benefits, calculated 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) programmes and retirement contributions for its employees in respect of the defined benefit 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 benefit payments remain liabilities of the Company.

In accordance with Art. 222, para. 3 of the Labour Code (LC) in Bulgaria 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 on the years of service and the labour category, as follows:

In accordance with Art. 222, para. 3 of the LC, after an employee has obtained the right to retirement, based on his/her years of contributory services and age, the Company is obliged to pay him/her one-off compensation in the amount of two gross salaries. In the event that the employee has worked for the the Company for at least 10 (ten) years and has received a notification as per Art. 49 of the CLA that he/she has obtained the right to retirement based on his/her years of contributory service and age under Art. 68 or Art. 69 (b) of the Code of Social Insurance, and terminated his/her employment contract within two months from the date of the notification of the right to retirement for contributory service and age, acquires on a one-off basis the right to increased amount of the compensation under Art. 222, para. 3 of the LC.

In accordance with Art. 48 of the Collective Labour Agreement, when employment relations are terminated (on the grounds of Art. 325, para. 1, item 9 and Art. 327, para. 1, item 1 of the Labour Code), the employee or worker who is a party to the CLA is entitled to compensation as per Art. 222, para. 2 of the Labour Code, amounting to his/her gross labour remuneration, provided that he/she has at least 5 (five) years length of service and over the last 5 (five) years the employee, or the worker has not received any compensation on such grounds, and if he/she has not acquired the right to pension for contributory service and age under Art. 68 of the Code of Social Insurance, as follows:

- From 5 to 10 years of service at Kozloduy NPP EAD – for 10 months;
- Between 10 and 15 years of service at Kozloduy NPP EAD – for 12 months;
- Between 15 and 20 years of service at Kozloduy NPP EAD – for 14 months;
- Between 20 and 25 years of service at Kozloduy NPP EAD – for 16 months;
- Between 25 and 30 years of service at Kozloduy NPP EAD – for 18 months;
- Over 30 years of service at Kozloduy NPP EAD– for 20 months.

In accordance with Art. 50, para.1 of the Collective Labour Agreement, an employee or worker who has worked for at least 10 years at Kozloduy NPP, who terminated his/her employment contract within two months from the date of notification of the acquired right to retirement for contributory service and age, acquires on a one-off basis the right to increased amount of the compensation under Art. 222, para. 3 of the LC. This compensation is determined by multiplying the number of years and full months of service at Kozloduy NPP EAD under Labour Category 1 by 1.66, plus the number of years and full months of service at Kozloduy NPP EAD under Labour Category 2 multiplied by 1.25, plus the number of years and full months of of service at Kozloduy NPP EAD 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 year-end.

The Company's Management estimates the liability under defined benefits, on an annual basis, with the help of an independent actuary, using the estimated credit units 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 with consideration made of the yield of government securities that are denominated in the currency in which the benefits will be paid and have maturity approximating the maturity of the related pension obligations.

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

When employment relations are terminated due to illness, the retiring worker or employee is entitled to compensation, payable by the Company in accordance with Art. 222, para. 2 of the LC and the CLA, to the amount of his/her employment remuneration, given that he/she has at least 5 (five) years of service at

Kozloduy NPP EAD and over the last 5 (five) years prior to retirement he/she has not received any compensation on these grounds.

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 costs, 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 to retirement remunerations are included under 'Employee benefit expenses'.

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

4.22. Provisions, contingent liabilities and contingent assets

Provisions are recognised when it is probable that the present obligations resulting from a past event, will result in an outflow of resources from the Company and the liability can be reliably estimated. The maturity 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 has been designed and applied, or when the management has announced to those potentially 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 that are certain to 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 value between the comparable provision described above and the initially recognised amount, less the accumulated amortisation.

Probable inflows of 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 applying the Company's accounting policy. Key best estimates and assumptions with 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 2021, 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 6, and the carrying amount of intangible assets is analysed in Note 7

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 24.

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

The Company determines the fair value of financial instruments and of non-financial assets, based on the available market information, or if such is not available - by appropriate valuation models. The fair value of financial instruments that are actively traded on organised financial markets is determined based on the quoted, as at the end of the reporting period 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 a non-financial asset. In the absence of applicable market data, the management uses its best estimate of the assumptions which the market participants would employ. These valuations may differ from the actual prices which would be determined at a fair market transaction between well-informed and willing parties at the end of the reporting period.

The Company subsequently accounts 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 6, Note 7, and Note 8.

The Management believes that the fair values of property, plant and equipment, and investment properties, 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 of the inventories' value 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 to be generated throughout the period, in KWh. The product of the gross energy, generated by the respective unit for the fuel campaign and the fuel component, represents the costs of nuclear fuel for the respective period.

Measurement

Inventories, of carrying amount as at 31 December 2021 of BGN 112,102 thousand. (31 December 2020: BGN 105,650 thousand), are measured at the lower value of the original cost or 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 for the slow moving or idle inventories.

4.23.5. Pension and other employee obligations

Defined benefit plans obligations 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 2021, the Company's liabilities for retirement benefits recognised in the separate statement of financial position amounted to BGN 132,087 thousand. (31 December 2020: BGN 117,721 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, which is 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. These assumptions are related with 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.

The Company has reported impairment losses on non-current assets over the current reporting period to the amount of BGN 488 thousand (in 2020 it did not report impairment losses on non-current assets), and income from recovered impairment of non-current assets in previous periods to the amount of BGN 1,094 thousand.

4.23.7. Impairment of loans and receivables

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 failure of the other party to a financial transaction to fulfil 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 where the Company has deposited its cash to measure the settlement loss. As at 31 December 2021, the Management's best estimate on the expected credit losses of cash at banks amounted to BGN 2,184 thousand. (31 December 2020: BGN 2,212 thousand) (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, modelling is performed at the customer industry 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 take part in the 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 15. As at 31 December 2021, the management's best estimate of expected credit losses from receivables from related parties is presented in Note 35.

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 (i.e. the present value of each shortage of money) over the expected term of the financial instrument. Cash deficit 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 recognised 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 at 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 are to 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 obligation. Thus, regardless 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 realising deferred taxable income against which the deferred taxable assets are to be utilised, is based on the latest approved budget 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 it into consideration the specific facts and circumstances.

4.23.9. Provisions

Provision for 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 decision of the Council of Ministers on 2 September 2015, the Company is obliged to transport annually at least 50 tons of heavy metal spent nuclear fuel (SNF) for processing and storage in Russia, in the presence of favourable financial and economic conditions.

In 2018, the framework Annex to the Contract for the transportation, temporary technological storage and processing in Russia of 414 WWER-1000 SNF assemblies for the period 2019-2023 was signed between Kozloduy NPP EAD and FSUE "Production Association Mayak", Russia, in agreement with Euratom Supply Agency, Luxembourg. Taking into account the lengthy nature of the preparatory activities for SNF transportation, including organisational and technical measures, preparation of the required documentation, obtaining of certificates and permits, a new scheme was established for the transport of WWER-1000 SNF. The first transport using the above scheme took place in December 2020. Its cost was covered by the earmarked funds provisioned in 2018 for SNF management, including the activities related to transportation, technological storage and processing of SNF, that were not carried out during the previous years.

In view of performing its obligations as stated in the “Strategy for Management of Spent Nuclear Fuel and Radioactive Waste until 2030” for annual transport of a minimum of 50 t heavy metal SNF and ensuring the funding required for this, in 2021 the Company allocated an additional provision for SNF management to the amount of BGN 24,908 thousand. The calculations are based on the best estimate of the cost of 1 transport of SNF from WWER-1000 (96 fuel assemblies) required to cover the current liability as at 31.12.2021.

As at the end of the reporting period, ending 31 December 2021, the amount of the recognised provision required to cover the current obligation for SNF management is BGN 24,908 thousand, including the value of the unfulfilled transportations of WWER-1000 SNF for technological storage and processing for 2021.

Provision for decommissioning of nuclear facilities

In compliance with the requirements of IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, liabilities with uncertain timing and amount shall be provisions. Provisions are recognised only if the following conditions are met:

- The entity has a present liability, arising from a past event;
- It might be possible that an outflow of economic resources of the Company be required to settle the obligation; and
- A reliable estimate of the amount of the obligation can be made.

Based on the requirement of the standard for the ‘reliable estimates’ concept, the Company did not accrue expenses for provisions for ‘decommissioning of nuclear facilities’ and for ‘safe storage of the spent nuclear fuel’, for the following reasons:

- The Company is subject to specific regulations - the Safe Use of Nuclear Energy Act, Regulations on Pricing and Decrees for Funds Raising for the Radioactive Waste Fund (RAWF) and the of Nuclear Facilities Decommissioning Fund (DNFF) issued by the Council of Ministers. In accordance with the requirements of these statutory acts, current expenses for contributions due to those funds, which are transferred to budget accounts, are accrued in the separate statement of profit or loss and other comprehensive income. In compliance with the ‘matching principle of revenues and expenses’, the price of electricity on the regulated market, as defined by the EWRC, an expense up to the amount of the due contributions to the NFD Fund and RAW Fund is recognised as an expense to the extent of the contributions, due to the NFDF and RAWF.

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

- Pursuant to Decision No. 839 of the Council of Ministers, in December 2008 the assets in Unit 1 and Unit 2 were transferred for free from Kozloduy NPP EAD to SE RAW, Sofia, whose primary activity is “decommissioning”. By Decision No. 1038 of the Council of Ministers dated 19 December 2012, the Kozloduy NPP EAD Units 3 and 4 were declared facilities for radioactive waste management, and their management was transferred to SE RAW. On 1 March 2013 the assets belonging to Units 3 and 4 together with the respective personnel were transferred to SE RAW.

According to the regulatory requirements, when the implementation of the decommissioning project proves to be more expensive than the estimates approved by the Management Board of the Nuclear Facilities Decommissioning Fund, the necessary additional costs shall be covered by the entity which last operated the nuclear facility (in this case, Kozloduy NPP). Since as at the date of approval of the separate financial statements no assessment of the estimated costs of the project has been made by the Decommissioning of Nuclear Facilities Fund, the Company is unable to estimate reliably the liability and has not recognised a provision for decommissioning of nuclear facilities as at 31 December 2021 and 31 December 2020.

5. Effect of error correction and reclassifications

Over the current reporting period the Company has reported corrections of errors from previous periods as follows:

5. 1 During the current reporting period the Company has found an error in the presenting of the revaluation reserves of past periods which were formed from subsequent evaluations of long-term tangible assets within the period ending 31.12.2007, and they are not related to the application of the revaluated

value model under IAS 16 'Property, Plant and Equipment'. Due to the lack of normative regulation, incl. administrative and/or court practice, the amounts had been presented as a part of the 'Other reserves' position.

Over the current reporting period the Company has performed an analysis of the nature and amount of these reserves and concluded that it is a reasonable professional approach to treat such amounts identically as a revaluation reserve under IAS 16, as long as they have a similar origin and purpose. The results of the analysis regarding the amounts show that one part of them relates to long-term assets which have been derecognised in previous reporting periods, but the sum of their corresponding reserve has not been transferred to retained earnings as prescribed by the accounting policy applicable for derecognition of revaluation reserve when derecognising revaluated assets.

As a result of the performed analysis, the Company's management made a decision to correct the error in:

- presenting the amounts of the reserves related to revaluation of non-current assets in previous reporting periods similarly to the reserves which are formed in subsequent evaluation by revaluated value as per IAS 16 'Property, Plant and Equipment', i.e. as 'Revaluation reserves' instead of 'Other reserves';
- derecognition of the amounts related to non-current assets that have been revaluated and derecognised.

5.2 In pursuance of order No. АА-1644/11.06.2021 issued by the Chief Executive Officer of the Company, in the second half of the reporting period an analysis was performed of the spare parts available in warehouses, purchased for the purpose of investment activity and reported as costs for acquisition of fixed assets. As a result of the analysis it was established that costs for acquisition of fixed assets on completed investment projects to the amount of BGN 48,722 thousand have been accumulated. The same amount is recorded as an error correction in the previous period being reclassified from 'Non-current assets', line 'Property, plant and equipment' in 'Current assets', line 'Inventories'.

5.3. Amounts related to tax liabilities formed on actuarial gains/losses from the previous period have been reclassified to the amount of BGN 7,165 thousand from equity to 'Defined income reserve', and to the amount of BGN 2,012 thousand from 'Retained earnings'. The reclassification is in increase of 'Deferred tax liabilities' by BGN 9,177 thousand.

The following table shows the corrections recognised for each separate item in the financial statements:

Assets	1 January 2020	Increase / (decrease) for correction of error	1 January 2020
	BGN'000	BGN'000	BGN'000 restated
Non-current assets			
Property, plant, and equipment (Note 5.2)	2,408,171	(48,722)	2,359,449
Intangible assets	8,672	-	8,672
Investment properties	4,120	-	4,120
Investments in subsidiaries	15,161	-	15,161
Loans granted to related parties	8,289	-	8,289
Receivables from related parties	3,818	-	3,818
Financial instruments at fair value through other comprehensive income (OCI)	457	-	457
Non-current assets	2,448,688	(48,722)	2,399,966
Current assets			
Nuclear fuel	303,607	-	303,607
Inventories (Note 5.2)	54,303	48,722	103,025
Trade and other receivables	70,624	(12,261)	58,363
Loans granted to related parties	2,374	-	2,374
Receivables from related parties	53,924	12,261	66,185
Income tax receivables	764	-	764
Cash and cash equivalents	395,583	-	395,583
	881,179	48,722	929,901
Assets included in disposal groups, classified as non-current assets held for distribution to the owners	57,277	-	57,277
Current assets	938,456	48,722	987,178
Total assets	3,387,144	-	3,387,144

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	1 January 2020	Increase / (decrease) for correction of error	1 January 2020
	BGN'000	BGN'000	BGN'000 restated
Equity and liabilities			
Equity			
Share capital	244,585	-	244,585
Legal reserves	24,458	-	24,458
Revaluation reserve of non-financial assets (Note 5.1)	1,400,140	514,672	1,914,812
Remeasurement of defined benefit plans (Note 5.3)	(70,375)	(7,165)	(77,540)
Revaluation reserve of financial assets at fair value	203	-	203
Other reserves (Notes 5.1 and 5.3)	676,667	(567,358)	109,309
Retained earnings (Notes 5.1 and 5.3)	405,645	50,674	456,319
Total equity	2,681,323	(9,177)	2,672,146
Liabilities			
Non-current liabilities			
Borrowings	10,879	-	10,879
Retentions on construction contracts	978	-	978
Financing	106,966	-	106,966
Pension and other employee obligations	84,707	-	84,707
Long-term trade and other payables	13,181	-	13,181
Deferred tax liabilities (Note 5.3)	147,751	9,177	156,928
Non-current liabilities	364,462	9,177	373,639
Current liabilities			
Trade and other payables	143,749	(65)	143,684
Payables to related parties	5,424	65	5,489
Borrowings	22,833	-	22,833
Financing	4,340	-	4,340
Retentions on construction contracts	3,210	-	3,210
Pension and other employee obligations	34,272	-	34,272
Provisions for spent nuclear fuel and others	81,652	-	81,652
Current liabilities	295,480	-	295,480
Liabilities included in disposal groups, classified as non-current assets held for distribution to the owners	45,879	-	45,879
Current liabilities	341,359	-	341,359
Total liabilities	705,821	9,177	714,998
Total equity and liabilities	3,387,144	-	3,387,144

The effect on the items in the Company's financial reports at the beginning of the earliest presented period as at 01 January 2020 is as follows:

	Transfer of amounts related to revaluation of non-current assets in previous reporting periods BGN'000
Decrease of 'Other reserves'	(567,358)
Increase of 'Revaluation reserves'	567,358
	Transfer of revaluation reserve of derecognised long-term assets to retained earnings BGN'000
Decrease of revaluation reserves	(52,686)
Increase of retained earnings	52,686
	Reclassification of spare parts from costs for acquisition of tangible fixed assets in inventories BGN'000
Decrease in property, plant and equipment	(48,722)
Increase of inventories	48,722
	Correction of deferred taxes BGN'000
Increase of revaluation reserve of defined benefit plans	7,165
Decrease of retained earnings	(2,012)
Increase of deferred tax liabilities	9,177

The performed correction of errors from previous periods has no effect on the Statement of Profit or Loss and other Comprehensive Income for the previous reporting period.

The reclassification of items for comparable periods is as follows:

	Reclassification of trade and other receivables from related parties	
	01 January 2020	31 December 2020
	BGN'000	BGN'000
Decrease of trade receivables	(12,261)	(13,959)
Increase of receivables from related parties	12,261	13,959

	Reclassification of trade and other liabilities to related parties payables	
	01 January 2020	31 December 2020
	BGN'000	BGN'000
Decrease of trade receivables	(65)	(20)
Increase of receivables from related parties	65	20

6. Property, plant and equipment

The carrying amounts of the property, plant and equipment for the reporting period can be analysed as follows:

	Lands and buildings	Machines, plant, and equipment	Transport vehicles	Fixtures and other assets	Acquisition costs	Right-of-use assets	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount							
Balance as at 01 January 2021	466,991	2,014,443	10,813	68,149	168,152	896	2,729,444
Additions	14	-	-	-	90,366	-	90,380
Transfers	140	41,247	172	525	(42,084)	-	-
Disposals	-	(5,281)	(44)	(99)	(4,076)	-	(9,500)
Reclassification to other asset categories	-	-	-	-	(19,186)	-	(19,186)
Revaluation recognised in equity	27,198	292,179	1,190	-	-	-	320,567
Impairment recognised in equity	(895)	(32,531)	-	-	-	-	(33,426)
Impairment recognised in profit or loss	(488)	-	-	-	-	-	(488)
Recovered impairment in profit or loss	362	660	72	-	-	-	1,094
Revaluation at the expense of accumulated depreciation	(34,491)	(464,749)	(3,868)	-	-	-	(503,108)
Balance as at 31 December 2021	458,831	1,845,968	8,335	68,575	193,172	896	2,575,777
Depreciation							
Balance as at 01 January 2021	(23,772)	(366,647)	(2,852)	(56,262)	-	(329)	(449,862)
Depreciation	(10,719)	(162,042)	(1,055)	(4,160)	-	(224)	(178,200)
Disposals	-	5,136	39	99	-	-	5,274
Revaluation at the expense of accumulated depreciation	34,491	464,749	3,868	-	-	-	503,108
Balance as at 31 December 2021	-	(58,804)	-	(60,323)	-	(553)	(119,680)
Carrying amount as at 31 December 2021	458,831	1,787,164	8,335	8,252	193,172	343	2,456,097

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	Lands and buildings	Machinery, plant and equipment	Transport vehicles	Transport and other assets	Acquisition of other assets	Right-of-use assets	Acquisition costs	Total	Right-of-use assets
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount									
Balance as at 01 January 2020	465,857	1,990,327	8,720	67,888	172,129	896		2,705,817	
Effect from correction of errors	-	-	-	-	(48,722)	-		(48,722)	
Balance as at 01 January 2020 (restated)	465,857	1,990,327	8,720	67,888	123,407	896		2,657,095	
Additions	-	-	-	-	101,612	-		101,612	
Transfers	1,134	50,297	2,157	326	(53,914)	-		-	
Reclassification to intangible assets	-	-	-	-	(1,077)	-		(1,077)	
Disposals	-	(26,181)	(64)	(65)	(1,876)	-		(28,186)	
Balance as at 31 December 2020	466,991	2,014,443	10,813	68,149	168,152	896		2,729,444	
Depreciation									
Balance as at 01 January 2020	(13,073)	(230,386)	(1,892)	(52,190)	-	(105)		(297,646)	
Depreciation	(10,699)	(159,512)	(1,007)	(4,136)	-	(224)		(175,578)	
Disposals		23,251	47	64	-	-		23,362	
Balance as at 31 December 2020	(23,772)	(366,647)	(2,852)	(56,262)	-	(329)		(449,862)	
Carrying amount as at 31 December 2020	443,219	1,647,796	7,961	11,887	168,152	567		2,279,582	

As at 31 December 2021 the assets in the Property, plant and equipment were revaluated by an independent external appraiser of suitable qualification and expertise.

The remeasured values form a new revaluation reserve before taxes to the amount of BGN 287,141 thousand which at 31 December 2021 amounted to BGN 1,841,440 thousand following adjustments of the existing reserve in prior appraisals. It is not subject to distribution to the owners of the Company.

For information on determining the fair value of assets, see Note 41.

All depreciation and amortisation costs and impairment expenses or recovery are included in 'Depreciation/amortisation and impairment of non-financial assets'.

The Company has contractual obligations to acquire assets to the amount of BGN 14,515 thousand, which shall be realised in 2022. Further information on the capital commitments of the Company is communicated in Note 38 Commitments and contingent liabilities.

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

Review for impairment

In accordance with the Company's accounting policies, property, plant and equipment are revalued once every three years, or at shorter intervals, if there are data indicative of significant changes in market values. Investment property was measured at fair value as at 31 December 2021 pursuant to the requirements of IAS 16 and IFRS 13. The revaluation was based on measurement of their fair values by the independent certified appraiser Engineering Service Sofia OOD.

In accordance with IFRS 13 'Fair Value Measurement', when measuring the fair value of non-financial assets, the ability of a certain market participant to generate economic benefits through using the asset with the purpose of maximising its value or through selling the asset to another market participant who will use it that way is considered. The assets of Kozloduy NPP EAD that were covered by the review for impairment are strongly specific, specifically identified and related to the activity of generating electricity from nuclear fuel. These circumstances severely limit or prevent the alternative use of a considerable portion of the assets. I.e., other use by market participants is rather unlikely and, therefore, it is not

practically possible to determine an alternative maximised value. On account of this, it has been accepted that their current use in the activity results in maximising their value.

There are three generally accepted approaches to valuation, namely, cost, market and income approach. The cost approach usually provides the most reliable indication of the value of improvements on land, special purpose buildings, special structures, infrastructure and special machinery and equipment.

The cost approach evaluates the value on the basis of the cost of reproduction or replacement of property, less the impairment caused by physical wear and tear and functional (technical) and economic obsolescence, if any, and it can be measured.

Physical impairment is a form of impairment and represents a loss of value as a result of normal use of facilities and their exposure to the environment. Functional (technical) obsolescence is the loss of value caused by factors inherent to the asset, such as changes in materials and technologies that lead to unnecessary capital costs in the existing facilities, lack of full use and inability to expand or update the property.

The cost of reproducing or replacing an asset with a new one includes both the value of the asset and the costs of transport, insurance, loading and unloading, works and commissioning tests.

The cost of new reproduction of equipment with special design and production will be based on current market prices for labour, materials and production components, plus designers fees, engineering fees and overheads and profits.

The market approach establishes value by analysing recent sales of comparable property.

The market approach compares the assessed asset with other assets for which a property transaction has already taken place. The value of the analogue is reduced by deductions for size, location, infrastructure in the area and other factors in order to achieve comparability of the assets.

In view of applying the method, data have been obtained based on information from public auctions, catalogues of similar assets offered for sale, confidential information related to the sale of similar assets. Following the collection of market data, the property subject to assessment is examined to determine its condition, how it has been maintained, reconditioned and restructured in the past and other factors of use that would affect their comparability with the positions exchanged at market. The positive and negative attributes were assessed and measured against the characteristics of the comparable ones.

The income approach determines the value of the property based on the capitalisation of the net income that would be generated if the property were rented out or, in the case of an enterprise, the net income generated by the business activity. With this method, the asset is evaluated by determining the capitalisation factor and discounting future income.

In any valuation examination, all three approaches are considered, as one or more may be applicable to the property. As the assets subject to valuation are mainly specialised, i.e. there is no developed active market for them in fact, the main approach that is implemented is the cost approach through the Depreciated replacement cost method. Other approaches and valuation methods have been used depending on their applicability to the specific asset.

In order to reach a conclusion on the fair value of the assessed assets of Kozloduy NPP, the cost-based approach and the market comparison approach have been assessed as eligible and potentially applicable. The input data used in the asset valuation approaches can be categorised as predominantly level 3 hypotheses based on observable market data with significant adjustments or unobservable data.

Review for impairment

As at 31 December 2021 and as at 31 December 2020, impairment tests were prepared that showed no indications of the need of performing such impairment. No indications that the carrying amount of property, plant and equipment exceeds their recoverable value were found as a result of the conducted review.

Acquisition costs of long-term tangible assets

As at 31 December 2021, the acquisition costs of long-term tangible assets amounted to BGN 193,172 thousand and were mainly related to:

- Activities to extend the operational life of Power plant Units 5 and 6 in compliance with the Investment Programme of the Company for 2021;

- Projects to improve the power generation efficiency in the Company.

As at 31 December 2021, the advance payments for acquisitions of long-term assets amount to BGN 13,915 thousand (31 December 2020: BGN 14,414 thousand) which are included in the long-term tangible assets acquisition costs.

Collaterals on loans

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

Other disclosures

For property, plant and equipment at revalued amount, the disclosure of the carrying amount that would have been recognised if the assets were accounted for using the cost model is impracticable because of the complexity of the assets held and the long periods of time these assets have been revalued and considered property of the Company.

7. 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
Carrying amount					
Balance as at 01 January 2021	53,910	6,911	14,789	69,743	145,353
Reclassified from acquisition costs in long-term assets	18,077	51	265	-	18,393
Disposals	-	(4)	(261)	(2,207)	(2,472)
Balance as at 31 December 2021	71,987	6,958	14,793	67,536	161,274
Amortisation					
Balance as at 01 January 2021	(49,826)	(5,492)	(13,524)	(69,743)	(138,585)
Amortisation	(1,282)	(276)	(613)	-	(2,171)
Disposals	-	4	261	2,207	2,472
Balance as at 31 December 2021	(51,108)	(5,764)	(13,876)	(67,536)	(138,284)
Carrying amount at 31 December 2021	20,879	1,194	917	-	22,990

	Development products	Patents and licences	Software	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Carrying amount					
Balance as at 01 January 2020	53,910	6,138	14,810	69,743	144,601
Reclassified from acquisition costs in long-term assets	-	788	290	-	1,078
Disposals	-	(15)	(311)	-	(326)
Balance as of 31 December 2020	53,910	6,911	14,789	69,743	145,353
Amortisation					
Balance as at 01 January 2020	(48,925)	(4,118)	(13,143)	(69,743)	(135,929)
Amortisation	(901)	(1,388)	(692)	-	(2,981)
Disposals	-	14	311	-	325
Balance as at 31 December 2020	(49,826)	(5,492)	(13,524)	(69,743)	(138,585)
Carrying amount as at 31 December 2020	4,084	1,419	1,265	-	6,768

During the reporting period, the Company acquired 12 intangible assets, including one licence, six software products and five assets connected with Power plant Units 5 and 6 safety enhancement.

The Company has no contractual commitments for acquisition of intangible assets. The products of research and development activity are the result of scientific research on programmes and methodologies, models derived from hired services or author teams at Kozloduy NPP EAD.

The Company has conducted an impairment test for the intangible assets as at 31 December 2021. No indicators that the carrying amount of the assets exceeds their recoverable amount were identified.

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

8. Investment properties

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

	31 December 2021	31 December 2020
	BGN'000	BGN'000
At the beginning of the year	4,115	4,120
Increase from fair value measurement	12	-
Decrease from fair value measurement	-	(5)
At year-end	4,127	4,115

Fair value measurement

Investment property was measured at fair value as of 31 December 2021. The fair value measurement is based on the observable and unobservable data, adjusted by specific factors, such as area, location and current use. The performed valuation is consistent and recurring due to the application of the fair value model under IAS 40 and is performed regularly as at the date of each financial statement with the assistance of independent certified appraisers. The input data, used in the valuation, are subject to adjustments, but they are 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 of 31 December 2021, 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 similar 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

The investment properties are not pledged as loan security.

The revenues from rents for 2021 amount to BGN 143 thousand. (2020: BGN 143 thousand) are included in the statement of profit and loss and other comprehensive income under 'Income from sales of services, goods and others' (Note 24). These include variable lease payments that do not depend on an index or

variable rates. The direct operating costs to the amount of BGN 35 thousand are disclosed in the line 'Other expenses' (2020 - BGN 35 thousand), which are entirely for the rented property.

Operating lease as a lessor

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

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Up to 1 year	285	285
From 1 to 5 years	761	995
Over 5 years	-	51
	<u>1,046</u>	<u>1,331</u>

9. Investments in subsidiaries

The Company has the following investments in subsidiaries:

Subsidiary name	Country of incorporation	Principal activities	31 December 2021		31 December 2020	
			BGN'000	%	BGN'000	%
Kozloduy NPP - New Build EAD	Bulgaria	Constructing of power units	21,000	100	21,000	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
NPP Construction Supervision EOOD	Bulgaria	Construction supervision	5	100	0	0
			<u>22,166</u>		<u>22,161</u>	

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

The Company owns 100% of the capital of Kozloduy NPP – New Build EAD, Kozloduy, comprised of 1,400,000 ordinary, registered shares at par value of BGN 12.50 each.

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

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

The Company owns 100% of the capital of NPP Construction Supervision EOOD, Kozloduy, the capital amounting to BGN 5,000. In 2021, the Company invested in NPP Construction Supervision EOOD, whose principal activity is "Conformity assessment of investment projects and exercise of construction supervision over design and construction."

In 2021, Kozloduy HPP EAD distributed dividends amounting to BGN 964 thousand (2020: BGN 882 thousand), BGN 770 thousand of the above amount were effectively received. The Company did not receive dividends from other subsidiaries during the current and previous reporting period.

The Company does not have contingent liabilities or other undertaken commitments related to investments in subsidiaries.

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

The Company has 1.12% (50,400 shares) participation in the capital of Insurance Shareholding Company Energia (ZAD Energia), Sofia, incorporated in Bulgaria. The majority shareholder of ZAD Energia is Allianz Bulgaria Holding AD.

On 01 January 2018, the Company reclassified the investment in ZAD Energia in the category Financial instruments at fair value through other comprehensive income (OCI) because the Company intends to keep the investment for a long time by reason of strategic goals.

	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Financial instruments at fair value through other comprehensive income (OCI)	549	510
	<u>549</u>	<u>510</u>

In 2021, the Company received dividends of BGN 111 thousand from ZAD Energia (2020: BGN 87 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 as well as the significant unobservable input data used:

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

11. Deferred tax assets and liabilities

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

Deferred tax assets / (liabilities)	01.01.2021 restated*	Recognised in other comprehensive income	Recognised in profit or loss	31.12.2021
	BGN'000	BGN'000	BGN'000	BGN'000
Non-current assets				
Property, plant and equipment - revaluation	(155,473)	(28,671)	-	(184,144)
Property, plant and equipment - depreciation	(14,768)	(43)	6,978	(7,833)
Property, plant and equipment - impairment	1,163	-	(64)	1,099
Investment properties - revaluation	(108)	-	(1)	(109)
Financial instruments at fair value	(27)	(4)	-	(31)
Current assets				
Inventories - impairment	1,056	-	600	1,656
Trade and other receivables - impairment	1,359	-	36	1,395
Cash at banks - impairment	211	-	7	218
Non-current liabilities				
Liabilities for retirement employee benefits	4,607	-	1,443	6,050
Current liabilities				
Provisions	7,972	-	(5,481)	2,491
Unused leaves by the personnel	2,120	-	184	2,304
Accrued bonuses to the personnel	1,419	-	(436)	983
	(150,469)	(28,718)	3,266	(175,921)
Deferred tax assets	19,907			16,196
Deferred tax liabilities	(170,376)			(192,117)
Recognised as:				
Deferred tax liabilities, net	(150,469)			(175,921)

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Deferred tax assets / (liabilities)	01.01.2020	Effect of correction of error	01.01.2020 restated*	Recognised in other comprehensive income	Recognised in profit or loss	31.12.2020 restated*
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
Non-current assets						
Property, plant and equipment - revaluation	(156,360)	880	(155,480)	7	-	(155,473)
Property, plant and equipment - depreciation	(18,474)	(2,840)	(21,314)	-	6,546	(14,768)
Property, plant and equipment - impairment	1,215	(52)	1,163	-	-	1,163
Investment properties - revaluation	(109)	-	(109)	-	1	(108)
Financial instruments at fair value	(22)	-	(22)	(5)	-	(27)
Current assets						
Inventories - impairment	1,093	-	1,093	-	(37)	1,056
Trade and other receivables - impairment	1,593	-	1,593	-	(234)	1,359
Cash at banks – impairment	147	-	147	-	64	211
Non-current liabilities						
Liabilities for retirement employee benefits	11,898	(7,165)	4,733	103	(229)	4,607
Current liabilities						
Provisions	8,165	-	8,165	-	(193)	7972
Unused leaves by the personnel	2,323	-	2,323	-	(203)	2,120
Accrued bonuses to the personnel	780	-	780	-	639	1,419
	(147,751)	(9,177)	(156,928)	105	6,354	(150,469)
Deferred tax assets	27,214	(7,217)	19,997			19,907
Deferred tax liabilities	(174,965)	(1,960)	(176,925)			(170,376)
Recognised as:						
Deferred tax liabilities, net	(147,751)	(9,177)	(156,928)			(150,469)

12. Nuclear fuel

	Fuel loaded in the reactors	Other rel. to NF	Fresh Nuclear Fuel	Other rel. to NF	Total
	BGN'000		BGN'000		BGN'000
As at 1 January 2020	63,854		239,708	45	303,607
Fuel, purchased over the year	-	45	246,059	(45)	246,059
Transfers	117,077		(117,077)		-
Fuel, spent over the year	(116,222)		-		(116,222)
NF monitoring devices		(45)			(45)
As at 31 December 2020	64,709		368,690		433,399
Fuel, purchased over the year	-		111,044		111,044
Transfers	119,530		(119,530)		-
Fuel, spent over the year	(115,997)		-		(115,997)
As at 31 December 2021	68,242		360,204		428,446

13. Inventories

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

	31 December 2021	31 December 2020 Restated*
	BGN'000	BGN'000
Spare parts	99,827	95,240*
Fuels	3,102	3,439
Metals	1,498	928
Equipment	344	528
Reagents	765	517
Other materials	6,451	4,870
Total materials	111,987	105,522
Goods	115	128
Total inventories	112,102	105,650

Based on the annual impairment test, as at 31 December 2021, an impairment loss was recognized on the remaining inventories in the total amount of BGN 6,105 thousand. The net realizable value is determined on the basis of a report by an independent licensed appraiser.

The value of recovered impairment from previous periods in the amount of BGN 17 thousand. An impairment of the idle inventory was performed as at 31 December 2020 based on the report of an independent certified appraiser amounting to BGN 241 thousand and an impairment from previous periods amounting to BGN 2 thousand was recovered.

None of the inventories are pledged as securities for liabilities.

14. Trade and other receivables

	31 December 2021	31 December 2020
	BGN'000	Restated* BGN'000
Trade receivables	174	8,613*
Impairment of trade receivables	(1)	(32)
Court receivables	11,033	11,327
Impairment of court receivables	(10,398)	(9,466)
Receivables from CCB net from impairment	3,399	4,024
Impairment of a receivable from the CCB	(3,399)	(4,024)
Other receivables	1,217	10,688*
Impairment of other receivables	(23)	(23)
Financial assets	2,002	21,107
Advance payments	558	7,998
Prepayments	2,565	776
Non-financial assets	3,123	8,774
Trade and other receivables	5,125	29,881

IBEX AD and SE RAW are identified as related parties under general control of the state and receivables from them as at 31.12.2020 in the amount of BGN 15,104 thousand are reclassified as settlements with related parties, incl. non-current BGN 1,145 thousand and current BGN 13,959 thousand, the latter being reduced respectively from trade receivables of BGN 13,957 thousand and BGN 2 thousand from other receivables.

In 2021, trade and other receivables for which lawsuits have been filed have been transferred as court receivables, which is due to the significant decrease in trade receivables, respectively increase in court receivables compared to 31.12.2020. The amount of BGN 6,994 thousand and impairment of BGN 6,994 thousand has been eliminated from the Trade receivables line, and the amount transferred from the Other receivables line to court receivables is BGN 1,649 thousand with an impairment of BGN 143 thousand.

All trade and other receivables as at 31 December 2021 have been reviewed for indication of impairment.

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

	2021	2020
	BGN'000	BGN'000
Balance as at 1 January	13,545	15,845
Impairment loss	932	25
Recovering of impairment loss	(656)	(2,325)
Balance as at 31 December	13,821	13,545

An analysis of the age structure of trade and other receivables is provided in Note 40.2.

15. Cash and cash equivalents

Cash and cash equivalents include the following items:

	31 December 2021	31 December 2020
	BGN'000	BGN'000
Cash at banks and cash in hand, denominated in:		
- Bulgarian Leva (BGN)	856,646	476,851
- Euro (EUR)	59,728	10,359
- US Dollars (USD)	3	8
Expected credit losses	(2,184)	(2,112)
Cash and cash equivalents	914,193	485,106

The cash at banks in current accounts bear an interest with floating interest rates, based on the daily interest rates on bank deposits.

The Company has set aside the expected credit losses to the amount of BGN 2,184 thousand in total in relation to cash and cash equivalents. For 2021 only, the latter amounted to BGN 72 thousand. The

expected credit losses are recognised in consequence of the risk that the Company faces regarding the financial institutions.

The Company has BGN 4,937 thousand in a special account in CB Eurobank Bulgaria AD, open under terms and conditions approved by the Ministry of Energy. The funds that are set aside from the available cash resources of Kozloduy NPP EAD are blocked and not available to effect any other payments beyond their purpose. They are spent purposefully only to cover spent nuclear fuel (SNF) management costs, including activities related to transportation, technological storage and processing of SNF, that were not carried out in previous years.

16. Assets and liabilities classified as held for distribution to the owners

The radioactive waste (RAW) processing, storage and disposal are activities from the RAW management which, pursuant to SUNEА, shall be performed by SE RAW so as to ensure protection of the interests of the citizens of the Republic of Bulgaria as well as the accountability of the Republic of Bulgaria and its competent authorities.

By Decision of the Ministry of Economy (Minutes No. 6/17.10.2011) SE RAW was appointed as sole decommissioning operator for Units 1- 4.

By Decision No. 1038 of 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 related to the decommissioning of Units 1-4 and nuclear facilities definitively closed for decommissioning were transferred to SE RAW for implementation and management.

As at 31 December 2021, together with SE RAW, the required measures were taken to declare the unfinished construction of the “Facility for processing and conditioning of solid RAW with a high volume reduction factor” a facility for management of RAW; also, declare other assets in the process of acquisition under launched projects for implementation of decommissioning activities on nuclear facilities - private state property; and transfer them to SE RAW for management.

The carrying amount of the assets and liabilities held for distribution to the owners that should be transferred to SE RAW can be presented, as follows:

	31 December 2021	31 December 2020
	BGN'000	BGN'000
Assets		
Lands and buildings	1,069	1,069
Machines, plant, and equipment	8,600	8,600
Acquisition costs	46,573	46,573
Total assets	56,242	56,242
Liabilities		
Retentions on construction contracts	2,170	2,170
Financing	43,709	43,709
Total liabilities	45,879	45,879

As at 31.12.2021, there are no assets and liabilities which have been distributed to the owners and there are no cash flows generated. As at the date of preparation of these financial statements, the Council of Ministers decided to transfer the assets and liabilities of SE RAW in 2022. More detailed information is disclosed in Note 43 Events after the end of the reporting period.

17. Equity

17.1. Share capital

The registered capital of the Company consists of 24,458,489 fully paid, ordinary, registered shares at par 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. There is no change in the number of shares during the current and previous reporting period.

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

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting.

17.2. Legal reserves

The Company reports legal reserves amounting to BGN 24,458 thousand (2020: BGN 24,458 thousand). Legal reserves are formed by joint stock companies, such as Kozloduy NPP EAD, as a distribution of the profit according to the provisions of Article 246 of the Commercial Act. They are set aside until their amount reaches one tenth or bigger portion of the capital. Sources for the formation of the legal reserves are at least one tenth of the net profit, share premium account, and the funds foreseen in the statute or by a decision of the sole owner.

17.3. Revaluation reserve of non-financial assets

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

	Revaluation reserve of non-financial assets
	BGN'000
Balance at 01 January 2020	1,400,140
Effect of correction of errors	514,672
Balance at 01 January 2020 (restated)	1,914,812
Transfer to retained earnings upon disposals of assets	(886)
Balance at 31 December 2020	1,913,926
Revaluation of non-financial assets, net of tax	258,427
Transfer to retained earnings upon disposals of assets	(425)
Balance at 31 December 2021	2,171,928

17.4. Other reserves

	Other reserves
	BGN'000
Balance at 01 January 2020	676,667
Effect of correction of errors	(567,358)
Balance at 01 January 2020 (restated)	109,309
Balance at 31 December 2020	109,309
Transfer of retained earnings to reserves	137,905
Dividend distributed to the owner	(225,808)
Balance at 31 December 2021	21,406

17.5. Declared and paid dividends

The dividends distributed and paid by the Company in 2021 to the sole owner amount to BGN 607,905 thousand, as follows:

- ✓ BGN 220,000 thousand according to a decision of the Board of Directors of BEH under Minutes No. 4-2021 of 2 February 2021 is distributed as an additional dividend at the expense of Other Reserves;
- ✓ 137,905 thousand BGN, which represents 50% of the net profit for 2020 according to a decision of the Board of Directors of BEH under Minutes No. 32-2021 of 22 June 2021. The remaining 50% of the net profit for 2020, also amounting to BGN 137,905 thousand, is transferred to Other reserves.

✓ BGN 250,000 thousand additional dividend according to a decision of the Board of Directors of BEH under Minutes No. 43-2021 of 11 August 2021 at the expense of 'Retained earnings' in the amount of BGN 244,192 thousand and at the expense of 'Other reserves' in the amount of BGN 5,808 thousand.

The dividends distributed and paid by the Company in 2020 to the sole owner amount to a total of BGN 162,446 thousand, as follows:

✓ 137,905 thousand BGN, which represents 50% of the net profit for 2019 according to a decision of the Board of Directors of BEH under Minutes No. 42-2020 of 16 July 2020. The remaining portion of 50% remains as retained earnings from 2020.

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

18. Borrowings

Loans include the following financial liabilities:

	Effective interest rate	Maturity	31 December 2021 BGN'000	31 December 2020 BGN'000
Current:				
Loan - EURATOM - principal	EURIBOR + 0.079% to 0.13%	from 16 January 2020 to 31 May 2021	-	10,879
Accrued interest on the loan to EURATOM			-	291
Total borrowings			-	11,170

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 modernisation 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 National Electricity Company EAD (a related party under common control).

The loan contract contains special clauses with restrictive conditions as regards changes of the ultimate owners, as well as financial conditions requiring the achievement of certain levels of the gearing ratio and debt service coverage (see Note 40).

In 2021, the loan was fully repaid, which lifted the restrictive conditions.

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

19. Retentions on construction contracts

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

	31 December 2021 BGN'000	31 December 2020 BGN'000
Non-current	97	326
Current	7,137	3,626
	7,234	3,952

In accordance with the signed contracts for construction of property and facilities, the Company retains a part of the amount of the invoiced construction works as a performance guarantee and guarantee for the timely execution of the construction and installation 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 construction and installation works should be paid to suppliers after obtaining permits to use, while the remaining amounts should be paid in the contracted time frames.

As at 31.12.2021, retained guarantees to the amount of BGN 2,170 thousand were classified as liabilities held for distribution to owners. (Note 16)

20. Financing

	31 December 2021	31 December 2020
	BGN'000	BGN'000
As at 01 January	107,364	111,306
Received over the year	59	-
Recognised in profit or loss	(3,922)	(3,942)
As at 31 December	103,501	107,364
Non-current	99,182	103,158
Current	4,319	4,206

The financing is obtained under programmes and funds for construction of property, plant and equipment with ecological purpose.

On 10 July 2018, a meeting of the Assembly of Donors of Kozloduy International Decommissioning Support Fund (KIDSF) 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 about presenting accurate information on the appropriate use of Extension - Stage 1a of a Dry Spent Fuel Storage Facility (DSFSF).

Despite Kozloduy NPP's assurance of the project appropriateness and its future purpose, the analyses for storage of WWER-440 SNF submitted until that moment were not accepted by the donors due to various reasons.

In this regard, at the meeting of 10 July 2018, the Assembly adopted a decision by which Kozloduy NPP EAD was bound to submit a repayment schedule for recovering the amount of EUR 12,892,000 (BGN 25,214,560.36) which was intended for the construction of the DSFSF Extension - Stage 1a.

In pursuance of the decision and in accordance with a meeting held at the ME on 20 November 2018, Kozloduy NPP EAD proposed to EBRD an option for execution of the decision made at the Assembly of Donors through repayment of the sum in four equal annual repayment instalments, each instalment amounting to EUR 3,223,000 payable in the period 2019 - 2022 without interest accrual. This plan was accepted by EBRD.

As per Minutes of Meeting No. 9 of 22 March 2019, the Board of Director of Kozloduy NPP EAD with decision 9.3.1. reviewed and approved the execution of the decision of the Assembly of Donors of Kozloduy International Decommissioning Support Fund in compliance with the option accepted by the EBRD for deferred repayment of the funding in instalments.

In 2021 a payment in the amount of BGN 6,303 thousand was made, whereby the Company's liability as at 31 December 2021 amounted to BGN 6,304 thousand and was presented in line 'Trade and other liabilities' (Note 22).

21. Defined benefit plans obligations

In accordance with the Bulgarian labour legislation and the Collective Labour Agreement, the Company is obliged to pay to the personnel a certain number of gross monthly salaries upon their retirement, depending on the employees' years of services in the Company and labour category. The retirement-defined employee benefit plan is not funded.

This 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 calculated at a discount rate, determined on the basis of the market profitability of the government securities held. The maturity of the securities corresponds to the estimated time of the liabilities under defined benefit plans, and they are denominated in Bulgarian Leva (BGN). A decline in the market profitability of the government securities held will result in increase of the Company's liabilities under defined benefit plans.

Risk of changes in life expectancy

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

Inflation risk

- Any inflation increase 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:

	<u>2021</u>	<u>2020</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Balance at 1 January	117,721	118,979
Interest costs	697	762
Current service costs	29,405	17,219
Past services costs	(507)	-
Retirement employee benefits paid	(15,572)	(18,339)
Actuarial (gains)/losses, incl.:	343	(900)
Actuarial (gains) / losses from change in the actual experience	(4,030)	(1,394)
Actuarial (gains) / losses from change in the financial assumptions, incl. from	4,398	377
- change in the discount rate	(524)	377
- increase of salaries growth in long-term perspective	4,922	-
Actuarial (gains)/losses from changes in the demographic assumptions	(25)	117
Balance at 31 December	<u>132,087</u>	<u>117,721</u>
Non-current	101,211	89,115
Current	30,876	28,606

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

	<u>31 December 2021</u>	<u>31 December 2020</u>
Discount rate	0.6%	0.5%
	10% for the first year; After that 5% per year	5% for the first 3 years; After that 5% per year
Future increase in remunerations		

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 liabilities 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 costs

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Current service costs	(29,405)	(17,219)
Past service costs	507	-
Interest costs	(697)	(762)
Actuarial (gains) / losses, related to liabilities upon retirement due to illness	(406)	(127)
Total expenses, recognised in profit or loss	<u>(30,001)</u>	<u>(18,108)</u>

The expenses, incurred with regards to current and past service costs, as well as the actuarial losses, related with liabilities upon retirement due to illness (retirement employee benefits), are included in 'Employee benefits expenses'. Interest costs 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:

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Actuarial (gains)/losses from change in the actual experience assumptions	(4,215)	(1,476)
Actuarial (gains)/losses from change in the financial assumptions	4,175	336
Actuarial (gains)/losses from changes in the demographic assumptions	(23)	112
Total actuarial (gains)/losses recognised in other comprehensive income	<u>(63)</u>	<u>(1,028)</u>

Based on past experience, the Company expects to pay BGN 30,876 thousand contributions under defined benefit plans in 2022.

The weighted average duration of the liability to pay defined benefits as at 31 December 2021 is 14.00 years.

The significant actuarial assumptions in determining the liabilities under defined benefit plans relate to the discounting rate, the estimated percentage of increase of salaries, the percentage of personnel's turnover, and the estimated life expectancy.

The table below presents a sensitivity analysis and summarises the effects of changes in these actuarial assumptions on the liabilities under the defined benefit plans as at 31 December 2021:

Changes in significant actuarial assumptions in BGN'000

Discount rate	Increase by 1%	Decrease by 1%
Increase/(decrease) in liabilities under defined benefit plans	(5,221)	5,733
Percentage of increase of salaries	Increase by 1%	Decrease by 1%
Increase/(decrease) in liabilities under defined benefit plans	5,409	(5,039)
Estimated life expectancy	Increase by 1 year	Decrease by 1 year
Increase/(decrease) in liabilities under defined benefit plans	593	(643)
Percentage of personnel's turnover	Increase by 1%	Decrease by 1%
Increase/(decrease) in liabilities under defined benefit plans	(5,724)	6,202

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 2021	31 December 2020
	BGN'000	BGN'000
<i>Non-current</i>		
Financing subject to recovery	-	5,780
Lease	117	338
Financial liabilities	117	6,118
<i>Current</i>		
Payables to suppliers	19,490	60,449
Lease liabilities	245	240
Financing subject to recovery	6,304	6,827
Other liabilities	4,948	6,897
Financial liabilities	30,987	74,413
Liabilities for remunerations of personnel	41,052	36,181
Liabilities for social security contributions	4,628	9,414
Tax liabilities	81,806	26,324
Liabilities under contributions to the NDF Fund, the RAW Fund, and the ESS Fund	68,728	21,518
Advances received	89	119
Non-financial liabilities	196,303	93,556
Trade and other payables	227,290	167,969

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

22.1. Lease

This note provides information on lease when the Company is a lessee.

- **Amounts recognised in the statement of financial position**

The statement of financial position shows the following sums related to lease:

	2021	2020
	BGN'000	BGN'000
Right-of-use assets		
Transport vehicles	343	567
	343	567
Lease liabilities		
Current	245	240
Non-current	117	338
	362	578

Right-of-use assets were acquired over the financial year 2019 were to the amount of BGN 910 thousand.

- **Amounts recognised in the Statement of profit or loss and other comprehensive income**

The Statement of Profit or Loss and Other Comprehensive Income shows the following amounts related to lease:

	2021 BGN'000	2020 BGN'000
Depreciation of right-of-use assets		
Transport vehicles	(553)	(329)
	<u>(553)</u>	<u>(329)</u>
Interest costs (included in the financial costs)	(16)	(24)

The total lease cash flow in 2021 amounted to BGN 232 thousand.

23. Provisions

The carrying amount of the provisions can be presented, as follows:

	31 December 2021 BGN'000	31 December 2020 BGN'000
Provision for spent nuclear fuel	24,908	79,720
	<u>24,908</u>	<u>79,720</u>

The adjustment of the provisions during the year is presented below:

	Provision for spent nuclear fuel BGN'000
Balance at 01 January 2021	79,720
Released	(79,720)
Recognised provision	24,908
Carrying amount at 31 December 2021	<u>24,908</u>

Provision for 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 decision of the Council of Ministers on 2 September 2015, the Company is obliged to transport at least 50 tons of heavy metal annually spent nuclear fuel (SNF) for processing and storage in Russia, in the presence of favourable financial and economic conditions.

In 2018, Framework Annex 19 to the Contract for the transportation, temporary technological storage and processing in Russia of 414 WWER-1000 SNF assemblies for the period 2019-2023 was signed between Kozloduy NPP EAD and FSUE "Production Association Mayak", Russia, in agreement with Euratom Supply Agency, Luxembourg. In view of the long duration of the preparatory activities for SNF transportation, including organisational and technical activities, preparation of the required documentation, obtaining certificates and permits, a new scheme was established for the transport of WWER-1000 SNF. The first transport using the above scheme took place in December 2020. Its cost was covered by the earmarked funds set aside in 2018 for SNF management, including the activities related to transportation, technological storage and processing of SNF that had not been carried out during the previous years. Two transports of SNF from WWER-1000 were performed, with a total of 192 assemblies and the provision amounting to BGN 79,720 thousand set aside in the previous reporting period was recognised. The SNF transportation costs, exceeding the provisions amount to BGN 1,653 thousand and are reported as current expenses for the period.

In view of performing its obligations as stated in the "Strategy for Management of Spent Nuclear Fuel and Radioactive Waste until 2030" for annual transport of a minimum of 50 t heavy metal SNF and ensuring the funding required for this, the Company has recognized a provision for for SNF management in 2021 to the amount of BGN 24,908 thousand. The calculations are based on the best estimate of the cost of 1

transport of SNF from WWER-1000 (96 fuel assemblies) required to cover the current liability as at 31.12.2021.

As at the end of the reporting period, ending 31 December 2021, the amount of the recognised provision required to cover the current obligation for SNF management is BGN 24,908 thousand, including the value of the unfulfilled transportations of WWER-1000 SNF for technological storage and processing for 2021.

24. Revenue from contracts with customers

The main factors, having an impact on the clearing prices, respectively on the revenues from electricity sales by Kozloduy NPP EAD on the “Day Ahead” market over the period, are as follows:

- The commitments of BEH EAD and the production companies within its group towards the EC ensuing from case AT-39767-BEH-Electricity for mandatory offering on the Day Ahead Market (DAM) of certain volumes at a limit price for a five-year period were completed on 19.01.2021. As of mid 2019 this commitment has been implemented mainly by Kozloduy NPP EAD due to difficulties of various nature (financial difficulties, dependence on climate factors) of the other two companies - TPP Maritsa East 2 EAD and NEK EAD. At the same time, the Company gained a new recognition for its activity as a main electricity manufacturer and leading participant in the electricity market in Bulgaria. At an on-line ceremony, dedicated to the fifth anniversary of the establishment of the Day Ahead Market of the Independent Bulgarian Energy Exchange (IBEX) the nuclear power plant was distinguished in the ‘Manufacturer’ category.
- As of 11.05.2021 the Independent Bulgarian Energy Exchange AD successfully initiated the coupling of the Day Ahead Market between Bulgaria and Greece. This resulted in the increase of the liquidity of the segment, improvement of the competitive environment, but also in the increase of the formed clearing prices of the energy. Such coupling is pending with the Romanian market and it will be implemented in the end of the year.

Continuing and steady trend of the European markets for increasing the electricity price, which was tangibly felt also in our country with a view of increasingly more advanced market integration processes. This trend is mainly impacted by the strive of the European economies to recover fast after the Covid 19 crisis, as well as the global decarbonisation policy and orientation towards “green” energy. The prices of electric energy increased several times during the second half of the reporting period.

24.1. The revenues from contracts with the Company’s customers per types are as follows:

	<u>2021</u>	<u>2020</u>
	BGN’000	BGN’000
Revenue from sales of electricity	2,702,696	1,255,807
Revenue from sales of heat energy	3,556	3,103
Income from sales	2,706,252	1,258,910
Revenue from sales of services	2,349	2,264
Revenue from sales of goods and other current assets	806	680
Revenue from contracts with customers	2,709,407	1,261,854

24.2. Revenue recognition time of revenue from contracts with customers is as follows:

	<u>2021</u>	<u>2020</u>
	BGN’000	BGN’000
Products transferred as a point in time	806	680
Products and services transferred over time	2,708,601	1,261,174
	2,709,407	1,261,854

24.3. The revenue from sales of electricity by type of markets is as follows:

	2021	2020
	BGN'000	BGN'000
Sales of electricity on the exchange market	2,543,438	1,093,906
Sales of electricity on the regulated market	161,588	160,379
Sales of electricity on the non-regulated market	1,386	1,306
Sales of electricity on the balancing market	(3,716)	216
Revenue from sales of electricity	2,702,696	1,255,807

Revenue from the sales of electricity on the exchange market were realized in the following power exchange segments:

	2021	2020
	BGN'000	BGN'000
Market segment 'Day ahead'	2,263,175	679,646
Market segments 'Bilateral contracts'	272,034	396,128
Market segment 'Intraday'	12,341	4,126
Market segment 'Continuous trading'	-	14,087
Purchased replacement energy	(4,112)	(81)
Revenue from sales of electricity	2,543,438	1,093,906

24.4. The revenue from sales of electricity by type of customers is as follows:

	2021	2020
	BGN'000	BGN'000
Related parties, incl.:	2,435,715	847,255
<i>Independent Bulgarian Energy Exchange EAD</i>	2,271,404	683,692
<i>National Electricity Company EAD</i>	161,588	162,049
<i>ESO EAD sales of electricity + balancing electricity</i>	1,363	218
<i>SE RAW</i>	1,360	1,296
Other customers	266,981	408,552
Revenue from sales of electricity	2,702,696	1,255,807

The table below presents information about the accounting policy applied by the Company as regards revenue recognition and time for completion of contractual obligations in respect of contracts with customers under IFRS 15.

Type of product/ service	Contractual obligations nature and completion time, including essential payment terms	Recognition of revenue under IFRS 15
Contracts for sales of electricity	Electricity supplies are carried out all year-round in a continuous mode of operation. Since the customer simultaneously receives and consumes the benefits, the Company transfers the control over electricity over time and therefore meets the performance obligation and recognises revenues over time. Usually, invoices are payable within 30 days.	The sales revenues 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. The electricity is deemed to be delivered to the customer as soon as the schedules of the Seller and the Buyer are recorded in the Schedule Notification System administered by the Electricity System Operator EAD after the parties have an agreement on the schedules.

Type of product/ service	Contractual obligations nature and completion time, including essential payment terms	Recognition of revenue under IFRS 15
		Revenue is invoiced according to the terms of the contract concluded.
Revenue from heat energy	Heat energy supplies are carried out during the heating season in a continuous mode of operation. Since the customer simultaneously receives and consumes the benefits, the Company transfers the control over the heat energy over time and therefore meets the performance obligation and recognises revenue over time. Usually, invoices are payable within 30 days.	Sales revenues are recognised on each transfer of control over heat energy when it is delivered to the buyer and there are no outstanding obligations that could affect the buyer's heat energy acceptance. The heat energy is considered delivered to the customer at the time of consumption. The delivered quantities are reported by means of a heat meter in the substation where the commercial metering takes place once a month. Revenue is invoiced monthly according to the terms of the contract concluded.
Revenue from services	Control is transferred when the service is completed. The receivables are due immediately.	The Company transfers the control over the services over time and therefore meets the performance obligation and recognises revenue over time. If the service is not completed fully until the end of the reporting period, the revenue is 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 sales of current assets	The delivery is effected when the assets have been sent to the customer, the risks of potential losses have been transferred to the customer and/or the customer has accepted the assets in accordance with the sale contract. The usual payment term is up to 30 days following delivery.	Revenue from sales of current assets are recognised when the control over the assets sold is transferred.

24.5. *Balances under contracts with customers*

	31 December 2021	31 December 2020
	BGN'000	BGN'000
Trade receivables	174	8,613
Receivables from related parties	44,625	47,972
	44,799	56,585

The trade receivables are not interest-bearing and the usual credit term is up to 30 days.

The Company has no interest-bearing trade receivables.

25. Other revenues and income

	2021	2020
	BGN'000	BGN'000
Income from penalties under contracts	699	4,531
Income from insurance events	704	670
Income from revaluation of PPE	1,094	-
Income from assets' surplus	84	34
Income from waste	575	472
Other income	394	323
	3,550	6,030

26. Cost of materials

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Nuclear fuel, lubricants and fuels	(120,695)	(118,449)
Spare parts and tools	(11,901)	(6,900)
Materials for current maintenance	(2,353)	(2,436)
Working and special clothing	(1,585)	(1,640)
Reagents for production	(1,215)	(1,342)
Purchased electric energy	(290)	(451)
Specialised literature and stationery	(175)	(234)
Construction materials and metals	(80)	(266)
Advertising materials	(39)	(65)
	<u>(138,333)</u>	<u>(131,783)</u>

27. Hired services costs

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Repair and maintenance services	(66,369)	(58,627)
Transmission grid access fee	(36,658)	(34,593)
Armed security and fire protection	(22,405)	(19,657)
Insurance of property and nuclear damage	(15,336)	(14,668)
Fees for permits by regulatory bodies	(5,785)	(6,266)
Taxes and fees	(5,445)	(5,114)
Consulting services	(4,037)	(5,676)
Transport costs	(3,133)	(2,688)
Services for provision of protective food as per government order	(2,496)	(2,496)
Cleaning services and landscaping	(1,902)	(1,631)
Transportation of SNF	(1,653)	-
Water usage fee	(1,445)	(1,436)
Water supply and sewerage services	(959)	(575)
Researches, measurements and control	(764)	(750)
Training and qualification;	(561)	(283)
Information, postal and telecommunication services	(383)	(405)
Medical services	(183)	(274)
Rents	(70)	(49)
Others	(1,622)	(2,170)
	<u>(171,206)</u>	<u>(157,358)</u>

28. Employee benefits expenses

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Salaries and wages	(166,631)	(154,933)
Social security costs	(37,945)	(39,023)
Social expenses, in cash	(27,487)	(24,865)
Food expenses, incurred in accordance with Regulation No. 11	(15,960)	(16,659)
Other social expenses	(4,334)	(3,141)
Compensations, provided in accordance with the Labour Code	(2,211)	(1,825)
	<u>(254,568)</u>	<u>(240,446)</u>
Retirement employee benefits	<u>(29,305)</u>	<u>(17,346)</u>
	<u>(283,873)</u>	<u>(257,792)</u>

29. Provisions costs

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Provision for spent nuclear fuel	(24,908)	(39,860)
Provisions for other payables	-	1,936
	<u>(24,908)</u>	<u>(37,924)</u>

Detailed information on the provision is provided in Note 24.

30. Impairment costs/recovered impairment on financial assets (net)

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Recovered impairment of trade receivables	31	2,245
Impairment of related parties receivables	(82)	35
Recovered impairment of other receivables	625	(25)
Impairment of court receivables	(932)	80
Impairment of cash in banks	(72)	(642)
	<u>(430)</u>	<u>1,693</u>

31. Other expenses

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Annual instalment payment to the Nuclear Facilities		
Decommissioning Fund	(202,702)	(94,186)
Annual instalment in the ESS Fund	(135,135)	(62,790)
Annual instalment paid to the Radioactive Waste Fund	(81,081)	(37,674)
Impairment of inventory	(6,105)	(241)
Donations and sponsorship	(2,185)	(5,018)
Membership fees	(948)	(852)
Social costs	(897)	(714)
Business trips	(403)	(186)
Shortages and defaults	(267)	(3,170)
Representation expenses	(248)	(180)
Penalties and charges under contracts	(45)	(154)
Reversal of inventory impairment	17	2
Other expenses	(825)	(254)
	<u>(430,824)</u>	<u>(205,417)</u>

Operating expenses amounting to BGN 418,918 thousand (2020: BGN 194,650 thousand), representing over 97% of the total amount of Other Expenses of the Company; these are normatively regulated monthly contributions paid in accordance with, as follows:

- REGULATION on the procedure for defining, collecting, spending and control of the funds and the amount of contributions due to the Nuclear Facilities Decommissioning Fund;
- REGULATION on the procedure for defining, collecting, spending and control of the funds and the amount of contributions due to the Radioactive Waste Fund;
- REGULATION on the procedure for collecting, spending and control of the funds for the Electricity System Security Fund.

32. Compensations of industrial end-users of electricity

In 2021, Bulgaria and the European Union as a whole faced an unexpected surge in electricity prices, mainly due to increased demand both in Europe and worldwide, and rising prices of energy carriers and carbon emissions.

The drastic increase in electricity market prices has had a negative impact on end-users, respectively the business in the country, which has been negatively affected by the economic consequences of the Covid-19 pandemic. It was impossible to avoid the negative consequences due to the short period of time, the dynamic situation and the significant rise in electricity prices. It is difficult to fully assess and predict in full the economic impact of this phenomenon. The expected economic consequences are that they will be proportionate to the duration and size of the increase.

In order to mitigate the economic repercussions of the sudden instability of energy market prices, the Council of Ministers developed and adopted by its Decision No.739 of 26 October 2021 a Programme for compensation of industrial end-users of electricity. The programme aims to protect and assist all industrial end-users to deal with the effects of electricity prices fluctuations. It has a compensatory effect and complements other temporary measures taken at national level to increase transparency and improve the functioning of the energy market, as well as to strengthen regulatory control. The programme initially covered a support period from 1 October 2021 to 30 November 2021 inclusive, but was subsequently extended to 31 March 2022.

The programme provides for a mechanism to support industrial end-users through electricity traders, ultimate suppliers, electricity producers selling directly to final industrial end-users, and operators of an organised electricity exchange market (Suppliers). The adoption of the programme aims to maintain the competitiveness of the industry and overcome the additional inflationary pressure caused by high electricity prices. This will reduce the amount due from industrial end-users.

The compensatory measure is in line with the Communication of the European Commission of 13 October 2021 ‘Tackling rising energy prices: a toolbox for action and support’ regarding energy prices. No possible negative effects of the aid are expected on competition in the electricity market and trade in electricity.

In order to implement the programme, the decision of the Council of Ministers stipulates that the Minister of Energy, exercising the rights of the state in the equity of the Bulgarian Energy Holding EAD, undertakes to take the necessary action to provide grants amounting to BGN 450,000 thousand from Kozloduy NPP EAD to the central budget to an account of the Ministry of Finance. Pursuant to Decision No. 59-2021/02.11.2021 of the Board of Directors of BEH, at an extraordinary meeting of the Board of Directors of Kozloduy NPP EAD, held on 02.11.2021 with MoM No. 33, a decision was made to transfer funds to the amount of BGN 450,000 thousand to the account of the Ministry of Finance. The amount was transferred on 04.11.2021 and reported as current expense for the period in the statement of profit and loss and other comprehensive income.

33. Finance income and finance costs

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Interest expense under loans	(266)	(792)
Total interest expense under financial instruments that are not carried at fair value in profit or loss	(266)	(792)
Interest expenses on liabilities for retirement employee benefits	(697)	(762)
Fees and commissions expenses	(1,339)	(20)
Negative exchange rate differences	(54)	(13)
Finance costs	(2,356)	(1,587)

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

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Interest income on loans granted	169	227
Interest income on deferred payments agreements	479	894
Interest income on bank accounts	42	72
Total interest income on financial assets that are not carried at fair value in profit or loss	690	1,193
Income from dividends	1,075	969
Positive exchange rate differences	9	8
Finance income	1,774	2,170

34. Income tax expenses

The estimated income tax expense based on the applicable tax rate for Bulgaria amounting to 10% (2020: 10%) and the actual tax expenses recognised in profit or loss can be reconciled as follows:

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Accounting profit before tax	1,039,126	306,377
Tax rate	10%	10%
Estimated income tax expense	(103,913)	(30,638)
Tax effect of:		
Increase of the financial result for tax purposes	(72,220)	(26,293)
Decrease of the financial result for tax purposes	24,046	19,804
Current tax expense	(152,087)	(37,127)
Deferred tax profit/(loss) as a result of:		
Origination and reversal of temporary differences	3,265	6,560
Income tax expense	(148,822)	(30,567)
Deferred tax income recognised in other comprehensive income	(28,718)	(101)

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

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Subsidiaries

Kozloduy NPP - New Build EAD
Kozloduy HPP EAD
Interpriborservice OOD
NPP Construction Supervision Ltd

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, Bulgartansgas 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).

Associated companies for BEH group

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

Joint ventures for BEH Group

ICGB AD, South Stream Bulgaria AD, Transbalkan Electric Power Trading SA - NECO SA

Others - Independent Bulgarian Energy Exchange EAD since 16 February 2018, SE RAW, and all enterprises connected with the Bulgarian State with which the Company has material transactions.

Key management personnel of the Company as at 31 December 2021:

Iliya Todorov Iliev - Chair;
Nasko Asenov Mihov - Member of the Board of Directors and Chief Executive Officer
Aleksandar Hristov Nikolov - Member and Deputy Chief Executive Officer
Vladimir Andreev Uruchev - Member
Iva Edward Nikolova - Chair

Key management personnel of the Parent company as at 31 December 2021:

Veselina Lachezarova Kanatova - Buchkova - Chair of the BoD
Plamen Dilkov Dilkov - Deputy Chair of the BoD
Ivan Todorov Andreev - Member of the BoD and Chief Executive Officer
Diyani Stanimirov Dimitrov - Chair of the BoD
Stelian Penchev Koev - Member of the Board of Directors
Anton Georgiev Simeonov - Member of the BoD
Zheko Mihaylov Zhekov - Member of the BoD

Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received.

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35.1. Related party transactions and related party payables as at year-end

		Sales to related parties	Purchases from related parties	Dividends paid and equity contribution	Dividends distributed	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	BGN'000	BGN'000
<i>Sole owner:</i>									
BEH EAD	2021	143	351	607,905	-	28	-	28	24
BEH EAD	2020	142	314	162,446	-	29	-	29	34
<i>Subsidiaries:</i>									
Interpriborservice OOD	2021	38	7,409	-	-	44	(5)	39	617
Interpriborservice OOD	2020	39	6,762	-	-	45	(3)	42	724
Kozloduy HPP EAD	2021	217	-	-	964	310	-	310	-
Kozloduy HPP EAD	2020	234	-	-	882	-	-	-	-
Kozloduy NPP - New Build EAD	2021	16	-	-	-	-	-	-	2
Kozloduy NPP - New Build EAD	2020	14	-	7,000	-	-	-	-	2
NPP Construction Supervision Ltd	2021	-	-	5	-	-	-	-	-
<i>Miscellaneous related parties under (common control)</i>									
NEK EAD	2021	161,588	817	-	-	31,657	(123)	31,534	-
NEK EAD	2020	162,081	1,975	-	-	31,818	(44)	31,774	-
ESO EAD	2021	5,331	40,727	-	-	375	-	375	4,491
ESO EAD	2020	369	34,749	-	-	354	-	354	4,047
ZAD Energia	2021	815	14,353	-	111	704	-	704	-
ZAD Energia	2020	757	13,641	-	87	669	-	669	-
SE RAW	2021	3,176	525	-	-	900	(1)	899	-
SE RAW	2020	2,996	-	-	-	2,588	-	2,588	2
IBEX EAD	2021	2,271,404	1,970	-	-	10,736	-	10,736	22
IBEX EAD	2020	683,692	1,807	-	-	12,516	-	12,516	18
Total	2021	2,442,728	66,152	607,910	1,075	44,754	(129)	44,625	5,156
Total	2020	850,324	59,248	169,446	969	48,019	(47)	47,972	4,827

Sales to and purchases from related parties are performed at contracted rates.

The Company's receivables from related parties in their essence are:

Current receivables from transactions - BGN 32,185 thousand

Provided guarantees under contracts - BGN 11,025 thousand (Note 38: from IBEX - BGN 10,673 thousand, and ESO - BGN 352 thousand)

Receivables from dividends in the amount of BGN 337 thousand, including BGN 32 thousand from IPS OOD due since 2020, and BGN 305 thousand from HPP EAD – the remainder from 2021 as per repayment schedule against agreed interest.

Interest receivables for late payments from NEK EAD - BGN 1,207 thousand At the moment the principal has been repaid.

For receivables of the dividend and interest due from NEK, the Company has reported current expense in the form of impairment, presented in Note 35.3.

The Company reports non-current receivables from related parties to the total amount of BGN 3,670 thousand (2020: BGN 7,134 thousand) that includes the long-term portion of receivables on loans granted BGN 3,670 thousand (2020: BGN 5,989 thousand), and non-current receivables from commercial transactions, deferred according to a repayment schedule in the amount of BGN 1,145 thousand as at 2020 year end. Note 35.2 discloses further information on the loans provided.

The amounts due from the Company such as BGN 5,156 thousand in the portion of BGN 5,086 thousand are current payables for completed transactions, while the sum of BGN 70 thousand is contract warranty retained amount, comprising BGN 68 thousand of IPS, and BGN 2 thousand of KNPP New Build EAD.

35.2. Loans granted to related parties

	31 December 2021	31 December 2020
	BGN'000	BGN'000
Non-current:		
Principal	3,670	5,990
<i>Impairment</i>	(-)	(1)
	3,670	5,989
Current:		
Principal	2,320	2,300
Interest	71	98
<i>Impairment</i>	(-)	(-)
	2,391	2,398
Total loans granted	6,061	8,387

The loan is provided to the subsidiary Kozloduy HPP EAD in accordance with a decision of the Bulgarian Energy Holding EAD of 7 November 2008. The credit line amounted to BGN 20,000,000 with maturity 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 a creditor and Kozloduy HPP EAD in its capacity of debtor. As a result, the Annex was signed on 20 January 2015 and had been in force since 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 150,000 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 2021, Kozloduy HPP EAD repaid BGN 2,300 thousand and the credit balance as at 31 December 2021 amounted to BGN 5,990 thousand. The loan is secured by a promissory note. The interests accrued in 2021 amounted to BGN 169 thousand (2020: BGN 227

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

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Balance as of 1 January	47	83
Impairment loss	82	-
Reversed impairment loss		(36)
Balance as of 31 December	<u>129</u>	<u>47</u>

35.4. Transactions with key management personnel

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

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Short-term remunerations:		
Salaries and wages, including bonuses and compensations	605	326
Social security costs	26	26
Social costs	37	33
Total remuneration	<u>668</u>	<u>385</u>

36. Adjustment of liabilities resulting from financial activity

The changes in the Company's liabilities resulting from financing activity can be classified, as follows:

	Long-term borrowings BGN'000	Short-term borrowings BGN'000	Financial lease liabilities BGN'000	Total BGN'000
01 January 2021	-	11,170	578	11,748
Cash flows:				
Payments	-	(11,331)	(232)	(11,563)
Non-cash changes:				
Fair value	-	-	16	16
Accrued interest		161	-	161
31 December, 2021	-	-	362	362
1 January 2020	10,879	22,833	794	34,506
Cash flows:				
Payments	-	(22,833)	(240)	(23,073)
Non-cash changes:				
Fair value	-	-	24	24
Reclassification	(10,879)	10,879	-	-
Accrued interest	-	291	-	291
31 December, 2020	-	11,170	578	11,748

37. Cashless transactions

In 2021, the Company did not engage in any investment or financial transactions in which no cash or cash equivalents were used.

38. Commitments and contingent liabilities

Capital commitments

As at 31 December 2021, the Group had capital commitments amounting to BGN 120,910 thousand till the end of 2024, including BGN 14,515 thousand for 2022 (31 December 2020: BGN 24,288 thousand) which are associated with commitments to acquire property, plant and equipment.

The Company has contractual commitments on a framework contract for the acquisition of nuclear fuel until the end of 2025. As at 31 December 2021, the financial commitments regarding the supply for 2022 amount to BGN 54,684 thousand (31 December 2020: BGN 246,059 thousand).

Legal claims

Legal claims to the amount of BGN 50,760 thousand were brought against the Company (31 December 2020: BGN 50,736 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.

Securities and guarantees

Bank guarantees and cash collaterals to the amount of BGN 11,611 thousand were opened for the benefit of the Company as at 31 December 2021 (31 December 2020: BGN 16,254 thousand).

As at 31 December 2021, the Company had provided the following guarantees and collaterals:

- Guarantee collateral under a contract for organised exchange market (monetary guarantee) - BGN 3,200 thousand.
- Guarantee collateral on the provision of a financial limit when initiating a CMBC bid for electricity (monetary guarantee) - BGN 350 thousand;
- Guarantee 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 (monetary guarantee) - BGN 75 thousand.
- Guarantee collateral for participation on the electricity exchange market (monetary guarantee) - BGN 50 thousand.
- Guarantee obligations to society, for trading in electricity (monetary guarantee) - BGN 566 thousand.
- Collateral on balancing contract (collateral in cash) - BGN 326 thousand.
- Guarantee collateral under a contract for supply of reactive power to the off-site emergency response centre (ERC)(monetary guarantee) - BGN 19 thousand.
- Collateral on contract for access and transmission of electricity (collateral in cash) - BGN 7 thousand.
- Guarantee collateral on securing financial limit to cover transactions - BGN 5,500 thousand.
- Guarantee collateral on procuring electric devices for the collection of road user charges for vehicles of over 3.5t - BGN 6 thousand.
- Guarantee collateral for network services - BGN 3 thousand;
- Guarantee collateral under a framework contract for provision of electricity - BGN 11 thousand.

Insurance policies

The Safe Use of Nuclear Energy Act specifies 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. On 01 August 2020, the Company took out an insurance policy covering the limits stipulated by the law, the insurer being the Bulgarian Nuclear Insurance Pool. The insurance has a one-year coverage from 01 August 2020 to 31 July 2021. The insurance amount is BGN 822 thousand of which BGN 806 thousand insurance premium and BGN 16 thousand tax on premium. As of 28 July 2021, a new one-year contract was concluded with the Bulgarian Nuclear Insurance Pool for the period from 1 August 2021 to 31 July 2022.

The insurance amount is BGN 863 thousand, of which BGN 846 thousand insurance premium and BGN 17 thousand tax on premium. The Company has a property insurance policy against industrial fire concluded with ZAD Energia covering the period from 01 January 2021 to 31 December 2021. The insurance sum amounts to BGN 14,352 thousand (EUR 7,338 thousand).

Others

Tax administration bodies may audit the Company at any time within the 5-year period after the financial year-end and may impose additional tax obligations and fines.

39. 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 2021	31 December 2020
		BGN'000	BGN'000
Financial instruments at fair value through other comprehensive income (OCI)	11	549	510
Debt instruments measured at amortised cost – current and non-current			
Trade and other receivables	15	2,002	21,107
Loans granted to related parties	35.2	6,061	8,387
Receivables from related parties	35.1	44,625	47,972
Cash and cash equivalents	16	914,193	485,106
Total financial assets		967,430	563,082
Financial liabilities			
	Note	31 December 2021	31 December 2020
		BGN'000	BGN'000
Financial liabilities carried at amortised cost – current and non-current:			
Borrowings	19	-	11,170
Retentions on construction contracts	20	7,234	3,952
Trade and other payables	23	31,104	80,531
Payables to related parties	35.1	5,156	4,827
Total financial liabilities		43,493	100,480

Refer to Note 4.1 for information on the accounting policy for each category of financial instruments. The Company's policy and objectives for management of the risk associated with the financial instruments are described in Note 40.

40. 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.

The Company's risk management is a responsibility of the Company's Central Administration with the assistance of the Board of Directors. It is a management priority to ensure short-term and mid-term cash flows while reducing financial market expositions. Long-term financial investments are managed in a manner ensuring their long-term return.

The most significant financial risks to which the Company is exposed to are described below.

40.1. Market risk analysis

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

40.1.1 Currency risk

The Company carries out purchases, sales, lending and borrowing amounts 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.

40.1.2 Interest risk

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

As at 31 December 2021, the loan under the Loan Agreement with Euratom dated 29 May 2000 has been finally repaid, including the tranches contracted with a floating interest rate equal to six-month EURIBOR plus margins in the range between 0.079% to 0.13%. Therefore, the Company's cash flows are not exposed to interest rate risk as a result of changes in the market EURIBOR rates.

The Company is exposed to interest risk also with regard to the developed retirement defined employee benefit plan. Changes to the calculated current value of the liabilities are possible in the presence of changes in the discount rate which is based on the profitability of the treasury shares held. A possible decline in the market yield of government securities held will increase the Company's future liabilities related to defined benefit plans.

The Company provided to Kozloduy HPP EAD a loan at a floating interest rate based on the BIR plus a margin of 2.5%. Due to the immateriality of the amounts, the Company is not exposed to a significant interest rate risk.

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

40.2 Credit risk analysis

The credit risk refers to the possibility that a particular counterparty does not make the expected payment to the Company. The Company is exposed to this risk in relation to 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:

	<u>31 December 2021</u>	<u>31 December 2020</u>
	<u>BGN '000</u>	<u>BGN '000</u>
Groups of financial assets – carrying amounts:		
Equity instruments at fair value through other comprehensive income (OCI)	549	510
Debt instruments measured at amortised cost – current and non-current:		
Trade and other receivables	2,002	21,107
Loans granted to related parties	6,061	8,387
Related parties receivables	44,625	47,972
Cash and cash equivalents	914,193	485,106
Carrying amount	<u>967,430</u>	<u>563,082</u>

The Company closely monitors for outstanding payables by customers and other counterparties, identified individually or in groups, and uses this information to manage the credit risk. The Company trades only with recognised and creditworthy counterparties. Its 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 calculated on the date of each reporting period.

The table below contains information about the credit risk exposure related to receivables from customers of non-related and related parties of the Company by using the expected credit loss provision matrix as at 31 January 2021 and 31 December 2020 respectively.

31 December 2021	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 %	906	-	906
From 30 to 90 days	0 %	38	-	38
From 90 to 180 days	0 %	6	-	6
From 180 to 360 days	4.29 %	396	(17)	379
Over 360 days	98.90 %	3,444	(3,406)	38
Litigations and writs	94.24 %	11,033	(10,398)	635
		15,823	(13,821)	2,002
31 December 2020	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	11.13%	60,023	(6,480)	53,543
From 30 to 90 days	24.53%	53	(13)	40
From 90 to 180 days	58.82%	85	(50)	35
From 180 to 360 days	56.98%	1,369	(780)	589
Over 360 days	29.66%	21,142	(6,270)	14,872
		82,672	(13,593)	69,079

As at the date of the separate financial statements, the age structure of the receivables is as follows:

At 31 December 2021

	Not overdue	30-90 days	90-180 days	180-360 days	>360 days	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Trade and other receivables	1,541	38	6	379	38	2,002
Related parties receivables	42,836	678	-	-	1,111	44,625
	44,377	716	6	379	1,149	46,627

As at 31 December 2020

	Not overdue	30-90 days	90-180 days	180-360 days	>360 days	Total
	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000	BGN '000
Trade and other receivables	6,750	35	35	560	13,727	21,107
Related parties receivables	46,793	-	-	34	1,145	47,972
	53,543	35	35	594	14,872	69,079

Information about the change in the impairment of the trade and other receivables from related parties is presented in Note 35.3.

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

40.3 Liquidity risk analysis

Liquidity risk refers to the risk 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 borrowings in order to

identify surplus or deficits. This analysis determines whether the available borrowings 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 borrowings of relevant size.

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

31 December 2021	<3 months	3-12 months	1-5 years	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Retentions on construction contracts	-	7,137	97	7,234
Trade and other liabilities	203,329	23,961	117	227,407
Related parties payables	5,154	2	-	5,156
	208,483	31,100	214	239,797

31 December 2020	<3 months	3-12 months	1-5 years	Total
	BGN '000	BGN '000	BGN '000	BGN '000
Borrowings	-	11,170	-	11,170
Retentions on construction contracts	-	3,626	326	3,952
Trade and other liabilities	142,201	25,768	6,118	174,087
Related parties payables	4,809	18	-	4,827
	147,010	40,582	6,444	194,036

The amounts disclosed in this analysis of the liabilities maturity represent non-discounted cash flows under the relevant contracts that could differ from the carrying amounts of the liabilities as at the reporting date.

41 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 input information used in measuring the fair value of the assets and liabilities. The fair value hierarchy has the following levels:

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

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

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

	31 December 2021	31 December 2020
	BGN '000	BGN '000
Property, plant, and equipment (Level 3):		
- Land	14,032	13,600
- Buildings	444,799	429,619
- Machinery, plant, and equipment	1,795,416	1,659,683
- Transport vehicles	8,678	8,528
Investment properties (Level 3):	4,127	4,115
	2,267,052	2,115,545

The fair value of the respective groups of assets of property, plant and equipment, and investment properties is determined based on reports of independent certified appraisers, as at 31 December 2021.

As at 31 December 2021 appraisers conducted a review for impairment. 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 unobserved data are related to the adjustment in the Company's assets specific factors. The degree and direction of this adjustment depends on the number and characteristics of the observed 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.

As at 31 December 2021, the Company has performed a fair value measurement of the non-current assets of the property, plant, and equipment group in relation to their classification as Non-current assets held for distribution to owners.

The table below presents the hierarchical levels of the non-financial assets as at 31 December 2021 measured periodically at fair value; it shows the fair value of non-current assets held for distribution to owners to the amount of:

Property, plant, and equipment (Level 3):	BGN '000
- Buildings	1,069
- Machinery, plant, and equipment	8,600
- Costs for acquisition of tangible fixed assets	46,573
	<u>56,242</u>

The opening balance of non-financial assets of level 3 can be reconciled to the closing balance as of the reporting date as follows:

	Property, plant, and equipment Land and buildings BGN '000	Investment properties Office building BGN '000
Balance at 01 January 2021	56,242	4,115
Profit or loss, recognised in profit or loss:		
- Change in the fair value of investment properties	-	12
Balance at 31 December 2021	<u>56,242</u>	<u>4,127</u>

	Property, plant, and equipment Land and buildings BGN '000	Investment properties Office building BGN '000
Balance at 01 January 2020	56,242	4120
Profit or loss, recognised in profit or loss:		
- Change in the fair value of investment properties	-	-5
Balance at 31 December 2020	<u>56,242</u>	<u>4,115</u>

42 Capital management policy and procedures

The main objective of the Company's capital management is to ensure a stable credit rating and capital indicators, with a view of the continuing operations and maximisation of its value for the Sole owner.

The Company manages its capital structure and amends it, as 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, by a decision of the Sole owner.

The Company monitors its capital through the realised financial result for the reporting period, as follows:

	<u>2021</u>	<u>2020</u>
	BGN'000	BGN'000
Profit for the year, after tax	890,304	275,810

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.

43 Post-reporting date events

- Decree No. 27 of 25 January 2022 of the Council of Ministers of the Republic of Bulgaria declares the Facility for treatment and conditioning of solid RAW with a high-volume reduction factor and movable and immovable property, including assets under construction under the projects launched for the implementation of the decommissioning activities of nuclear facilities as private state property. In this regard, Kozloduy NPP EAD shall provide free of charge for the management and administration of the SE RAW the assets included in Annex 1 of Decision No. 27 of 25 January 2022 of the Council of Ministers. BEH EAD is obliged to reduce the capital of Kozloduy NPP EAD by the value of the assets and to increase by the same value the capital of Kozloduy NPP EAD at the expense of the retained earnings from previous years and other reserves of Kozloduy NPP EAD. The assets transferred to SE RAW shall be written off from the statements of financial position of Kozloduy NPP EAD at their net carrying amount as at 31 December 2020. As at the date of preparation of these financial statements, the decision is in process of implementation and the assets are expected to be transferred as at 31 May 2022.
- Pursuant to Minutes of Meeting No. 4 of 10 February 2022 of the Board of Directors of Kozloduy NPP EAD, a decision to establish a new subsidiary NPP Service Ltd. was taken. Kozloduy NPP EAD is the sole owner of the capital. The scope of business activity of the new company is servicing of automation equipment, software technical complexes, automated technical complexes and instrumentation equipment, etc. and any other commercial activity not prohibited by law.
- With Minutes of Meeting No. 11 of 29 March 2022 of the Board of Directors of Kozloduy NPP EAD, a Draft Contract was approved for loan granted to its owner, BEH EAD amounting to BGN 350,000 thousand for a period of up to 12 months. In compliance with the requirements of Art. 21, para. 1, i. 23 of the EA, the contract shall be concluded after obtaining a permit issued by the EWRC.
- On 21 February 2022, by the Decree of the President of the Russian Federation (RF), the Donetsk People's Republic and the Lugansk People's Republic were recognised as independent states. On 24 February 2022, the Ministry of Defence of the Russian Federation announced a 'special military operation' on the territory of the Republic of Ukraine. The military action received widespread international condemnation and multiple countries imposed sanctions on assets and operations owned by the Russian state and certain individuals. The invasion triggered a refugee crisis of Ukrainian citizens. The economic sanctions include restricting access of certain Russian banks and companies to primary and secondary capital markets in the EU, banning exports of dual-use goods, restricting Russia's access to certain sensitive technologies and services, excluding certain banks from the international SWIFT system, etc. The Russian ruble (RUB) began to depreciate in the days after 24 February 2022 and from 95.71 rubles per Euro reached 117.20 rubles per Euro on 01 March 2022 according to the exchange rate of the European Central Bank. After this date, the Bank stopped publishing the RUB/EUR reference rate.

The economic consequences of the military conflict in Ukraine cannot be quantified, but already indicate extremely serious effects on the overall global economy. Energy and raw materials prices have risen significantly, exacerbating inflationary pressures from supply chain disruptions and from the

recovery from the Covid-19 pandemic. Price shocks are expected to have an impact globally. If the conflict develops negatively or drags on for a prolonged period, the economic damage will be significant and is expected to affect all sectors of economy, both in Bulgaria and the EU. The International Monetary Fund notes that the sanctions against Russia are having an impact on the global economy and financial markets, and will have significant country effects worldwide.

Referring to the aforementioned and considering the uncertainties regarding the effect of the sanctions and restrictions imposed, the Company management reviewed the activities, contractors and economic relations that could expose the Company to a significant risk. As of the date of accepting the financial statements, the risks can be summarized as following:

- Serious risk for Kozloduy NPP EAD from the conflict between Ukraine and Russia may arise in the relations with contractors. A key supplier for the Company is the Russian company TVEL JSC, with which the company has concluded a long-term contract for the supply of fresh nuclear fuel (FNF) until 2025. In case the situation becomes more complicated and there is no possibility to supply FNF, the Company has stockpiles to operate in continuous mode for another 3 years, without taking into account the upcoming 2 deliveries in 2022.
- Another negative effect could arise from the inability to ship spent nuclear fuel to Russia for technological storage and processing under a contract with FSUE 'PA 'Mayak', in compliance with the Safe Use of Nuclear Energy Act, its implementing sublegislative regulations and the national policy defined in the Strategy for Spent Nuclear Fuel and Radioactive Waste Management until 2030. The Kozloduy NPP site has a wet spent fuel storage facility, SFSF, where spent nuclear fuel is stored in pools under water. Assuming the extremely unfavourable scenario, i.e. inability to ship SNF in 2022, inability to ship SNF from WWER-1000 in the long term (e.g. due to complication of the international situation), as well as inability to deliver the planned 'baskets' from Russia for storage of this type of fuel in the SFSF and taking into account the refuelling regime of Power plant Units 5 and 6, it is expected that in the second half of 2024 there will be no possibility to store WWER-1000 SNF at the SFSF, mainly due to the lack of 'baskets'.
- The Russian counterparties of the Company and their servicing banks are not on the EU sanctions lists against Russia and do not pose a direct threat to the receipt and payment of goods and services.
- The Company has contractual relationships with other Russian and Ukrainian contractors for the supply of specific spare parts and long lead-time equipment and specific services for the plant. If no other alternatives are found, there is a significant risk of a delay and/or non-performance of key supplies and services. Deliveries from Ukrainian contractors whose production has been temporarily or permanently suspended (Harkov) are not urgent and pressing. The spare parts and equipment manufactured by them have analogues and negotiations with other contractors are ongoing.

As the situation is highly dynamic, the Company's management is unable to reliably assess the quantitative impact of the war on its future financial position and results of its activity in 2022. This, in turn, could result in a change in the carrying amounts of the Company's assets, which have been determined in the financial statements by making a number of judgements and assumptions by the management and taking into account the most reliable information available as at the date of the estimates, and may impact the projections made about the Company's future development, cash flows and results of its activity.

There are no other adjusting or non-adjusting post-reporting date events that require additional disclosure or adjustment in the financial statements of Kozloduy NPP EAD as at 31 December 2021.

44 Disclosure pursuant to statutory requirements

These Separate financial statements were audited by audit firms Grant Thornton OOD and Zaharinova Nexia OOD, based on a contract signed between the Bulgarian Energy Holding EAD and DZZD Audit

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BEH. The Company does not accrue amounts for independent financial audit. The Consolidated Financial Statements of the Bulgarian Energy Holding EAD contain disclosure of the accrued amounts for services rendered by registered auditors 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 2021 (including comparison data) were approved for issue by the Board of Directors on 29 March 2022.