

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

**KOZLODUY NPP EAD**

31 December 2022

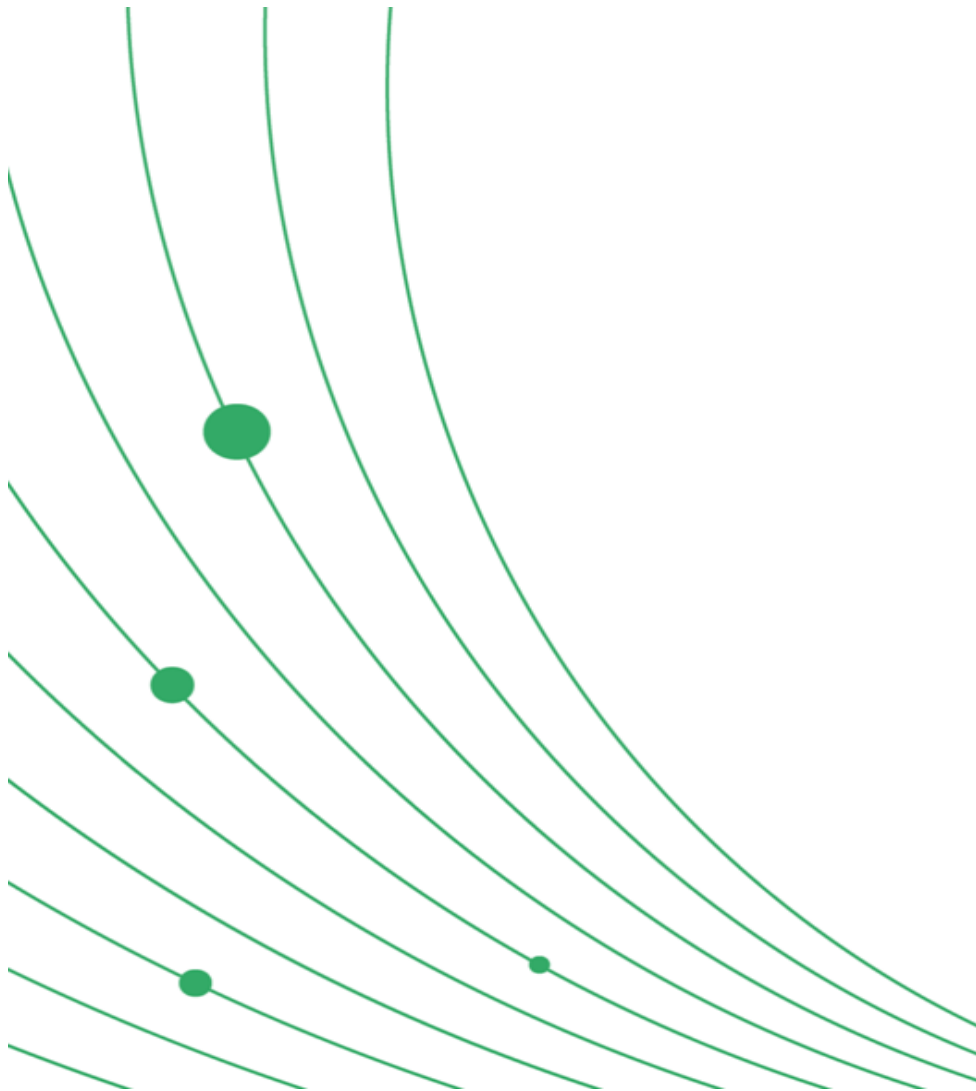
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**Kozloduy NPP**

Clean energy



**Management report and non-financial statement  
31 December 2022**

**Management report and non-financial statement  
31 December 2022****GENERAL****Board of Directors as at the date of the financial statements**

Iliya Iliev - Chair of the Board of Directors

Georgi Kirkov - Member of the Board of Directors and Chief Executive Officer

Andrey Krasnocharov – Member of the Board of Directors

Todor Yonev - Member of the Board of Directors

Iva Nikolova – Member of the Board of Directors

**Address**

Bulgaria

3321, Kozloduy, District of Vratsa

**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

Zaharinova Nexia EOOD

**Management report and non-financial statement  
31 December 2022****MANAGEMENT REPORT**

This management report was prepared in compliance with the provisions of art. 39 of the Accountancy Act and Article 187e, Article 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 on 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 Article 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 2022.

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

**1. GENERAL****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).

## **Management report and non-financial statement 31 December 2022**

### **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). In accordance with the Separation Protocol of Kozloduy NPP branch and GUP Atomenergoinvest, Kozloduy, compiled and based on the available accounting records dated 28 April 2000, the Company is legal successor of the respective portion of the assets and liabilities of NEK EAD, Sofia.

Bulgarian Energy Holding EAD is the sole owner of the Company share capital. 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 2022, the Board of Directors consisted of:

- 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;

As at 31 December 2022, the Board of Directors consisted of:

- Iliya Iliev – Chair of the Board of Directors;
- Georgi Kirkov - Member of the Board of Directors and Chief Executive Officer;
- Andrey Krasnocharov – Member of the Board of Directors;
- Todor Yonev - Member of the Board of Directors;
- Iva Nikolova – Member of the Board of Directors;

with this circumstance being entered into the Commercial Register on 29.08.2022.

As at 31 December 2022, the Company is represented by the Chief Executive Officer Georgi Kirkov.

As at the date of preparation of the financial statements Andrey Krasnocharov was dismissed as a member of the Board of Directors and Svilena Nikolova Nikolova was elected in his place and the circumstance was entered in the Commercial Register on 26.01.2023.

### **Licences**

- Licence for operation of a nuclear facility, Serial No. E, Registration No. 5303, dated 03 November 2017, valid as of 06 November 2017 (amended with Order No. AA-04-131/18.07.2022), for the operation of Kozloduy NPP EAD Unit 5, issued by the Nuclear Regulatory Agency (NRA). Licence validity - 06 November 2027;
- Licence for operation of a nuclear facility, Serial No. E, Registration No. 5535 of 27 September 2019, valid as of 03 October 2019 (amended by Order No. AA-04-132/18.07.2022), for the operation of Kozloduy NPP EAD Unit 6, issued by the Nuclear Regulatory Agency. License validity - 03 October 2029;
- Licence for operation of a nuclear facility, Serial No.E, Registration No. 04441, dated 25 June 2014, for the operation of Kozloduy NPP EAD 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. License validity - 28 January 2026;

## **Management report and non-financial statement 31 December 2022**

- Licence Serial No. И-11024, Registration No. 04358, dated 01 April 2014, (amended by Orders No. AA-04-1 of 27 January 2016, No. AA-04-132/29.08.2018, and No.AA-04-171/27 .10.2020, and Order No. AA-04-66/13.04.2022), for the use of sources of ionising radiation for commercial purposes – performing non-destructive testing with radiation methods, issued by the NRA. Licence validity - 31 March 2024;
- Licence Serial No. И-1708, Registration No. 04366 of 08 April 2014 (amended by Order No. AA-04-106/10.07.2020), for the use of sources of ionising 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-04-78/01.06.2020), issued by the NRA. Licence validity - 11 July 2024;
- Licence Serial No. CO, Registration No. 5794, dated 05 October 2021, for conducting specialised training for activities in nuclear facilities and activities involving ionising radiation sources which have an impact on safety, for issue of licences to professionals working in nuclear facilities and with ionising radiation sources, apart from the ones stipulated in Article 64, para. 1, items 1 and 2 of the SUNEА, issued by the NRA. Licence validity - 05 October 2026;
- Licence for generation of electricity and thermal power No. А-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 for trading in electricity No. А-216-15 of 18 December 2006 - valid until 18 December 2026, issued by the Energy and Water Regulatory Commission.

### **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 Article 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 Article 38 of the Accountancy Act.

Management is not able to reliably assess the effects of the military conflict between Russia and Ukraine as events unfold on a daily basis and the long-term impact may also affect trading volumes, cash flows, profitability, etc. In this regard, the management believes that the going concern basis of accounting is applicable to the Company for the 2022 financial statements.

### **Management’s responsibilities**

The management confirms that it has applied adequate accounting policies in preparing the annual separate financial statements as at 31 December 2022, and that the annual separate financial statements were 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.

## Management report and non-financial statement 31 December 2022

### Information required under Article 187e and Article 247 of the Commerce Act (CA)

#### Share capital

As at 31 December 2022 the Company's share capital amounts to BGN 244,584,890 allocated in 24,458,489 ordinary, registered, voting shares at nominal value BGN 10 per share. All ordinary shares are fully paid. The Company has not acquired and/or transferred any treasury shares in 2022.

The Company does not hold any treasury shares.

### 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 2022	31 December 2021
<b>Short-term remuneration, including:</b>	<b>575</b>	<b>668</b>
Salaries, including bonuses and compensations	495	605
Social security costs	32	26
Social costs	48	37

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 2022.

### 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 Article 247, para.2, i.4 of the CA).

- Georgi Kirov Kirkov - member of the BoD of Kozloduy NPP - New Build EAD, UIC 202058513, as of 25.10.2022;
- Iliya Todorov Iliev – manager and single owner of the capital of Mosctrade EOOD, UIC 203651961, until 23.03.2022;
- Todor Rangelov Yonev – partner with 50% share in the capital of Regex EOOD, UIC 203734131, until 13.10.2022 and member of the BoD of non-profit association in public interest 'Sport, development and health - hariti'.

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

### Information on the contracts under Article 240b of the Commerce Act

During the reporting period, the Company did not conclude any contracts under Article 240b of the CA with members of the Board of Directors, nor with entities related to them.



## **Management report and non-financial statement 31 December 2022**

### **Legal and arbitration proceedings**

As at 31.12.2022 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 2,463 thousand were brought against the Company (31 December 2021: BGN 50,760 thousand). None of the above claims is set out in details herewith, so as not to seriously affect the Company's position in the dispute resolution.

In 2022, Kozloduy NPP EAD has reached out-of-court settlements, respectively signed out-of-court settlements and terminated commercial cases with the Company's customers under standardised agreements for the purchase and sale of electricity, on the basis of which the Company has paid BGN 25,000 thousand to settle all current and future claims under the closed cases.

### **Research and development**

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

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

Pursuant to Decision No. 28, dated 18.11.2020 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 was 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 was carried out in order to cover the accumulated loss as at 31.12.2020 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 of these shares by Kozloduy NPP EAD.

**NPP Construction Supervision EOOD** 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: Vratsa District, Kozloduy Municipality, town of Kozloduy, Kozloduy NPP site, with capital amounting to BGN 5 thousand. Kozloduy NPP EAD is the sole owner (100%) of the capital of NPP Construction Supervision EOOD, comprised of 50 (fifty) shares, at nominal value of BGN 100 each.

## **Management report and non-financial statement 31 December 2022**

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.

**NPP Service EOOD** is a company, registered in the Commercial Register of the Registry Agency on 11 March 2022, with UIC 206858488. The Company has its registered office at: Vratsa District, Kozloduy Municipality, town of Kozloduy, Kozloduy NPP site, with capital amounting to BGN 750 thousand. Kozloduy NPP EAD is the sole owner (100%) of the capital comprised of 1000 (one thousand) shares, at nominal value of BGN 750 each.

The principal activity of this subsidiary is servicing of automation equipment, software technical complexes, automated technical complexes and instrumentation equipment for nuclear energy and other industries which use similar means, supply of and trading in hardware and software products, training and retraining of nuclear energy safety-related hardware and software maintenance and operation specialists, production and national and international commercial activity and any other commercial activity not prohibited by law.

### **Companies with controlling interest and other investments**

Interpriborservice OOD was established pursuant to a Decision No.55, dated 13.04.1988, of the Council of Ministers, as a specialised entity for installation, setting up, maintenance and technical servicing of automated process control systems, supply of instrumentation, equipment and spare parts for NPP, TPP, and others. The partners in the company are Russian and Ukrainian entities, operating in the energy sector. 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 were terminated at the end of the first half of the reporting period. At the time of preparation of this report, Interpriborservice OOD, Kozloduy was declared insolvent and insolvency proceedings were initiated by Decision No. 11 dated 16.02.2023 of the District Court of the town Vratsa.

Kozloduy NPP EAD has a share of 1.12% of the capital of **ZAD Enerгия Insurance Company**. The value of the investment as at 31 December 2022 amounts to BGN 482 thousand.

### **Branches of the Company**

The Company does not have any branches.

## **2. ACTIVITY OVERVIEW**

### **The common factors directly affecting the Company's business activity in 2022 are as follows:**

Following the rapid pace of development of European economies in the post-pandemic period, there has been a substantial increase in gas and electricity consumption since mid-2021. The Russia-Ukraine military conflict, which started in February 2022 and phased sanctions imposed by the EU against Russia, resulted in a major energy crisis in the Union. Inadequate gas reserves and supplies, insufficient renewable generation and the continued non-availability of a large number of nuclear units in France have further reinforced the trend of unprecedented increases in the electricity prices that has emerged since the beginning of the year. The increasing integration of markets within the EU has led to a convergence of energy prices between the different market areas, and accordingly has had an impact on the price levels formed on the Bulgarian Energy Exchange.

Electricity price increase has led to a significant increase in inflation in the EU countries and marked the entry into a stage of serious economic recession, which is also affecting the electricity market.

The strong inflationary effect of electricity prices has provoked a series of measures to protect the population and businesses, both at the level of Member States and at the level of the European Union. The price shock forced the EC to issue Guidelines to Member State governments on a set of measures to financially support consumers and to save electric and heat energy, reflected in EU Regulation 2022/1854 (introducing a cap on revenues from the sale of electricity of €180/MWh, and reducing consumption by 10%). Immediately after the

## **Management report and non-financial statement**

### **31 December 2022**

announcement of the European price cap of 180 Euro/MWh, there was a significant drop in the price of electricity traded on European markets. This indicates that the record price levels recorded are largely due to speculative actions by market participants.

As household consumption is still regulated in the country, at the end of 2021, the National Assembly imposed a moratorium on energy prices until the end of the regulatory period (June, 2022), while business consumers are compensated by the decisions of the Council of Ministers through contributions from BEH EAD provided by Kozloduy NPP EAD, as well as through the accumulated funds in the ESS Fund, including the 5% paid in advance on the estimated revenues from the sale of electricity by state-owned producing companies based on the decision of the EWRC. For the second half of 2022, the Act amending and supplementing the Act on the State Budget of the Republic of Bulgaria for 2022 (SG, issue no. 18 of 2022), §24 stipulates that only state-owned producing companies will also pay additional earmarked contributions to the ESS Fund, the amount of which is determined by the Minister of Energy and after approval by the Council of Ministers. The target set is an electricity price cap for the final non-domestic customer of 250 BGN/MWh. In addition, the Act on the Implementation of Provisions of the Act on the State Budget of the Republic of Bulgaria for 2022, the Act on the Budget of the State Social Security for 2022 and the Act on the Budget of the National Health Insurance Fund for 2022, § 8, in compliance with Regulation No. EU 2022/1854 introduced a cap on the revenues of electricity producers. Designated groups of producers are obliged to pay additional earmarked contributions to the ESS Fund, representing the positive difference between market prices and the designated cap for the respective producer, for the period from 1 December 2022 to 30 June 2023, which for Kozloduy NPP is BGN 180/MWh. Another measure for the protection of household energy consumers stems from the EWRC Decision No. C-19 of 01.07.2022 on increasing the share of Kozloduy NPP EAD in the household consumption mix. The assigned quota for the plant has been increased from 2,900,000 MWh for the previous regulatory period to 4,993,200 MWh (an increase of 72.2 %) for the next period (from 01.07.2022 to 30.06.2023). The quota for the new regulatory period is characterised by the same monthly irregularity. By the aforementioned decision, the regulated price of Kozloduy NPP EAD for the new regulatory period has been increased to BGN 60.96/MWh (BGN 55.01/MWh for the previous period), the access price payable by all conventional generators has been reduced from BGN 2.42 to BGN 2.30/MWh, and the price for the obligation to society payable in full or in part by consumers is zero. The 'estimated market price', which is used as a reference for setting 'hard' premiums for certain groups and electricity producers compensated by the ESS Fund, has also been adjusted.

A 15-minute market settlement (instead of hourly) and additional 15-minute products in the Intraday market have been introduced as of 01.10.2022. However, the absence of on-line access to 15-minute metering data from network operators does not improve the balancing situation on a 15-minute basis.

The uninterrupted operation of Kozloduy NPP at maximum capacity is crucial for Bulgaria's energy and national security. Therefore, regular supplies of fresh nuclear fuel will ensure the smooth operation of Units 5 and 6. In view of the current military situation between the Russian Federation and Ukraine and the Company's current dependence on TVEL - Russian Federation, which is the main supplier of fresh nuclear fuel for WWER-1000 type reactors, Kozloduy NPP EAD has taken measures to diversify the supply of fresh nuclear fuel. Reducing the dependence on sole suppliers of nuclear materials and services in the nuclear fuel cycle (NFC) is in line with the EURATOM Supply Agency's policy to ensure the continuous and safe operation of nuclear facilities and the security and reliability of electricity generation for the population and industry of EU Member States. The European Energy Security Strategy, adopted on 28.05.2014, requires a comprehensive diversified portfolio of nuclear materials and services supply to all nuclear power plant operators in the European Union.

Pursuant to the decision of the National Assembly of the Republic of Bulgaria of 09.11.2022 to accelerate the process of securing alternative suppliers, partnership agreements with Westinghouse Electric Sweden AB and Framatom were signed in December. A contract has been signed between Kozloduy NPP and Westinghouse for the supply of fresh nuclear fuel assemblies (compatible with those currently in use) for Unit 5 for a period of 10 years starting from 2024. A contract for the supply of nuclear fuel for Unit 6 has been concluded with the French company Framatome for a period of 10 years starting from 2025.

## Management report and non-financial statement 31 December 2022

### GENERATION OF ELECTRICITY

The production activity for 2022 was successful. A major share in the Company's product structure is the production and sale of electricity. The nuclear power plant generated 16,462 GWh of electricity adhering to all safe operation requirements. Throughout the year, Units 5 and 6 operated steadily at uprated power providing for 32.7% of the national electricity generation for the year.

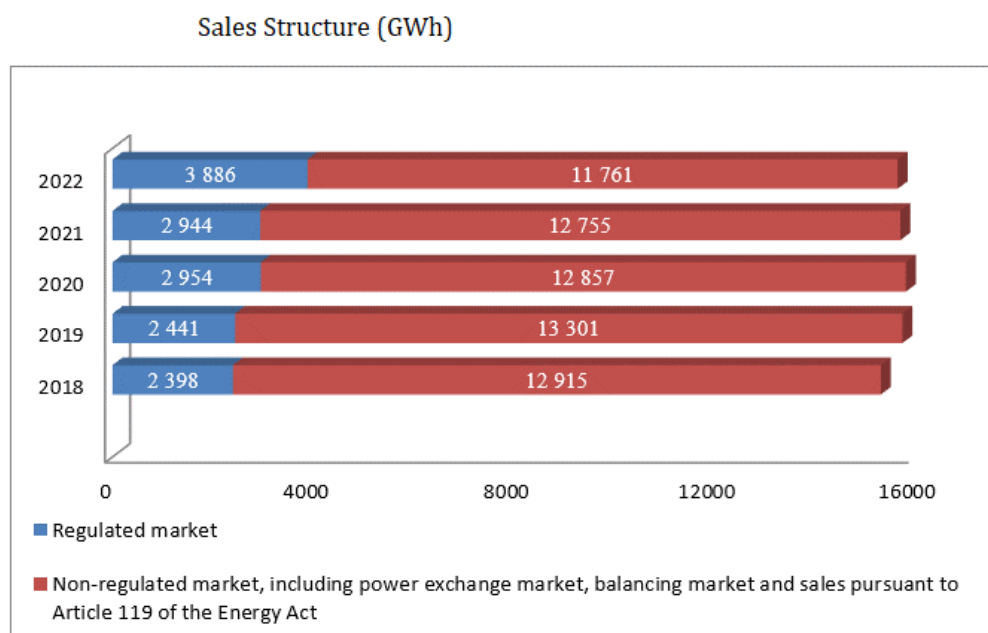
In 2022, Unit 5 has generated electricity (gross) of 8,457,881 MWh. The generation is 2% above the 2021 level (due to shorter outage downtime). One deviation from the planned mode of operation was recorded in June.

For the reporting period, Unit 6 has produced electricity (gross) of 8,004,137 MWh. The production is 2.3% less than reported in 2021 due to an unforeseen extension of the post-outage maintenance (29.10.2022 - 05.11.2022) and downtime in December (10.12.-17.12.2022) to remove a leak in SG 3. In order to secure the production programme during the reporting year, the planned deliveries of fresh nuclear fuel were made in accordance with the terms of an annex to the existing contract.



### Sale of electricity

The net active electricity supplied to the national grid by Kozloduy NPP amounted to 15,647,488 MWh, sold in compliance with the current regulations.

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**31 December 2022**
**Sales structure (GWh)**


In accordance with the monthly quotas set by the Energy and Water Regulatory Commission, 25% of the net production (3,886 GWh) was allocated to the Public Supplier at regulated prices. The remaining electricity was sold on the organised power exchange market administered by Independent Bulgarian Energy Exchange EAD, balancing market and sales under Article 119 of the Energy Act (EA).

The electricity amounts sold on the non-regulated market, incl. power exchange market, balancing market and sales under Article 119 of the EA, were by 994 GWh (-8%) less compared to 2021.

**Market sales structure**

Sales at unregulated prices in 2022 were 11,761,038 MWh, most of them in the mandatory exchange market. Day-ahead market (DAM) sales dominate the exchange segment, in line with the trend of demand orientation towards this type of market established in recent years. The volumes sold by the Company in 2022 on the DAM account for 41.73% of the total trading turnover of the Independent Bulgarian Energy Exchange EAD. No exchange transactions have been concluded under bilateral contracts.

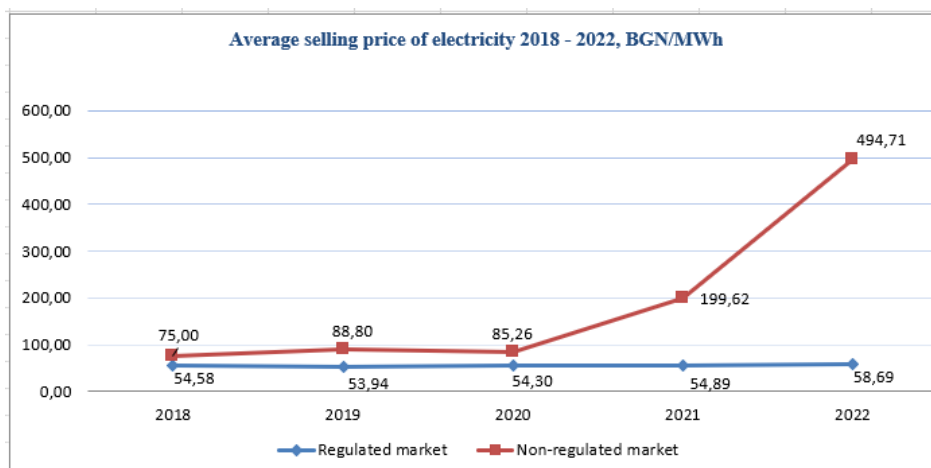
The volumes traded on the Intraday Market (IDM) were current to manage imbalances, they represent less than 1% of exchange transactions.

OTC transactions under Article 119 of the EA mark a decrease of 16% in 2022 due to lower consumption by own facilities located in the country, in particular the back-up supply of power line Harlets, as the largest consumer. There is also a decline in consumption by customers connected by direct power lines.

The balance for the reporting period was negative and amounted to -545 MWh (BGN -11,541 thousand) due to deviations in the operation of the units.

The average selling price of the electricity produced by Kozloduy NPP in 2022 sold in any market is 124% higher than in 2021. The main reason for this is the extreme clearing prices of the DAM (147% growth), where 74% of the electricity volumes were sold. The other segment of the exchange market, the IDM, has also seen a 90% increase in the average price. The selling price for the public supplier in the first half of the year was 55.01 BGN/MWh, and in the second half of the year the electricity was sold at the price of 60.96 BGN/MWh approved by the EWRC.

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### GENERATION AND SALES OF HEAT ENERGY

In 2022, the Company generated 169 GWh heat energy, by 7% less than the production for 2021. The total amount of thermal energy consumed on-site and in the town of Kozloduy was 76 GWh, which is by 4 GWh (6%) over the reported amount in the previous year, as a result of the reduced consumption due to milder 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

**92,84** LF (Load Factor), %  
**90,21** UCF (Unit Capability Factor), %  
**0,25** UCLF (Unit Capability Loss Factor), %  
**0,33** UA7 (Unplanned Reactor Scram  
 Activation/7000 hrs)

#### Unit 6

**87,86** LF (Load Factor), %  
**86,16** UCF (Unit Capability Factor), %  
**1,91** UCLF (Unit Capability Loss Factor), %  
**0,00** UA7 (Unplanned Reactor Scram  
 Activation/7000 hrs)

In 2022, Kozloduy NPP Load Factor (LF) was 90.35% (Unit 5 - 92.84%, Unit 6 - 87.86%). In the recent years, this indicator of the power plant has shown a lasting trend of maintaining 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 reactor scrams (UA7).

According to the WANO criteria, UCF values exceeding 85% and UCLF up to 3% demonstrate very good reliability, safety and efficiency 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 2022 formed a lasting trend towards high reliability and safety levels, thus the plant retains its position among the best nuclear power plants in the world.

## **Management report and non-financial statement**

### **31 December 2022**

#### **MAINTENANCE PROGRAMME**

The 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, systems important to safety, and systems important to the production process.

All the 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 the common plant facilities in the long term.

The main scope of the annual maintenance programme is performed while the units are shut down for outage and refuelling. The efficient organisation of the activities and coordination of the teams allowed the implementation of the required amount of maintenance, repairs and upgrades for 2022 in a shortened time frame. Unit 5 outage lasted ~34 days, Unit 6 outage was completed in ~36 days. Resources and technical preparation by the nuclear power plant and external companies contracted for work and/or services were provided to the required extent. The preparation also included a risk assessment of failure to provide supplies and outsourcing of activities, including documentation of planned changes to the design, which are critical to the successful conduct of the outage, in relation to the complicated international situation regarding the military actions of the Russian Federation on the territory of the Republic of Ukraine.

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

All maintenance and modernisation activities have been carried out with uncompromisingly high quality and have been financed with the nuclear power plant's own funds.

The value of the activities implemented under the Kozloduy NPP EAD Maintenance Programme for 2022 amounted to BGN 99,167 thousand, including BGN 6,158 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 48,035 thousand. The activities that have been carried out were related to the supply of spare parts, consumables and the implementation of maintenance and electrical installation activities on major and auxiliary equipment and systems of nuclear power units 5 and 6 during or related to the outage of the two units.
- Maintenance and repair of systems and equipment - BGN 6,832 thousand. The implemented activities were related to maintenance, repair, supply of spare parts and consumables with the aim of maintaining good housekeeping of the instrumentation and control systems and devices.
- Servicing of equipment – BGN 6,478 thousand. The implemented activities were related to maintenance, repair, and supply of spare parts and consumables for diagnostics equipment, analysers, electric distribution boards, etc.
- Maintenance of valves, pipelines, pressure vessels and tanks – BGN 6,365 thousand. The implemented activities included supply of spare parts and consumables for safety valves, stop valves, isolating valves, sealing materials, safety and main steam isolation line valves related to Units 5 and 6 routine maintenance, outages and normal operation of the units.

## **Management report and non-financial statement 31 December 2022**

- Maintenance of I&C systems - BGN 5,398 thousand. The performed activities were related to the maintenance of 0.4kV SHER type power supply units of Units 5 and 6 safety systems and the supply of in-core detector assemblies (IDAs) and flat ribbon cables for IDAs of the In-core Monitoring System (ICMS) of Unit 6.
- Repair of primary and secondary equipment - BGN 4,921 thousand. The works carried out were related to thermal insulation works and preparation of metal surfaces for metal control of primary main and auxiliary equipment vessels and pipelines and coolant pipelines of Units 5 and 6, DGS and Auxiliary Building 3. Repair of epoxy coatings on rooms and equipment in Units 5 and 6 containment during outage and repair of electromagnets for MCP.
- Maintenance - BGN 3,834 thousand. Maintenance and repair were carried out of measuring devices, automation equipment, laboratory equipment, notification systems, air-conditioning and refrigeration equipment.

### **SAFETY– OUR TOP PRIORITY**

#### **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 activities for its enhancement, involvement of all employees and fostering an attitude of personal responsible behaviour. Special emphasis is placed on building 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 2022 were completed as scheduled. The fourth safety culture self-assessment in compliance with the IAEA methodology was completed throughout the year. Regular posting of safety culture and human performance information materials on the intranet maintains staff interest and raises their awareness of these issues, and contributes to promoting personal responsibility and commitment to safety.

#### **Nuclear Safety**

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

During the period 01.01.2022 - 31.12.2022, Kozloduy NPP registered two operational events, subject to notification in accordance with the Regulation on the Conditions and Procedure for Notifying the Nuclear Regulatory Authority of Events at Nuclear Installations and Facilities with Sources of Ionising Radiation.

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 2022 confirm the efficiency of the radiation protection measures and rank Kozloduy NPP among the well performing nuclear power plants in this area.

The maximum individual effective dose was 7.56 mSv which is within the statutory annual limit. The total collective dose of the personnel received during the operation of the two WWER-1000 reactors for the year was 436.30 manmSv.

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

#### **Radiation monitoring of effluent 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.



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In 2022, the amounts of the discharged radioactive noble gases (RNG), aerosols and iodine-131 were approximately 0.02%, 0.01% and 0.015% below the reference levels. Radioactive substances in the plant waste waters were within 0.04% of the reference levels. The limits set for tritium content in the discharges to the environment were not exceeded.

The reference levels of emissions stipulated at Kozloduy NPP are significantly lower than the statutory 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).

#### **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 2022, some 94 tonnes of solid and 195 m<sup>3</sup> 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 is stored in compliance with all safety requirements. After being kept for a specified time period in the spent fuel pools (SFP), the spent fuel 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).

During the reporting 2022, no transportation of SNF from Units 5 and 6 for technological storage and reprocessing in Russia was carried out.

#### **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 permanent preparedness for response action of Kozloduy NPP EAD 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 November, a general emergency exercise was held at Kozloduy NPP in accordance with the approved schedule for 2022 for training and drills of the staff on the implementation of the measures set out in the plant Emergency Plan. In this way, the staff preparedness to apply the established procedures and to react promptly in case of an emergency situation is checked and improved. The exercise was conducted according to a scenario developed in advance. The teams on duty under the Emergency Plan of the nuclear power plant and the shift operators conducting their scheduled training on the Full-Scale Simulator for WWER-1000 reactors at the Training Centre participated. The joint actions involved medics from the Occupational Medicine Service, staff from the plant Transport Department, as well as teams of the District Fire Safety and Civil Protection Department - Kozloduy NPP, the District Police Department - Kozloduy NPP, and *Ivan Rilski* Multi-profile Hospital for Active Treatment in the town of Kozloduy. In order to control the situation described in the scenario, the necessary actions were implemented aimed at protecting the health of the workers and ensuring the operability of the equipment. Evacuation, as a protective measure, of part of the plant staff was carried out. The exchange of information with the Nuclear Regulatory Agency, the General Directorate for Fire Safety and Civil Protection of the Ministry of the Interior, the Ministry of Energy, the Kozloduy and Miziya municipalities, the operational centres of the regional directorates of the Fire Safety and Civil Protection in Vratsa and Montana, and the Regional Crisis Centre of the World Association of Nuclear Operators (WANO) in Moscow was also tested. The Kozloduy NPP teams showed a high level of knowledge and skills for adequate actions in the situation described in the scenario, as well as good coordination with the representatives of different institutions.

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### **Physical Protection**

Physical protection is a set of technical and organisational requirements, measures, means and methods aimed at the effective prevention against unlawful and malicious acts on nuclear material, nuclear facilities and radioactive substances, their timely detection and cessation as well as the recovery of illicitly acquired nuclear or other radioactive material or the mitigation of the consequences of sabotage.

During the reporting period, no trespassing in the physical protection areas of Kozloduy NPP, theft, sabotage and other malicious acts against nuclear material, nuclear facilities and radioactive substances were registered. The operational duty and maintenance of the security systems were implemented according to the schedules. The planned preventive maintenance activities were completed. The security systems were actuated in accordance with their design characteristics.

At the suggestion of the U.S. Department of Energy, cooperation between the Office of International Nuclear Security and the Kozloduy NPP Security Division was initiated on physical security issues in the area of preventing sabotage and insider threats at nuclear power plants.

In order to enhance and maintain the level of security culture and in accordance with the 'Methodology for Conducting Security Culture Self-Assessment at Kozloduy NPP', a survey, interviews, document review, observations and focus groups were conducted, and after the analysis based on the results and findings of the self-assessment, corrective measures were proposed and are to be reviewed and approved by the Security Culture Committee.

Active efforts are being made to improve the interaction and work coordination with Kozloduy NPP Regional Police Department, the Regional Directorate of the Ministry of Interior and the units of the General Directorate of Border Police - Ministry of Interior. The Security Division actively participates in the planning and implementation of the training and activities of the security staff and plans for the improvement of training and training activities as well as emergency activities. Interaction was organised between the Security Division, Kozloduy NPP Police Department and the General Directorate for Gendarmerie, Special Operations and Combating Terrorism, through which expert assistance and support will be provided in the conduct of full-scale tactical exercises to enhance the communication, coordination and operational capabilities of the structures involved in the security of Kozloduy NPP.

The effectiveness of the physical protection system of Kozloduy NPP was verified by the Nuclear Safety Agency and the Ministry of Interior. The results of the inspections showed that the level of protection fully complies with national and international requirements for effectiveness against possible threats.

### **Cyber-security**

Being a strategic site of national importance where advanced technologies are widely used, 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 2022, 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 2022, the planned training of the staff and officials involved in fire safety control in the structural units of the nuclear power plant was conducted. Evaluation of projects, technical solutions and terms of reference to be implemented was carried out for compliance with the requirements of the regulatory documents.

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A project for construction of new seismically qualified garages and a building for the On-site Fire Safety and Civil Protection Service at Kozloduy NPP is in progress. Throughout the year, no fires or ignitions occurred on the production facilities.

#### **Radioecological Monitoring**

The radiological parameters of the environment in the Kozloduy NPP area are subject of continuous monitoring with detailed and systematic investigations carried out using validated and practically recognised methods of analysis and measurements. The object of monitoring are 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 additionally guarantees the quality and accuracy of the results. The activities are in full compliance with the requirements of Article 35 of the Euratom Treaty, Recommendation 2000/473/Euratom, and IAEA documents.

Despite the plant radioecological monitoring of Kozloduy NPP, which is coordinated with the competent authorities in the country, the Ministry of Environment and Water (MEW) and Ministry of Health (MH), and is approved by the Nuclear Regulatory Agency (NRA), an independent external monitoring is applied under programmes implemented by the bodies of the MEW, the Executive Environmental Agency (EEA) and MH, the National Centre of Radiobiology and Radiation Protection (NCRRP), as well as regulatory control by the NRA.

The monitoring area covers the Kozloduy NPP industrial site and the Bulgarian part of the 30-km supervised area within a 100-km radius from the nuclear power plant. The automated radiological monitoring system continuously measures the gamma background radiation levels in 14 local populated areas and the information is widely accessible to the public. The data are displayed on information boards placed in public places and transmitted in real time to the central station at the NPP with transfer to the EEA and the NEA.

Over 1,180 measurements of the gamma background radiation and more than 4,200 analyses of over 2,290 samples of different environmental constituents were conducted throughout 2022. The gamma background results are in the range  $0.05 \div 0.18 \mu\text{Sv/h}$  and do not deviate from the natural background (ERF) levels typical for the area, and are fully comparable with data from previous years. The recorded values are many times below the permissible standards for the respective indicators and analysed samples. The radiation situation in the area is agreeable and is not affected by the operation of the NPP. The scope of radioecological monitoring was successfully implemented and meets the regulatory requirements in the field and the best practices of countries with developed nuclear power industry. The methods and technical means used are within the scope of accreditation according to BDS EN ISO/IEC 17025 standard of the Radioecological monitoring test laboratory, No. 154ΛИ, which is a guarantee for the quality and reliability of the results. No radiological impact due to the operation of Kozloduy NPP on the environmental components was detected. The analysed environmental radiation parameters are within normal background levels.

The low levels of emissions into the environment during the operation of Kozloduy NPP result in a negligible public dose exposure in the area. For 2022, the maximum effective annual dose per member of the public in the 30 km area is conservatively estimated at  $4.4 \mu\text{Sv/a}$ . Validated estimation methods using a methodology adopted by the European Commission were used. The exposure of the population due to the operation of the NPP is hundreds of times below the natural background radiation (NBR).

#### **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 Company strictly adheres to the requirements of the normative acts on occupational health and safety that are in force in the Republic of Bulgaria, and applies the best international practices in this field.

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

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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.

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 sustained 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 largest electricity producer in the country treats environmental protection.**

As a producer of clean energy, Kozloduy NPP is strongly committed to protecting the environment. All environmental permits issued to the Company in accordance with the regulatory framework are kept up-to-date. In 2022, a decision was obtained to extend the term of the permit for waste water discharge to the Main Drain Canal until March 2025. The non-radioactive waste transport registration document issued to the Company under the Waste Management Act was also updated.

Within the framework of the in-house non-radiation monitoring, more than 1,400 tests of waste water, surface water and groundwater have been carried out in the nuclear power plant area. The analyses have been carried out by Kozloduy NPP accredited laboratories and by the Vratsa Regional laboratory at the EEA. The results fully comply with the individual emission limits specified for the plant.

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 collection and recovery of the bulk of the non-radioactive waste generated allows the filling of the landfill second stage at a slower pace than planned. In 5 years of operation, 22.3% of the Stage II capacity has been filled. In 6 years of operation, 28% of the Stage II capacity has been filled. In 2022, a Plan to Minimise the Amount of Landfilled Waste was developed with specific measures for 2023 to reduce the amount of mixed municipal waste accepted for disposal at the landfill.

During the year, 3 inspections were carried out by the Regional Inspectorate for Environmental Protection, Vratsa, during which no non-compliances were found and no prescriptions were issued.

As a consequence of the operation of diesel generators and diesel pumps, which are intended for the emergency power supply of Kozloduy NPP safety systems, greenhouse gas emissions into the atmosphere are generated. These facilities are kept in 'hot standby' and are periodically tested.

Kozloduy NPP EAD holds a greenhouse gases emissions permit No. 143-H2/2022 issued for the operation of these systems. The total amount of CO<sub>2</sub> emissions generated in 2022, is about 464 tons (pending verification of the Company's annual report).

Compared to the conventional TPPs using coal, in the year 2022 Kozloduy NPP prevented the adverse impact of emissions of about 18 mln tons of CO<sub>2</sub>, about 31 thousand tons of SO<sub>2</sub>, 12 tons of NO<sub>x</sub>, and 0.1 thousand tons of dust containing natural radioactivity.

#### **The total amount of the funds invested under the Company's Investment Programme in 2022 was BGN 133,946 thousand, provided by Kozloduy NPP own funds.**

Over 83% 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

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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 EAD site.

### **Measures assessed as contributing to maintaining and improving safety at Kozloduy NPP not covered by the scope current programmes - arising from operational experience, inspections or regulatory requirements**

The total investment in 2022 for the costs of activities assessed as measures contributing to the plant safety, not falling within the scope of the existing programmes, related to nuclear safety, radiation protection, fire safety, emergency preparedness, physical protection and environment or requirements of regulatory documents is BGN 26,029 thousand.

### **Ensure long-term operation**

Long-term operation (LTO) of Units 5 and 6 at Kozloduy NPP is essential for the reliable functioning of the energy system in Bulgaria.

Technical measures on structures, systems and components arising from the results of the Plant Life Extension Project, as well as new measures arising from the need after end of life of major equipment and systems, are foreseen to be implemented during the LTO period.

The main efforts are focused on the follow-up of the measures systematised in the Company's current programmes.

In 2022, the amounts invested in ensuring Units 5 and 6 long-term operation were BGN 64,728 thousand.

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

In 2022, the total amounts invested in measures under the Investment Programme related to the operation of Units 5 and 6 at uprated power were BGN 19,924 thousand.

### **Routine maintenance of the power units and auxiliary facilities 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 23,265 thousand were invested in 2022, under the Investment Programme.

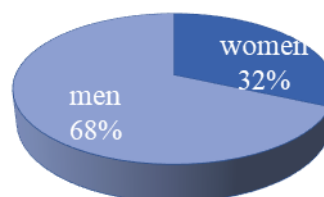
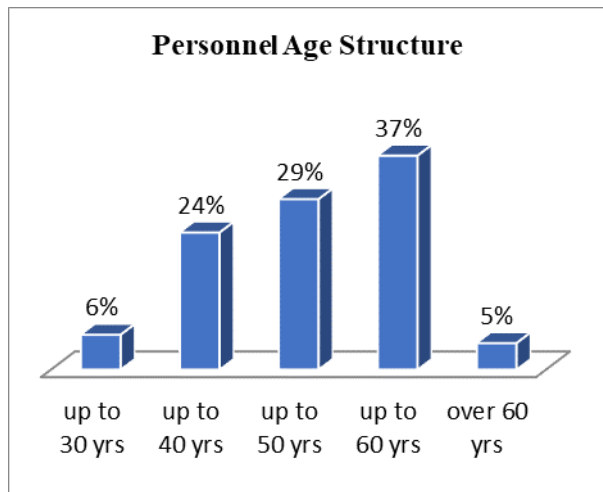
During the year, the planned investment activities related to the upgrade and replacement of equipment; measures to ensure the normal operation of common plant facilities supporting production activities; measures to maintain and continuously improve the level of physical protection and access control at the Kozloduy NPP site; measures related to energy efficiency in accordance with the Company's obligations under the Energy Efficiency Act; maintenance of social and other facilities, etc. were implemented.

The value of the fixed assets put into operation throughout the year amounts to BGN 86,350 thousand.

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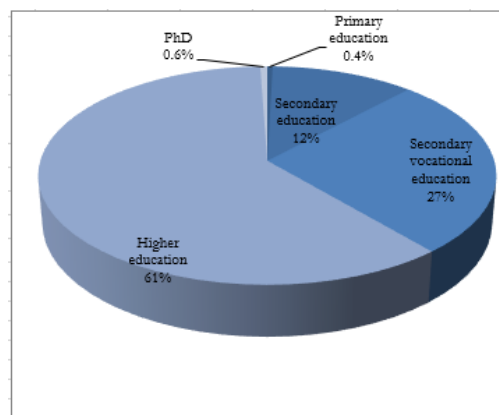
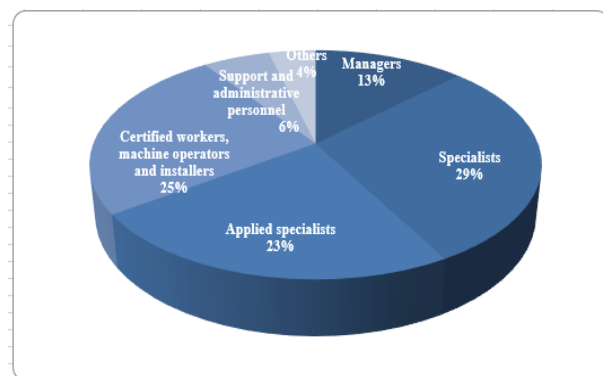
**PERSONNEL**

As at 31 December 2022, the number of the staff employed by the Company under employment contracts was 3,694, including 1,171 women.



The age distribution of the staff shows that the largest number of employees is in the 50 to 60 age range - 37%, followed by those between 40 and 50 - 29%.

**Educational and qualification structure**



The educational structure of the personnel is maintained. The relative share of the personnel with higher and secondary vocational education is 89%, while the personnel with primary education is less than 1% of the total number of personnel.

The focus of the Company's activities is on attracting young professionals with appropriate education to ensure continuity of knowledge and prevent loss of experience and skills.

In order to determine the future competence needs for a 10-year period, priority specialisations in the field of secondary and higher education have been identified for Kozloduy NPP EAD.

In 2022, recruitment campaigns for students applying for the Company's scholarship and internship programmes were conducted. A total of 15 contracts were concluded to provide scholarships to students. Thirteen of them are with students studying at the Technical University - Sofia in the specialties 'Thermal Power Engineering and Nuclear Power Engineering' - BSc and 'Nuclear Power Engineering' - MSc. Two scholars study at the *St. Kliment Ohridski* Sofia University: in the specialties 'Nuclear Engineering and Nuclear Power Engineering' - BSc and 'Nuclear Power Engineering and Technology' - MSc.

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The summer internships were attended by 46 interns from different universities in the country, studying priority specialties for Kozloduy NPP.

In 2022, a general risk factor assessment was carried out on a target group of 143 employees of the Company becoming eligible for retirement after 2 years and/or holding key positions. By the end of the reporting period, 142 employees of the Company have been assessed. Thirty-eight self-assessments of the risk of knowledge loss, thirty-two assessments of the consequences of knowledge loss and ten knowledge loss prevention plans have been prepared. By the end of the reporting period, 3 plans have been implemented.

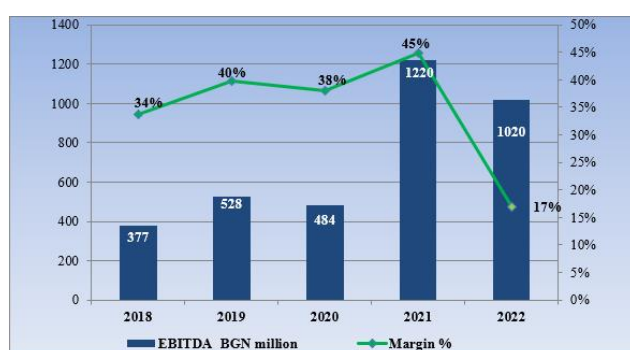
### FINANCIAL RESULTS FOR 2022

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

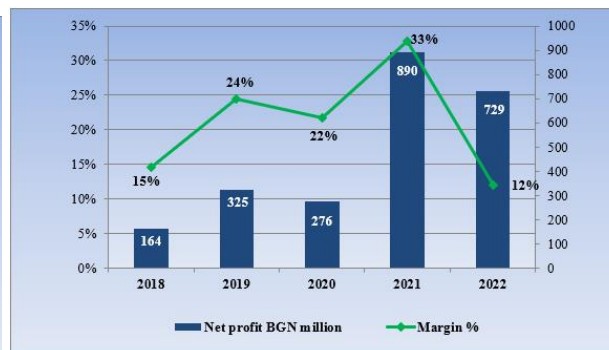
In 2022, the financial and economic indicators of Kozloduy NPP EAD are good, with a decrease compared to 2021.

The Company ended the year 2022 with net profit to the amount of BGN 729,463 thousand (a profit of BGN 890,304 thousand was recognised for the year 2021) with cash and cash equivalents to the amount of BGN 738,743 thousand (BGN 914,193 thousand for 2021). The main impact on the reported lower financial result was due to the accrued earmarked contributions in the amount of BGN 3,181,011 thousand pursuant to six decisions of the Council of Ministers of the Republic of Bulgaria on the basis of §24 of the Act Amending and Supplementing the Act on the State Budget of the Republic of Bulgaria for 2022 to cover expenses under Article 36b, para.1, Item 4 of the Energy Act and earmarked contribution for December in the amount of BGN 198,228 thousand under § 8, para. 2 of the Transitional and Final Provisions of the Act on the Implementation of the Provisions of the Act on the State Budget of the Republic of Bulgaria for 2022, the Act on the Budget of the State Social Insurance, and the Act on the Budget of the National Health Insurance Fund for 2022. Increased revenues during the year also resulted in higher expenditures for contributions to the RAW, DNF and ESS funds.

#### EBITDA-earnings before interest, taxes, depreciation



#### Net profit (in BGN million)



Indicators	2022	2021
Return on equity	0.23	0.27
Return on assets	0.18	0.22
Return on sales	0.12	0.33
Total liquidity ratio	2.98	4.24
Leverage ratio	0.28	0.22

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Note:

Return on equity = net profit/equity

Return on assets = net profit/assets

Return on sales = net profit/sales revenue

Total liquidity = current assets/current liabilities

Leverage ratio = liabilities/equity

**Revenues** For 2022, the operating income from the Company's operation amounts to BGN 6,054,894 thousand (for 2021, BGN 2,716,914 thousand). A major share in the Company's product structure is the production and sale of electricity. The sharp jump in electricity prices is the main factor for revenues to more than double last year's.

**Regulated market** – The reported revenues from electricity sold to the Public Supplier NEK EAD are in the amount of BGN 228,114 thousand, with an increase of 41% compared to the reported in 2021, as a result of the increased quota from 1 July 2022 and the increased price set by the EWRC.

**Non-regulated market** – The revenues from the sale of electricity at non-regulated prices amount to BGN 5,804,796 thousand, which is by 129% (BGN 3,265,074 thousand) above the amounts reported for 2021. The increase is due to the drastic spike in market prices and the changes in the market sales structure. The dominant share (99%) of the revenues from exchange transactions were executed in the Day Ahead segment at average annual price for electricity ~497 BGN/MWh.

**Electricity sales to end customers** - The revenues from electricity sales to end customers, connected via direct lines to the Kozloduy NPP own switchyard as per Article 119, para.2 of the Energy Act, amount to BGN 2,089 thousand.

**Revenues from financing** in 2022 in the amount of BGN 7,340 thousand are reported, which represent the current part of the long-term financing of the DSFSF and the financing of current activities under the PHARE programme (31.12.2021, BGN 3,922 thousand).

**Other revenues and incomes** - BGN 8,955 thousand, include revenues from the sale of services, goods, materials, rents, penalties under contracts, insurance indemnities, and others. Compared to the previous 2021, the reported revenues for 2022 are higher by 33% due to increased revenues from the sale of goods.

### Expenses

In 2022, the Company's operating expenses amount to BGN 5,243,480 thousand and represent a significant growth of 213% compared to 2021.

Types of expenses	2022 (BGN '000)	Structure % 2022	2021 (BGN '000)	Structure % 2021
<b>Annual expenses</b>	<b>5,251,190</b>		<b>1,679,562</b>	
<b>Variable costs</b>	<b>1,112,991</b>	<b>21%</b>	<b>598,134</b>	<b>36%</b>
Nuclear fuel management	140,661	3%	142,558	8%
Expenses for contributions to the RAW Fund, DNF Fund, and ESS Fund	935,425	18%	418,918	25%
Expenses for access and transmission of electricity through the electricity distribution grid	36,905	1%	36,658	2%
<b>Fixed costs</b>	<b>751,251</b>	<b>14%</b>	<b>629,072</b>	<b>37%</b>
Expenses for operation and maintenance	201,054	4%	164,827	10%
Staff costs	297,840	6%	245,929	15%
Social security costs	43,499	1%	37,945	2%
Depreciation costs	208,858	4%	180,371	11%
<b>Earmarked contributions to ESS Fund</b>	<b>3,379,239</b>	<b>64%</b>	<b>450,000</b>	<b>27%</b>
<b>Financial costs</b>	<b>7,709</b>	<b>0.1%</b>	<b>2,356</b>	<b>0.1%</b>



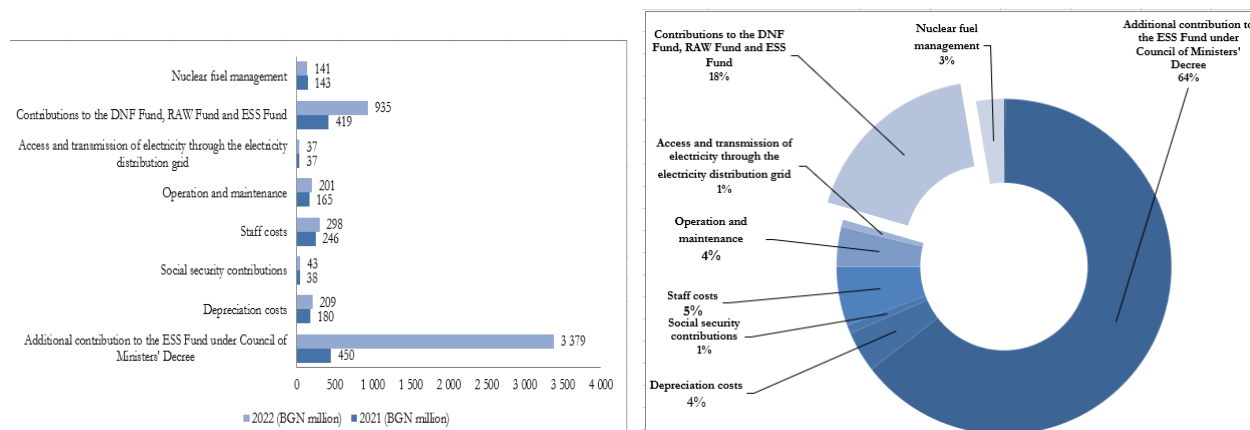
## Management report and non-financial statement 31 December 2022

The increased level of expenditure for 2022 is mainly a result of the following factors:

Accrued BGN 3,379,239 thousand for earmarked contributions to the ESS Fund in accordance with the decisions of the Council of Ministers of the Republic of Bulgaria, on the basis of §24 of the Act Amending and Supplementing the Act on the State Budget of the Republic of Bulgaria for 2022 and §8, para. 2 of the Transitional and Final Provisions Act on the Implementation of Provisions of the Act on the State Budget of the Republic of Bulgaria for 2022, Act on the Budget of the State Social Insurance, and Act on the Budget of the National Health Insurance Fund for 2022, to cover expenses under Article 36b, para. 1, item 4 of the Energy Act, as a governmental measure to compensate non-household customers for the high price of electricity.

Accrued BGN 935,425 thousand, expenses for statutory funds - RAW, DNF and ESS, which amounted to 15.5% of the Company's realised revenues from electricity.

### Structure of expenses



### Cash and cash equivalents

As at 31 December 2022 the cash and cash equivalents of Kozloduy NPP EAD amounted to BGN 738,743 thousand.

During the reporting year, the Company provided the required amount of cash as a result of the sales of electricity at favourable market conditions as a result of which the obligations under the commercial contracts for supply of nuclear fuel, reagents, maintenance and investment activities were fulfilled in a timely manner.

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 ESS Fund, payments for salaries and wages, social security contributions.

In 2022, the annual revenues from the main activity of the Company - sale of electricity amount to BGN 7,199,522 thousand, by BGN 3,951,624 thousand (122%) more compared to the revenues in 2021.

Due to permanently established extremely high market prices, the level of inflows from unregulated sales in 2022, which amount to BGN 6,943,383 thousand, has been significantly increased compared to receipts in 2021 (BGN 3,054,784 thousand).

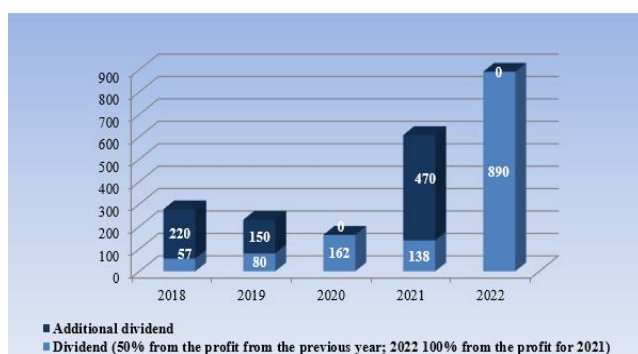
From regulated sales of electricity in 2022, the Company received BGN 256,139 thousand. The Public Provider regularly paid its obligations over the year, and there are no overdue amounts owed to the Company.

By Decisions No. E-PA-21-1/24.03.2022 and No. P-PA-21-22/04.07.2022 of the Ministry of Energy, Kozloduy NPP EAD granted two loans to the Bulgarian Energy Holding EAD, respectively in the amount of BGN 350 million and BGN 38 million, for which loan agreements were concluded between Kozloduy NPP EAD and BEH EAD. At the date of the financial statements, the loan of BGN 350 million has been finally

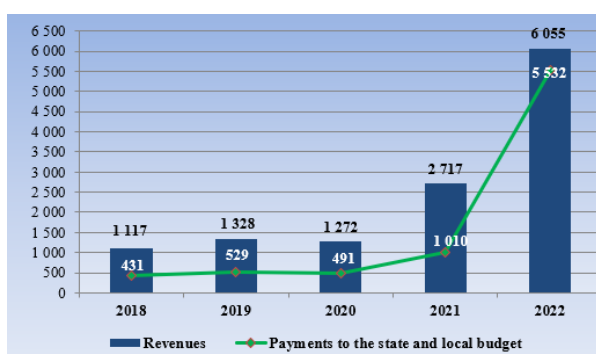
## Management report and non-financial statement 31 December 2022

repaid by BEH EAD within the final maturity period. The loan of BGN 38 million is being serviced regularly in accordance with the repayment plan. The final maturity date is 30.06.2026.

### Dividends paid (BGN million)



### Payments to the state and local budget, National Social Security Institute (NSSI) and National Health Insurance Fund (NHIF) (BGN million)



As at 31 December 2022, the Company ended the reporting year without any outstanding payments.

The Company's obligations arising from regulatory and licensing conditions have been paid within the statutory terms and in the amounts payable. In 2022, a total of BGN 5,532,300 thousand has been contributed to the state and municipal budgets, including BGN 643,474 thousand in contributions to the DNF Fund and RAW Fund, BGN 3,487,427 thousand in contributions to the EES Fund, BGN 1,342,144 thousand in taxes and fees, and BGN 59,255 thousand in contributions to social and health insurance funds.

In pursuance of a Decision of the Council of Ministers No. 5/27.04.2022 for the payment of a dividend calculated in the amount of one hundred percent of the profit for 2021, Kozloduy NPP EAD paid BGN 890,304 thousand to BEH EAD.

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 the 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

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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 senior 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.

#### **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**

The Company is exposed to market risk from changes in specific prices due to its operating and investing activities. A material risk event in the medium-term perspective is the continued unfavourable upward trend of inflation in the country and in Europe in 2022, on the one hand due to the rapid pace of development of European economies after the COVID pandemic and on the other hand due to the drastic jump in energy prices due to the war in Ukraine. Price risk is possible given changes in market prices for electricity leading to a significant reduction in the Company's revenues, which account for a major share of 99% of total revenues. The high levels of inflation inevitably lead to an increase in the market prices for supplies and services, including change in the fresh nuclear fuel supplies, and respectively to an increase in costs and a negative effect on the financial result.

##### ➤ **Credit risk**

In 2022, the credit risk with respect to the regulated deliveries of Kozloduy NPP EAD is immaterial. The low risk exposure is due to the absence of overdue receivables from related parties as at 31 December 2022. The regulated price payables are regularly serviced by NEK EAD within the due dates.

During the period under review, a positive effect is reported for the amount of overdue receivables from exchange sales in view of which the probable risk exposure is determined to be negligible.

##### ➤ **Liquidity risk**

As part of liquidity risk management, daily, monthly and annual forecast cash outflow and inflow estimates were prepared during the period to identify the Company's financial needs. The liquidity risk assessment prepared for the period under review based on the accepted indicators for identification and assessment - for solvency and leverage - show a consistent stable trend over the past reporting periods and values that fall within the range with an impact level of 1, 'very low risk'.

Kozloduy NPP EAD manages 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 Implementation of the Public Enterprises Act. Implementing these Rules is part of the measures accomplished by the Company, focused on diversification and reduction of the risk of unrecoverable receivables when claiming bank institutions insolvent, wherefore the possible risk is limited to a low degree. A liquidity risk for the Company's finances is not excluded in connection with Kozloduy NPP's obligation to pay earmarked contributions to the ESS Fund, representing the positive difference between the market revenues and the established revenue ceiling of BGN 180/MWh, for the period from 1 December 2022 to 30 June 2023 on the basis of §8 of the Act on the Implementation of the Provisions of the Act on the State Budget of the Republic of Bulgaria for 2022, Act on the Budget of the State Social Insurance for 2022 and the Act on the Budget of the National Health Insurance Fund for 2022. The application of this mechanism adversely affects the liquidity of Kozloduy NPP EAD.

Such decisions put Kozloduy NPP EAD at serious risk of making operational payments for its activities and inability to set aside funds to cover future key commitments for SNF and RAW management, including the construction of a deep geological repository (DGR) for disposal of high-level waste from SNF reprocessing

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and nuclear applications in Bulgaria. The implementation of an investment project for the construction of a DGR requires significant financial resources, which at present, based on international experience and comparative analyses, will cost at least BGN 5 billion.

#### ➤ **Currency risk**

Currency risk is assessed at level 1, as ~99% of the Company's currency payments during the period under review are in Euro for the repayment of payables to suppliers and are made at a fixed exchange rate of BGN/EUR. Potential losses on revaluation of costs from depreciation of the Bulgarian lev are unlikely.

Currency risk is probable in relation to currency payments in USD to Westinghouse for the delivery of fresh nuclear fuel assemblies.

#### ➤ **Interest risk**

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

Interest risk is possible with regard to the credit, granted to the subsidiary company Kozloduy HPP EAD, under floating interest rate conditions, namely - interest rate 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 benefit plan. Changes to the calculated present value of the liabilities are possible in the presence of changes in the discount rate which is based on the market yield of the government securities held. A possible decline in the market yield of the government securities held will increase the Company's future liabilities related to defined benefit plans.

In connection with loans granted by the Company to BEH EAD, interest rate risk does not exist, since the agreed interest rate is fixed on an annual basis. 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.

#### ➤ **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**

At the beginning of January 2023, by Minute Resolution No. 6-2023/20.01.2023 of the Board of Directors of BEH and No. CA-2/20.01.2023 of the Board of Directors of Kozloduy NPP EAD, Andrey Krasnocharov was dismissed as a member of the Board of Directors and Svilena Nikolova Nikolova was appointed in his place. This circumstance was entered into the Commercial Register on 26.01.2023.

By Decision No. 11 dated 16.02.2023 of the District Court in the town of Vratsa, Interpriborservice OOD, Kozloduy, in which the Company has a controlling interest of 63.96% was declared bankrupt.

In 2022, electricity prices escalated to historic high as a result of the energy crisis following the Russia-Ukraine military conflict. Measures taken at the EU level (Council Regulation No. EU 2022/1854 of 06.10.2022) and in the Member States to address the high energy prices have largely contributed to the normalisation of price levels already at the end of 2022. In the first quarter of 2023, there has been a decline in electricity prices traded on the IBEX. For the period January-March 2023, the average exchange price of electricity sold by Kozloduy NPP EAD was 251 BGN/MWh with significantly lower levels compared to the reported in 2022 ~496 BGN/MWh.

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On 15 April 2023, Kozloduy NPP Unit 6 was shut down to perform planned preventive maintenance related to indications of a coolant leakage. The downtime is consistent with the availability of sufficient electricity in the country's power system at this time of the year. The continuous monitoring of the unit's systems and equipment showed that the leakage from the first to the second circuit in the third steam generator does not exceed the limits for safe operation. The limits provided for in the Technical Specification have not been reached and there is no change in the radiation situation in the working premises and on the Kozloduy NPP site. Although the operation of the nuclear power plant can continue, a conservative decision has been taken to shut down the unit and carry out preventive maintenance and repairs to ensure the required high safety and operational reliability of the nuclear power plant.

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 2022.

### **5. FUTURE DEVELOPMENT OF KOZLODUY NPP EAD**

The planned economic policy of the Company for 2023 is in compliance with the five-year Business Programme for the period 2023 – 2027 approved by Board of Directors of BEH on 19 January 2023.

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 Company's key 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 the financial stability of the Company.

In pursuance of the requirements of the EURATOM Supply Agency for diversification of fresh nuclear fuel supply, the activities under the contracts concluded with Westinghouse for the supply of fresh nuclear fuel assemblies for Unit 5 and with Framatom for the supply of fresh nuclear fuel for Unit 6 will be implemented. Westinghouse is currently executing a contract for the development of safety analyses for the licensing and implementation of an alternative type of nuclear fuel at Kozloduy NPP Unit 5 at power operation of at 3120 MW.

The Company will 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 operating experience analysis. The planned investment costs for the period 2023-2027 amount to BGN 887 million. A significant share of them (~70%) are envisaged for enhancing safety at Kozloduy NPP EAD, for improving the operation of the facilities and equipment to ensure the long-term operation of the nuclear power units and the reliable operation of Units 5 and 6 reactor installations at uprated power rate up to 104%.

The activities to be implemented are aimed at completing Company's priority projects:

- Implementation of measures included in the integrated programmes for safety enhancement 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 will 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 14.07.2016, for public disclosure and optimisation of the expenditure of

## Management report and non-financial statement 31 December 2022

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 will 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 2023 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 ensuring secure and regular sales revenues, complying with the market conditions.

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. Over the next five years, special attention will be drawn to the activities related to maintaining the high interest and attracting the necessary candidates for work in the Company among the graduates of 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 adjustments to the separate financial statements for the year ending 31 December 2022.

### **6. ADDITIONAL INFORMATION under APPENDIX No. 2 of Regulation No. 2 of 09 November 2021 of the Financial Supervision Commission**

#### **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 two main activities of the Company are the generation of electricity and the generation and distribution of heat energy. 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.

Main products	2022	% share	2021	% share
Net electricity (in-house generation), MWh	15,637,278	99.93%	15,674,935	99.84%
Purchased electricity, MWh	10,210	0.07%	24,575	0.16%
<b>Total electricity sold, MWh</b>	<b>15,647,488</b>	100.00%	<b>15,699,510</b>	100.00%
<b>Total heat energy sold, MWh</b>	<b>75,541</b>		<b>80,245</b>	

In 2022, Kozloduy NPP EAD realised income in the total amount of BGN 6,061,494 thousand. Almost 100% are from electricity sales and a very small insignificant share are from heat energy sales. Revenues reported for 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, part of the funding for the construction of the Dry Spent Fuel Storage Facility is recognised annually as current revenue.

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**Structure of revenues from sales and share of main categories**

Indicator	2022 (BGN '000)	% share of income	2021 (BGN '000)	% share of income
<b>Total revenue from sales of production</b>	<b>6,038,599</b>	<b>99.62%</b>	<b>2,706,252</b>	<b>99.54%</b>
Revenue from electricity sales	6,035,000	99.94%	2,702,696	99.87%
Revenue from sale of heat energy	3,599	0.06%	3,556	0.13%
<b>Income from financing</b>	<b>7,340</b>	<b>0.12%</b>	<b>3,922</b>	<b>0.14%</b>
<b>Revenue from services and other revenues</b>	<b>8,955</b>	<b>0.15%</b>	<b>6,740</b>	<b>0.25%</b>
Revenue from sales of services	2,192	24.48%	2,117	31.41%
Revenue from other sales and income	4,588	51.23%	3,847	57.08%
Income from sales of assets	2,175	24.29%	776	11.51%
<b>Financial income</b>	<b>6,600</b>	<b>0.11%</b>	<b>1,774</b>	<b>0.07%</b>
<b>Total income</b>	<b>6,061,494</b>	<b>100.00%</b>	<b>2,718,688</b>	<b>100.00%</b>

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/user, and information on each person, individually, on his/her share in the sales or purchases, and his/her relation to the Company, in the cases where the relative share of any of those exceeds 10 per cent of the costs of sales or the sales revenue;**

The revenues from sales of production are generated entirely on the internal (domestic) market, all the Company's customers are based on the territory of the country. 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 96% 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 2022, 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 annual separate financial statements of the Company as at 31 December 2022.

**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 at 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 has not entered any transactions with related parties outside its usual business over the reporting period.

## Management report and non-financial statement 31 December 2022

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 2022 (Note 33 'Related Party Disclosures').

### 5. Information on events and indicators of an unusual nature for the Company, having a material impact on its operations and its revenues and expenses incurred; an assessment of their impact on the current year's results;

The following transactions are classified as events of an unusual nature for the Company that have a material impact on the Company's operations, revenues earned and expenses incurred:

In 2022, BGN 3,379,239 thousand were expensed for earmarked contributions to the Energy System Security Fund, of which BGN 3,181,011 thousand in pursuance of six Decisions of the Council of Ministers (No. 490/15.07.2022; No. 587/11.08.2022; No. 648/07.09.2022; No. 735/05.10.2022; No. 920/17.11.2022; No. 1035/19.12.2022) issued on the basis of § 24 of the Act Amending and Supplementing the Act on the State Budget of the Republic of Bulgaria for covering expenses under Article 36b, para. 1, item 4 of the Energy Act. The funds under the CM decisions are provided for the financing of Programmes for compensation of electricity costs of non-household end-users and operators of the electricity transmission and distribution networks. As a continuation of the measures to address high electricity prices, on the basis of §8 of the Transitional and Final Provisions of the Act on the Implementation of the Provisions of the Act on the State Budget of the Republic of Bulgaria for 2022, the Act on the Budget of the State Social Insurance for 2022 and the Act on the Budget of the National Health Insurance Fund for 2022, BGN 198,228 thousand have been accrued for expenditure on earmarked contributions to the ESS Fund. The earmarked contributions to the ESS are an unusual event for Kozloduy NPP EAD and have a material impact on the financial result, representing 64% of the expenses.

In addition to a reduction in Kozloduy NPP's cash resources, the negative effect is also reflected in a reduction in the reported accounting profit.

By Decisions No. E-PA-21-1/24.03.2022 and No. P-PA-21-22/04.07.2022 of the Ministry of Energy, Kozloduy NPP EAD granted two loans to the Bulgarian Energy Holding EAD, respectively in the amount of BGN 350 million and BGN 38 million, for which loan agreements were concluded between Kozloduy NPP EAD and BEH EAD.

In 2022, Kozloduy NPP EAD has reached out-of-court settlements, respectively signed out-of-court settlements and terminated commercial cases with the Company's customers under standardised agreements for the purchase and sale of electricity, on the basis of which the Company has paid BGN 25,000 thousand to settle all current and future claims under the closed cases.

### 6. Information on transactions, carried off-balance sheet - nature and business purpose - indicating the financial impact of such transactions on the activities, if the risk and benefits of these transactions are material to the Company and if the disclosure of such information is significant for the assessment of the Company's financial position;

The Company does not have any transactions, carried off-balance sheet in 2022. The Company reports off-balance sheet foreign assets pledged as collateral. These are bank guarantees and insurance policies provided in favour of Kozloduy NPP in accordance with the contractual requirements for performance guarantees and guarantees for advance payments received, which the contractors are obliged to provide.

Other entity's assets, pledged as compensation (BGN '000)	Available as at 01 January 2022	Received in 2022	Discharged in 2022	Available as at 31 December 2022
Received guarantees, incl.:	10,180	3,796	3,478	10,498
Received bank guarantees, denominated in foreign currencies (BGN equivalent)	9,300	3,655	2,552	10,403
Received bank guarantees under maintenance contracts, denominated in BGN	880	141	926	95



## **Management report and non-financial statement 31 December 2022**

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

Information on the assets held is presented in detail in the Company's annual separate financial statements as at 31 December 2022 (Notes 8 'Investments in Subsidiaries' and 9 'Capital Instruments at Fair Value').

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

The Company does not have any agreement for a loan received in 2022. Details of the loans received by the Parent Company and subsidiaries are disclosed in the annual separate financial statements of these companies as at 31 December 2022.

**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;**

Pursuant to the decisions of Minutes No. 16-2022/18.03.2022 and No. 17-2022/21.03.2022 of the meetings of the Board of Directors of the Bulgarian Energy Holding EAD, approved by Minutes No. E-PA-21-10 of 24.03.2022 of the Minister of Energy and Decision of the Council of Ministers No. 142/10.03.2022, a loan agreement was concluded between Kozloduy NPP EAD as Lender and the Bulgarian Energy Holding EAD as Borrower in the amount of BGN 350,000 thousand. The funds were provided to BEH EAD for the purpose of recovery of reimbursable financial assistance to NEK EAD. The final repayment date of the loan is 31.03.2023. According to the repayment plan to the Agreement, the principal repayment started on 31.10.2022 through 6 annuity instalments. The loan is contracted at a fixed interest rate of 1.66% per annum. During 2022, the loan was regularly serviced within the maturity dates. The principal amount of BGN 174,637 thousand has been repaid and the balance as at 31 December 2022 is BGN 175,363 thousand.

Pursuant to the decision of the Minutes of Meeting No. 31-2022/11.05.2022 of the Board of Directors of the Bulgarian Energy Holding EAD, approved by the Minutes No. E-RD-21-22/24.03.2022 of the Ministry of Energy, a loan agreement was concluded between Kozloduy NPP EAD as Lender and the Bulgarian Energy Holding EAD as Borrower in the amount of BGN 37,864.950 thousand. The funds were provided to BEH EAD for the purpose of financing the costs of Bulgartransgaz EAD for the purchase of natural gas. According to the repayment plan attached to the Contract, the repayment of the principal commenced on 01.01.2023 through 42 annuity instalments. The loan is contracted at a fixed interest rate of 1.66% per annum. In 2022, the interest due on the loan is payable monthly in accordance with the repayment schedule.

By a decision of the Bulgarian Energy Holding EAD dated 7 November 2008, a Credit Line Agreement No. 880080 dated 7 October 2008 and annexes to the agreement were concluded, whereby Kozloduy NPP EAD granted a credit of BGN 22,000 thousand to the subsidiary Kozloduy HPP EAD, UIC 106588180. The funds are provided for the purpose of constructing a hydro power plant. According to Annex No. 4 of 20.01.2015 to the Agreement, the maturity date of the loan is 15 January 2024, with the repayment starting on 15 July 2013. The loan is repayable in 22 instalments, and the amount of the first 2 instalments is BGN 150 thousand, respectively. (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 Annex No. 4, a floating interest rate comprising the BIR plus a 2.5% margin was agreed. The loan is secured by a promissory note and as at 31 December 2022 the loan had been regularly repaid. The amount of BGN 18,330 thousand has been repaid, while the loan remainder is BGN 3,670 thousand (principal).

Detailed information on the movements and balances of the granted loans is disclosed in the Company's annual separate financial statements as at 31 December 2022.

## **Management report and non-financial statement 31 December 2022**

As at 31 December 2022, the Company has 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 (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.
- Guarantee collateral under 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 3.5t – 6 thousand.
- Guarantee collateral for network services – BGN 6 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. The Company has an effective financial management and control system in place, functioning through policies and procedures, designed to ensure confidence in achieving the Company's objectives, as set in the Business Programme. Ongoing activities include:

- Providing objective and accurate financial and economic information in order to take timely and effective preventive actions to avoid possible threats;
- Ensuring control over financial resources through periodic (daily, weekly) assessment of the risks (credit risk, interest rate risk, liquidity risk, currency risk and cash flow risk).

The Company does not experience any difficulties in servicing its liabilities. Detailed information on possible threats and measures taken is presented above in the report. The risks that Kozloduy NPP faces on the electricity market are mainly related to the unpredictability in the market price dynamics as well as the ongoing military conflict between Russia and Ukraine.

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As at 31 December 2022, the Company's available cash is below the amount of the total liabilities.

Indicator (BGN '000)	2022	2021
Total liabilities	882,855	745,380
Cash and short-term deposits	-738,743	-914,193
<b>Net debt</b>	<b>144,112</b>	
Long-term liabilities	348,847	376,528
Equity	3,158,761	3,327,343
Long-term liabilities/Equity ratio	0.11	0.11

**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 improvement and continuous enhancement of the safety level at Kozloduy NPP. Their implementation will ensure the long-term operation of the nuclear power units over the next 30 years, and will guarantee the nuclear safety, quality and security of Kozloduy NPP EAD, radiation protection and environmental protection during the operation of the power units and the auxiliary facilities, in compliance with the requirements of the applicable regulations in force. The assessment of the feasibility of the investment intentions is based on the amount of the available funds as at 31 December 2022, 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 from the forecast 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 2022.

In 2022, at a meeting of the Board of Directors of Kozloduy NPP EAD, a decision to establish a new subsidiary, NPP Service EOOD, was taken. Kozloduy NPP EAD is the sole owner of the capital. NPP Service EOOD is a company, registered in the Commercial Register of the Registry Agency on 11 March 2022, having its registered office at: NPP site, Kozloduy, Kozloduy Municipality, Vratsa District. The Company's registered capital amounts to BGN 750 thousand, comprised of 1,000 (one thousand) 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.

**15. Information on the key features of the internal control and risk management systems, implemented by the Company in the process of preparing its financial statements;**

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, internal auditing is one of the tools to assess the adequacy and effectiveness of the financial management and control system. Kozloduy NPP EAD has established and operates an Internal Audit Department which reports directly to the CEO and whose main activity is to plan and perform audit engagements to provide assurance or advice. The internal audit activities at Kozloduy NPP EAD are carried out in accordance with the Internal Auditing in the Public Sector Act, the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics for Internal Auditors, the Regulations/Statutes

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of the Internal Audit Unit and the Methodology for Internal Audit in the Public Sector approved by the Minister of Finance. 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. When certain weaknesses in the system are identified, the Company management takes the necessary timely and adequate measures to address 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, access to different types of information, and responsibilities related to the information 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. 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 risk impact on achieving the Company's objectives.

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

The following changes in the composition of the governing bodies occurred during the reporting year 2022:

As of 19.07.2022 the Board of Directors consisted of:

- Vladimir Andreev Uruchev - Member of the Board of Directors; as of 19.07.2022;
- Todor Rangelov Yonev - Member of the Board of Directors, as of 19.07.2022;
- 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;
- Iliya Todorov Iliev - Member of the Board of Directors and Chair of the Board of Directors, no change;
- Iva Edward Nikolova - Member of the Board of Directors, no change;

As of 29.08.2022 the Board of Directors consisted of:

- Nasko Asenov Mihov - Chief Executive Officer and a member of the Board of Directors, until 29.08.2022;
- Georgi Kirov Kirkov - Chief Executive Officer and a member of the Board of Directors, as of 29.08.2022;
- Aleksandar Hristov Nikolov - Deputy Chief Executive Officer and a member of the Board of Directors, until 29.08.2022;
- Andrey Alexandrovich Kranocharov - Deputy Chief Executive Officer and a member of the Board of Directors, as of 29.08.2022;
- Iliya Todorov Iliev - Member of the Board of Directors and Chair of the Board of Directors, no change;
- Todor Rangelov Yonev - Member of the Board of Directors, no change;
- Iva Edward Nikolova - Member of the Board of Directors, no change.

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**17. Information on the amount of remuneration, rewards and/or benefits paid by the Company and its subsidiaries to each 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 2022	31 December 2021
<b>Short-term remuneration, including:</b>	<b>575</b>	<b>668</b>
Salaries, including bonuses	495	605
Social security costs	32	26
Social costs	48	37

**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 arrangements that in the future would lead to changes in the relative share of stocks held by the sole owner of 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 liabilities or receivables under all proceedings exceeds 10 per cent of its equity;**

As at 31.12.2022, there are no 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/receivable 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](http://www.kznpp.org).

**21. Other information**

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

## NON-FINANCIAL STATEMENT

**Information in accordance with 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 major electricity producer, providing for more than one third of the national annual electricity generation.

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 an estimate consumption of the end suppliers;
- Non-regulated market - transactions with electricity at freely negotiated prices on an organised exchange market, administered by the IBEX EAD;
- Supplying company's facilities (Article 119, para.1 of the Energy Act) and end customers connected through their own electrical systems (Article 119, para.2 of the Energy Act).

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

- Domestic and non-domestic consumers in the town of Kozloduy;

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- Non-domestic (business) consumers 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](http://www.kznpp.org).

The strategic goal of Kozloduy NPP EAD is safe, efficient, and environmentally friendly generation of energy, under long-term operation conditions, of guaranteed quality and security of supplies, in compliance with the national and international standards.

To achieve this goal the Management of Kozloduy NPP EAD implements an integral Management System that brings together all the requirements for the activities, in compliance with the following priorities:

- The highest level of safety;
- Efficient and competitive production;
- Qualified, 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;
- 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 continuous improvement.

### **Environmental issues**

The management has declared its top priority in its Safety Management Policy, namely - nuclear safety and radiation protection with stable operation of the nuclear facilities under the 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 management and spent nuclear fuel (SNF) management. The SNF is stored in special by-the-reactor pools, and in the on-site Spent Fuel Storage Facility and Dry Spent 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 excessive 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 regulations. The activities related to RAW handling are performed in accordance with approved procedures, whose underlying goal is ensuring safety during the RAW management. The RAW management process at Kozloduy NPP is carried out by trained personnel, who maintain and enhance their

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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 radiation protection and environmental protection. The RAW management activities are reported pursuant to the licensing provisions of Units 5 and 6 and the Spent Fuel Storage Facility licences.

In the operation of the nuclear facilities the plant management implements the principles of radiation protection, defined by the Regulation on Basic Norms of Radiation Protection, and IAEA GSR Part 3, as well as the ALARA principle (as low as reasonably achievable). The collective dose of the personnel and the contractor's staff who worked in the controlled area of Kozloduy NPP EAD in 2022 is within the limits of the planned values.

The departmental environmental radiation monitoring is regulated by a long-term procedure of Kozloduy NPP, which is coordinated with NRA, Ministry of Environment and Water, and the Ministry of Health and is harmonised with EU and IAEA recommendations and good international practice in the field. Effective and reliable environmental radiation monitoring during the operation of Kozloduy NPP EAD is ensured in order to determine accurately and clearly the radiation parameters of the environment, to establish the compliance of the actual radiological status with the legislation in force in the Republic of Bulgaria, in this area to assess changes and trends in the radiation situation around Kozloduy NPP EAD. There were no deviations of the radiological indicators above the permissible levels in 2022. The tested samples of air, water, soil, vegetation, agricultural crops, milk and fish have typical background levels of radioactivity, unaffected by the operation of Kozloduy NPP. The achieved results show that the equivalent dose rate of gamma-radiation varied within the limits of the natural background radiation ( $0.05\div 0.18$ ) mSv/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 the adverse effects in non-radiological aspect, associated with the activities carried out at the Kozloduy NPP EAD site. As a nuclear facilities operator, Kozloduy NPP EAD performs continuous, systematic and thorough monitoring of activities, products and services that have a negative impact on the environment and human health in non-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 water, safe management, minimising and recovery of 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-H2/2022 issued for the operation of these systems. The total amount of CO<sub>2</sub> emissions generated in 2022, is about 464 tons (pending verification of the Company's annual report).

Compared to the conventional TPPs using coal, in the year 2022 Kozloduy NPP prevented the adverse impact of emissions of 18 mln tons of CO<sub>2</sub>, about 31 thousand tons of SO<sub>2</sub>, 12 tons of NO<sub>x</sub>, and 0.1 thousand tons of dust containing natural radioactivity.

In response to the need to implement green alternatives to traditional activities with a significant environmental footprint, such as road transport, Kozloduy NPP included electric vehicles in its fleet (one light-duty and 11 light electric vehicles) and installed several charging stations on the site of the nuclear power plant (three on the territory of the industrial site and one in the town of Kozloduy). Electric transport on the plant site has yet to grow, as it meets one of the European Union's key priorities of transitioning to a carbon-free economy.

For its operation the Company uses surface water from the Danube river and groundwater. About 99.7% of the water used is for cooling. The remaining 0.3% are used for the production of demineralised water required for

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the production process, firefighting and other needs. The cooling water is returned to the Danube river without any changes to its 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 and sludge and oil retainer. Domestic waste water is treated in a water treatment complex. Domestic waste water is treated in a water treatment 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 the 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 water 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 the use of a water body to discharge waste water. Groundwater extraction shall be carried out in accordance with the requirements of the permits issued. The quantities used shall not exceed the maximum permitted quantities in the relevant permit. Compulsory and internal control of the chemical composition of the extracted groundwater is carried out.

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 activity is collected on sites (storage facilities), where it is sorted and prepared to be transferred for subsequent safe recovery or disposal. Reusable domestic waste, such as paper (carton), plastic, metal and glass packages, is also collected separately in coloured waste bins specially located in the Company buildings. All separately collected waste is transferred for subsequent recovery or disposal to specialised companies holding the necessary permits in compliance with the Waste Management Act. In 2022, a total of 1,696,052 tonnes of waste was handed over for further safe treatment.

Non-recoverable and non-hazardous domestic and industrial wastes, generated by the Company's activity, are disposed of at the plant's Non-radioactive Domestic and Industrial Waste Landfill (NDIWL), that has been operated by Kozloduy NPP EAD since 2000. Waste water and groundwater in the area of the NRIWL is monitored annually.

Testing is carried out according to strictly defined indicators set out in the permit. The results of the mandatory plant own monitoring in 2022 show full compliance with the specified individual emission limits.

### **Social issues and personnel related issues**

*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 management of human resources 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 operation of Units 5 and 6 for the new period. In meeting these requirements, the Company fulfils its commitments to maintain a sufficient number of qualified and competent personnel to perform all activities.

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

As at 31 December 2022, the plant has 3,694 employees and workers on the payroll, of them 1,175 women.

*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 fair employment relationships based on respect for the individual, protection of the rights and interests of employees 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 signed annually for a short period of time, for the implementation of seasonal works, such as



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snow removal in winter, and for attending the recreational centres in summer time, as well as for substitution of absent workers or employees.

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

Each newcomer completes an Introduction to NPP training course before being assigned to work independently to familiarise 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, 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 recruitment, appointment and reappointment of personnel, the Employer is obliged to use information displays (boards) and the internal information system to announce the vacancies and the recruitment requirements.

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

Kozloduy NPP EAD is a socially responsible company. The Plant interior regulations stipulate that the Employer undertakes to create conditions and to assist the trade union organisations in carrying out their activity, and the personnel - to engage in public or trade union activities, without interfering with the performance of their official duties.

A Collective Labour 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 the rights of the personnel.

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

In order to ensure that the rights of workers and employees are respected, the trade union organisations take part in the preparation of the Plant interior regulations and the Plant regulations on salaries. 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 ionising radiation environment are provided with free food and/or supplements to it. In addition, the Employer secures means for cheaper food for the off-site staff.

The Company provides the employees with an increased paid annual leave, free company transport, and additional voluntary pension insurance at the employer's expense.

A contract has been concluded with an insurance company for additional 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;
- sanitary transport;
- reimbursement for medicines and supplies.

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

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Taking care of health prevention, recreation and cultural life of the Company's employees and their families, social facilities are maintained - recreational facilities, sports and health complex, Power Engineers Cultural Centre, 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 the social facilities at preferential prices. Funds are allocated to support the activities of the Pensioners' Club which promotes the social life of retired people.

*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 requalification 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 Resource 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 and control of nuclear safety and radiation protection are carried out by qualified people, who are licensed under the procedure of the Regulation on the Terms and procedure for Obtaining of Vocational Qualification and on the Procedure for Issuing of Licenses for Specialised Training and of Individual Licenses for Use of Nuclear Power.

A staff training and qualification system is in place, in compliance with the international standards and the national requirements, which is an integral part of the Kozloduy NPP EAD management system. The plant has its own training centre (TC), licensed by the Nuclear Regulatory Agency which provides conditions for specialised training and featuring a full-scope simulator for units with WWER-1000 reactors. The Company conducts compulsory initial and continuing specialised training for activities in nuclear facilities and with sources of ionising radiation. The scope, topics, forms and sequence of the training are defined in training programmes, training time schedules, initial and continuing training programmes for the full-scope simulator, and upon training requests.

The Training Centre conducts site and controlled area access training for about 3,600 persons under the 'Introduction to NPP' course and about 2,000 persons on radiation protection, annually.

The average number of training hours per employee per year is 77.

The Employer encourages the staff to further their education by providing additional paid leave to employees who are pursuing further education in specialties that enable professional development within 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 main objectives for determining the specific needs of each employee to improve his or her professional and personal competence, improving working relationships, and creating conditions for the implementation of fair and transparent procedures for professional and career development are regulated through the system introduced for the evaluation of the individual work performance and development of the Company's staff.

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 prevention of discrimination or 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.

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#### **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 good practices 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 Health and Safety Management Policy. Prevention takes the leading role in ensuring occupational health and safety - prior 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 regarding the adherence to the safety requirements. The workers are continuously informed, through procedures for safe operation, good practice examples, continuing trainings, and opportunities to enhance their qualification. A set of organisational and technical measures is in place to ensure a safe working environment and the actual state of working conditions at workplaces continuously monitored.

The risks to the safety and health of workers have been assessed and the necessary measures have been taken to prevent and reduce their impact. Depending on the specifics of the workplaces, the possible hazards and the risk at work, personal protective equipment is provided.

In order to develop effective corrective measures to ensure the prevention of accidents at work or to reduce the frequency and/or severity of their consequences, as a preventive measure, the occupational accidents that took place on the territory of Kozloduy NPP EAD, even though they did not result in loss of working time and ability to work are investigated and analysed.

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. Preventive medical check-ups 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 performance of the employees. Reduced working hours, regulated work and rest schedules, and free food are introduced.

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 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.

#### **Human Rights Issues**

*The Company's commitment to respect human rights (rights of children, women, indigenous people, 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 on the basis of the Company's general values when applying the UN Global Compact universal principles.

The Code of Ethics is aimed at developing organisational culture which contributes to strengthening the Company's good reputation as a leader among the business organisations, as well as 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 accountability 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 Kozloduy NPP EAD site. The Code of Conduct is given to every new employee of the Company.

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In accordance with the provisions of the Protection Against Discrimination Act, recruitment announcements in the Company are not to be restrictive on the grounds of gender, race, nationality, ethnicity or health condition, except where, by reason of the nature of the work, gender, respectively age or health condition, 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 ionising radiation environment, regardless of race, nationality, ethnicity, age, gender, 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 subordinated to the main priority to ensure the safe operation of the nuclear facilities.

Women at Kozloduy NPP EAD occupy both senior operational and senior management positions. Over the years, the proportion of female employees has remained constant at 32% and 28% of all those in 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):*

Pursuant to the Plant interior regulations, the Employer shall respond in writing within 14 days to requests and complaints made by employees of the Company.

### **Anti-corruption and anti-bribery issues**

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

The Corruption Prevention Departments is involved in implementing the measures contained in the plan; the main activity of the department is the application of 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 mailboxes placed at key locations on the territory of Kozloduy NPP EAD;
- Via e-mail: [signal@npp.bg](mailto:signal@npp.bg);
- Hotline: +359 973 7-62-62.

The examining of the alerts received is carried out based on the principles of confidentiality of the information and protection of the anonymity of the origin of the alert. An administrative instruction has also been introduced for the registration and handling of reports of corruption and/or conflict of interest and for the protection of whistleblowers.

There were no reports of corruption in 2022.

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

### **Outlook on environmental and social policies**

Kozloduy NPP EAD will continue to work actively in the area of environmental protection in all its aspects. The Company is implementing 'Non-radiation Environmental Management Programme', in compliance with BDS ISO EN 14001:2015.

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Kozloduy NPP EAD implements a programme for maintaining and enhancing safety in 2022, 2023 and 2024, 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 the safety of nuclear facilities, in compliance with the regulatory requirements, international requirements, and the operating experience, ensuring adequate reliability of barriers.

A programme for increasing the safety culture at the power plant is ongoing. The activities for raising the safety culture envisaged in the programme are directly related to safety leadership, improving human performance, personal responsibility and teamwork, creating a non-punishment environment and reporting of problems and errors, document optimisation, human resource management, and knowledge transfer and retention. In the security culture, activities are aimed at raising staff awareness of issues related to ensuring the security of nuclear facilities, including the production of necessary information materials for the staff and external organisations, the review, updating and further development of training materials, and the conducting of training.

A 10-year Staffing Needs Plan has been developed for Kozloduy NPP EAD to provide the necessary information to ensure the timely selection and training of personnel to fill positions in the Company to ensure the safe and long-term operation of the nuclear facilities. Key positions in the Company have been identified and replacements have been appointed for the position holders. Replacements for key positions receive training for the relevant key position in a timely manner to ensure continuity within the Company.

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

[Signature illegible]

**GEORGI KIRKOV**  
**CEO**  
**KOZLODUY NPP EAD**

# Disclosures pursuant to Article 8 of Regulation (EU) and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

Disclosure period 01 January 2022 - 31 December 2022

## I. General information

This report is a separate report published together with the Non-Financial Statement, which is part of the Annual Individual Management Report of Kozloduy NPP EAD as at 31 December 2022. The obligations to disclose this information in the Report arise from the requirements of Article 8 of the Taxonomy Regulation 2020/852 of 18 June 2020 on the establishment of a framework to facilitate sustainable investments and the relevant delegated regulations:

- Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation
- Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives
- COMMISSION Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards economic activities in certain energy sectors – natural gas and nuclear energy, and Delegated Regulation (EU) 2021/2178 as regards specific public disclosures for those economic activities.

The established common regulatory framework of the European Union in the field of taxonomy defines environmentally sustainable economic activities on the basis of uniform technical criteria contributing to one of the six environmental objectives in accordance with Article 9 of Regulation 2020/852:

- Climate change mitigation,
- Climate change adaptation,
- Sustainable use and protection of water and marine resources,
- Transition to a circular economy,
- Pollution prevention and control, and
- Protection and restoration of biodiversity and ecosystems.

The Taxonomy Regulation is a key element of the European Commission's action plan to reorient capital flows towards a more sustainable economy. It represents an important step towards achieving carbon neutrality by 2050 in line with the EU climate objectives.

Taxonomy is a classification system for environmentally sustainable economic activities and in the following section, we, as a non-financial enterprise, present the proportion of the Company's turnover, capital expenditure (CapEx) and operating expenditure (OpEx) for the 2022 reporting period which are associated with taxonomy-aligned economic activities associated with the first two environmental objectives (climate change mitigation and climate change adaptation) in accordance with Article 8 of the Taxonomy Regulation.

Defining certain activities as 'sustainable investments' aims at enhancing transparency and providing an objective point of comparison to end investors on the proportion of investments which fund environmentally sustainable economic activities.

2022	Total BGN'000	Environmentally sustainable taxonomy-aligned activities	Taxonomy-eligible but not taxonomy-aligned activities	Taxonomy-non-eligible activities
Turnover	6,054,154	100%	0%	0%
Capital expenditure	133,946	98%	1%	1%
Operating expenditure	5,243,480	99.3%	0.34%	0.34%

## Disclosures pursuant to Article 8 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 31 December 2022

### II. Ecologically sustainable economic activities of the Company in accordance with Taxonomy Regulation 2020/852 of the European Parliament and of the Council and degree of compliance with the environmental sustainability requirements.

As per the stipulations of Delegated Regulation (EU) 2021/2178, Kozloduy NPP EAD, as a non-financial enterprise, is obliged to disclose information in its Non-financial Statement for 2022 which includes information on Company's activities associated with the economic activities classified as ecologically sustainable activities in accordance with Article 3 and Article 9 of the Taxonomy Regulation, taxonomy-non-eligible activities, key performance indicators in compliance with Annex I and Annex II of Regulation 2021/2178.

The information disclosed pursuant to this Regulation covers the 2022 annual reporting period.

Kozloduy NPP EAD operates as a nuclear power plant within the meaning of the Vienna Convention on Civil Liability for Nuclear Damage. It is the holder of the licences and permits and bears the primary responsibility for the safety of the nuclear installations within the meaning of this Convention, the Convention on Nuclear Safety, the Safe Use of Nuclear Energy Act and the sub-legislative regulations. The Company conducts its activities in compliance with the requirements of the national regulations in the field of nuclear energy, the recommendations of the International Atomic Energy Agency and the European Union, as well as good international practices.

Kozloduy NPP is a zero-emission producer of electricity and heat energy. It contributes substantially to achieving the European Union climate change mitigation and climate change adaptation objectives. The company plays a key role in reducing overall greenhouse gas emissions and has proven potential for avoiding the production of greenhouse gas emissions.

### III. Classification of the economic activities of the Company in accordance with the Taxonomy Regulation and delegated regulations

In accordance with the subject of its activity and in compliance with the requirements of the Energy Act (EA) and Regulation No. 3 of 21 March 2013 on the licensing of activities in the energy sector, the Company holds licences for the generation of electricity, production and transmission of heat energy. According to the statistical classification of economic activities established by Regulation (EC) 1893/2006, the two licensed activities are the main economic activities of Kozloduy NPP EAD with codes 35.11 and 35.30, respectively.

In view of the defined environmentally sustainable activities associated with generation from nuclear and gas power plants under Delegated Regulation (EU) 2022/1214, the licensing activities carried out fall within the scope of point **4.28 'generation of electricity or heat from nuclear energy in existing installations'** and are classified as taxonomy-eligible. This type of activity is included in Annex I and Annex II of Commission Delegated Regulation (EU) 2022/1214 of 9 March 2022 amending Delegated Regulation (EU) 2021/2139 as regards to economic activities in certain energy sectors and Delegated Regulation (EU) 2021/2178 as regards specific public disclosure of information on these economic activities.

The degree of environmental sustainability of the activities performed by the Company and their compliance with the taxonomy has been determined based on an analysis of the contribution of the respective activity to the achievement of the two environmental objectives:

- 1) **climate change mitigation, and**
- 2) **climate change adaptation** and assessment of the degree of non-infliction of significant harm to either of the environmental objectives.

The table below presents the activities classified as environmentally sustainable and taxonomy-eligible (Group A1), taxonomy-eligible but not environmentally sustainable (not taxonomy-aligned) activities (Group A2) and taxonomy-non-eligible activities (Group B). Information on the extent to which economic activities (as defined in Annex I of the Climate Delegated Act) are aligned is provided in the Key Performance Indicators (KPIs) templates below. The templates also provide a clear indication of which environmental objective is being pursued by the activity concerned. Our activities contribute to both climate change mitigation and climate change adaptation.

The amount and proportion of environmentally sustainable activities, taxonomy-eligible but not taxonomy-aligned activities, and taxonomy-non-eligible activities under this classification have been disclosed. The reasoned conclusion on defining the activities in the respective groups A1, A2 and B is based on an assessment of the fulfilment of the technical screening criteria in accordance with Delegated Regulations (EU) 2022/1214.

<b>A. Taxonomy-eligible activities</b>
<b>A.1. Environmentally sustainable activities (taxonomy-aligned)</b>
<b>4.28. Electricity generation from nuclear energy in existing installations</b> (Generation of electricity or heat from an existing nuclear power plant)
Generation of heat from an existing nuclear power plant)
<b>5.3. Construction, extension and operation of waste water collection and treatment</b> Description of the activity: The activity includes collection of domestic waste water from the Company’s activity through own sewer network, its treatment at a treatment station for domestic waste water and discharge to receiving waters. The activity could be associated with economic activity E37.00. The activity makes a significant contribution to pollution prevention and control. For the discharge of treated waste water, the Company has been issued a permit under the Water Act, with individual emission limits for pollutants set in the national legislation. The activity contributes to Do no significant harm (‘DNSH’). The activities are carried out in accordance with the waste water discharge permit issued.
<b>7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)</b> Description of the activity: The activity includes installation and maintenance of charging stations and parking and charging spots which are property of the Company. The activity could be associated with economic activity F42.99. The activity makes a significant contribution to climate change mitigation because it is an enabling activity pursuant to Article 10(1)(i) of Regulation (EU) 2020/852.
<b>A.2. Taxonomy-eligible but not environmentally sustainable (not taxonomy-aligned) activities</b>
<b>3.10. Manufacture of hydrogen</b> The activity could be associated with NACE code C20.11. Description of the activity: The manufacture of hydrogen at the Company is intended to cool down the turbine generator and is therefore considered to be not taxonomy-aligned. The activity is included in the taxonomy when hydrogen is used as a fuel or is involved in mixtures with other gases that are used as fuels.
<b>4.12. Storage of hydrogen</b> The activity could be associated with: N/A Description of the activity: The storage of hydrogen at the Company is intended to cool down the turbine generator. The stored hydrogen does not meet the technical screening criteria under item 3.10, therefore it is considered as not meeting the taxonomy technical criteria.
<b>5.1. Construction, extension and operation of water collection, treatment and supply systems</b> Description of the activity: The activity could be associated with NACE code E37.00. The activity is related to the production of demineralised water for technical needs. The Danube water is purified of chemical and mechanical impurities through appropriate installations. The activity does not meet the criteria under Article 3 of Regulation (EU) 2020/852 and is considered to be not taxonomy-aligned.
<b>5.5. Collection and transport of non-hazardous waste in source segregated fractions</b> Description of the activity: Waste generated at the facility is collected separately in accordance with written internal rules. The waste is stored in warehouses in separate cells and then handed over to companies holding the required permits for



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<p>subsequent safe treatment or recycling.                  The economic activities in this category could be associated with NACE code E38.11.                  The activity makes a significant contribution to climate change mitigation as all separately collected and transported non-hazardous waste that is segregated at source is passed on for preparation for reuse or recycling.                  The activity contributes to climate change mitigation, under the additional ‘do-no-significant-harm’ criterion, point 4)) ‘Transition to a circular economy’, as the separately collected waste fractions are not mixed with other waste or materials with different properties in the waste storage and transfer facilities.</p>
<p><b>6.5. Transport by motorbikes, passenger cars and light commercial vehicles</b>                  Description of the activity:                  Mobility between the different facilities of the Company is provided by electric cars and electric scooters.                  The economic activities in this category could be associated with NACE code H49.41.                  A significant contribution to climate change mitigation.                  Electric mopeds, cars and trucks are all-electric and have zero CO2 emissions, however, they are a small part of the Company's fleet. That is why the activity is considered not taxonomy-aligned.</p>
<p><b>7.2. Renovation of existing buildings</b>                  Description of the activity:                  Renovation of existing buildings according to an investment plan developed in advance.                  The economic activities in this category could be associated with NACE codes F41 and F43.                  The activities in this category partially meet the technical criteria under Annex I and Annex II and therefore the activity is considered not taxonomy-aligned.</p>
<p><b>7.3. Installation, maintenance and repair of energy efficiency equipment</b>                  Description of the activity:                  Repair of existing buildings according to a developed in advance plan for the activities for energy efficiency.                  The economic activities in this category could be associated with NACE codes F41 and F43.                  The activity is an enabling activity pursuant to Article 10(1)(i) of Regulation (EU) 2020/852.                  The activities in this category partially meet the technical criteria under Annex I and Annex II and therefore the activity is considered not taxonomy-aligned.</p>

The activities which, within the meaning of the European taxonomy regulatory framework, cannot be classified as contributing to the EU’s objectives for decarbonisation of the economy have been disclosed.

<b>B. Taxonomy-non-eligible activities</b>
Other education activities. not classified elsewhere
Technical testing and analysis
Hotels and similar accommodation
Restaurants and mobile food service activities

**IV. Technical screening criteria pertaining to substantial contribution of activity 4.28 (Regulation (EU) 2022/1214) to climate change mitigation and ‘Do no significant harm’ (Annex I)**

**1. General criteria**

**Regarding item 1.a)** The requirements of Council Directive 2009/71/Euratom establishing a Community framework for the nuclear safety of nuclear installations have been transposed to the Safe Use of Nuclear Energy Act and the regulations resulting from it.

The Regulation on Ensuring the Safety of Nuclear Power Plants sets national requirements for nuclear safety and regulates the licensing system for activities in nuclear installations.

The requirements of Council Directive 2011/70/Euratom establishing a Community framework for the responsible and safe management of spent fuel and radioactive waste have been transposed to the Safe Use of Nuclear

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Energy Act and the Regulation on the Safety of Spent Fuel Management and the Regulation on the Safety of Radioactive Waste Management.

The two regulations introduce requirements for licence holders for activities with SNF and RAW, such as those introduced by the Regulation on Ensuring the Safety of Nuclear Power Plants regarding the nuclear power plants: responsibility for nuclear safety of the facilities, safety assessment, implementation of an integrated management system, provision of sufficient financial and human resources.

The national policy on spent nuclear fuel and radioactive waste management is reflected in the Strategy for SNF and RAW Management, which is adopted by the Council of Ministers. The Strategy is based on the principles set out in Article 4 of Directive 2011/70/Euratom. The Strategy fulfils the functions of a national policy implementation programme for the management of SNF and RAW through its Action Plan. It is foreseen that the Strategy together with its Action Plan will be reviewed every 5 years, or in case of changes in international or national legislation. The content of the Strategy, as a national programme, complies with the requirements of Article 12 of Directive 2011/70/Euratom. As required by Article 14 of the Directive, periodic reports on the implementation of the national programme are submitted to the EC.

**Regarding item 1.b)** The activity of Kozloduy NPP complies with the Euratom Treaty and with legislation adopted on its basis, in particular, Directive 2009/71/Euratom, Directive 2011/70/Euratom and Directive 2013/59/Euratom, and with applicable Union environmental law adopted under Article 192 TFEU, in particular Directive 2011/92/EU and Directive 2000/60/EC.

The provisions of the Euratom Treaty, Directive 2009/71/Euratom, Directive 2011/70/Euratom and Directive 2013/59/Euratom have been transposed to the national legislation through the Safe Use of Nuclear Energy Act and the regulations resulting from it.

Directive 2011/92/EU has been transposed to the Bulgarian legislation through the Environmental Protection Act, the Regulation on the Terms and Procedure for Implementing Environmental Impact Assessments and the Regulation on the Terms and Procedure for Implementing Ecological Assessments. Directive 2000/60/EC and Directive 2007/60/EU have been transposed to national legislation in the Water Act.

**Regarding item 1.c)** Since 1999, the established Nuclear Facilities Decommissioning (NFD) Fund and Radioactive Waste (RAW) Fund have been operating in accordance with the requirements of the SUNEА and are governed by Management Boards. The procedure for assessment, collection, spending and control of funds as well as the amount of due contributions to both funds are stipulated in the regulations adopted by the Council of Ministers. Revenues to the RAW Fund are collected from contributions of the entities which as a result of their activities generate radioactive waste subject to transferring, resources from the state budget, and the accumulated funds are expended expressly on the operation and support of State Enterprise 'Radioactive Waste' (SE RAW). Revenues to the NFD Fund are collected from contributions of entities operating nuclear facilities, resources from the state budget, etc., and the funds accumulated are expended solely to finance decommissioning projects and activities.

In order to ensure that sufficient funds are accumulated to provide for future nuclear facility decommissioning activities and for RAW and SNF management, Kozloduy NPP's contributions to the two funds, as the holder of the licences for the operation of the nuclear facilities, are currently set at 10.5% of the revenues from the electricity sold.

**Regarding item 1.d)** According to the SUNEА and, respectively, the 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, the monthly contributions to the fund shall be determined by a methodology adopted by the Management Board of the Fund on the proposal of the Minister of Energy for determining the costs of financing decommissioning and accordingly for determining the contributions due. The methodology shall take into account the technological aspects and nuclear safety and radiation protection requirements.

The amount of the contributions under the Act shall be set so that at the end of the operational period the funds required to cover the decommissioning costs over the lifetime of the facility are collected. The financial resources of the Fund shall cover all aspects of nuclear facility decommissioning activities and shall be available when needed.

Periodically, but not less frequently than every 5 years, the contributions to the NFD and RAW Funds shall be reviewed.

Where the implementation of the decommissioning project proves to be more expensive than the cost estimates approved by the Management Board of the Fund, the necessary additional costs shall be borne by the entity who last operated the nuclear installation under a licence for operation /if still generating revenue/.

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**Regarding item 1.e)** Bulgaria's strategy for the management of SNF and RAW foresees the construction of a national disposal facility for low and intermediate level radioactive waste (NDF). The construction of the disposal facility was notified in compliance with Article 41 of the Euratom Treaty. The disposal facility is under construction. It is envisaged that the NDF will be constructed in three stages, with the first stage providing for the disposal of waste from the decommissioning of Kozloduy NPP units 1-4. Stage I is expected to be commissioned in 2025. Stage II is scheduled for commissioning in 2045, and Stage III - in 2065.

At present, RAW from the operation and decommissioning of nuclear facilities, after processing and conditioning, is stored in reinforced concrete containers in the temporary storage facilities of SE RAW at the Kozloduy NPP site.

**Regarding item 1.f) -i - -iii** The Strategy for SNF and RAW management foresees the construction and commissioning, by 2050, of a deep geological repository (DGR) for the disposal of SNF and HLW resulting from its processing. The undertaking responsible for the construction of the repository is SE RAW, and progress is reported as a percentage of activities completed against planned activities.

In the operational period between 2051 and 2111, a closure plan will be developed in parallel, taking into account the technical design and the Safety Analysis Report. After 2111, facility closure activities, site restoration activities and implementation of post-closure active monitoring programme will be performed until 2161. Post-closure passive monitoring will be carried out between 2161 and 2461.

**Regarding item 1.f) - iv** The funding for decommissioning, radioactive waste and spent nuclear fuel management during the commercial operation of the nuclear facilities is consistent with the relevant legislation and national policy set out in the Strategy for Spent Nuclear Fuel and Radioactive Waste Management. In accordance with the Strategy, the NPP costs for SNF management are currently recognised as costs for the licensed activity forming the prime cost of electricity. In the event that transportation of spent nuclear fuel for storage and processing is not possible, costs for provisions for future obligation for SNF transportation are accrued for the respective year. These sums are deposited in a special deposit account and are spent solely for SNF management in the following years. The collection and spending of the funds in the special deposit account is administered by the Ministry of Energy.

For SNF and RAW management after the end of Units 5 and 6 lifetime, the establishment of a dedicated fund is foreseen through the relevant regulatory changes in the SUNEА to finance the DGR project activities. The contributions to the fund shall be provided from the current operating costs of Kozloduy NPP EAD, and they will be set after an indicative costs estimate is prepared for the construction of storage and disposal facilities for SNF and HLW in Bulgaria.

**Regarding item 2.** The upgraded project implements every reasonably practicable safety improvement and from 2025 makes use of accident-tolerant fuel. The technology is certified and approved by the national safety regulator.

The project has been notified to the Commission in accordance with Article 41 of the Euratom Treaty or with Article 1(4) of Council Regulation 2587/1999, where either of these provisions is applicable, the Commission has given its opinion on it in accordance with Article 43 of the Euratom Treaty, and all the issues raised in the opinion, with relevance for the application of Article 10(2) and Article 17 of Regulation (EU) 2020/852, and of the technical screening criteria laid down in this Section, have been satisfactorily addressed.

**Regarding item 3.** On the basis of the reports, the Commission shall review the adequacy of the accumulated resources of the radioactive waste management fund and the nuclear decommissioning fund referred to in point 1(c) and the progress in the implementation of the documented plan referred to in point 1(f) and it may address an opinion to the Member State concerned.

**Regarding item 4. a)** A Demonstration of nuclear safety has been presented in the Safety Analysis Report, Kozloduy NPP Units 5 and 6. Such an assessment is also presented in the reports of the 'stress' tests conducted in 2011 at Kozloduy NPP. All these documents have been submitted to the Bulgarian Nuclear Regulatory Agency.

**Regarding item 4 b)** Kozloduy NPP implements technical and organisational measures ensuring the application of the defence-in-depth concept. Measures are being implemented to improve the safety of Units 5 and 6. These are improvements to the SSCs (Structures, Systems and Components) taking into account the lifetime of the units. Emergency procedures have also been developed and implemented for personnel actions in all events.

**Regarding item 4 c)** 'Safety Analysis Report', Kozloduy NPP, Units 5 and 6, which contains these assessments, is a part of the licence of the power units and was submitted to the Bulgarian Nuclear Regulatory Agency when applying for the licence.

**Regarding item 6.** A periodic safety review is a part of the licence of the nuclear facilities at Kozloduy NPP and it includes an assessment of the compliance with current Bulgarian and international regulatory requirements (incl. the

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IAEA and WENRA standards). The protection of the unit against internal and external hazards is considered in details in ‘Analysis of internal and external events and hazards’. In 2022, Level 1 PSA was updated which takes into account the current status of the units and the site, and it was performed in accordance with current Bulgarian and European standards.

**Regarding item 7.** The policy on spent nuclear fuel and radioactive waste management, declared in the Strategy for SNF and RAW management, provides for the following:

Radioactive waste generated in the Republic of Bulgaria is disposed of on Bulgarian territory, unless an agreement has become effective for using a RAW disposal facility in another country;

Reprocessing of the whole SNF quantity, interim storage in a specialised facility for all types of RAW shipped back to Bulgaria after reprocessing, and final disposal in a DGR.

### 2. Additional criteria

- **Additional criteria pertaining to substantial contribution to climate change mitigation**

Life-cycle greenhouse gas (GHG) emissions from the generation of electricity from nuclear energy have not been assessed.

- **Additional criteria pertaining to Do no significant harm (‘DNSH’)**

Environmental objective in accordance with Article 9 of Regulation 2020/852	Climate change mitigation
(2) Climate change adaptation	<p>The physical climate risks which are material to the activity have been identified by performing a robust climate risk and vulnerability assessment.</p> <p>The updated Level 1 Probabilistic Safety Analysis (PSA) (2022) reports address and assess the climate risks. The assessment has been performed on the basis of the risk of core damage, i.e., inoperability of the power units.</p> <p>The different climate risks distribution is presented in ‘Summary report’ of the updated Level 1 PSA (2022).</p> <p>An assessment of the changes implemented in the systems since 2007 has been carried out to the draft of the updated Level 1 PSA (2022).</p> <p>The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that the updated PSA report includes activities with an expected lifespan of less than 10 years for which the assessment is performed, at least by using climate projections at the smallest appropriate scale.</p> <p>In the updated Level 1 PSA (2022) reports climate risks are also addressed and assessed based on climate projections.</p> <p>Prior to commencement of activities, a risk assessment of the environmental impact of the activity is carried out.</p> <p>The activity complies with the requirements laid down in Article 6(b), 8b(1), point (a), and Article 8c(a) of Directive 2009/71/Euratom.</p> <p>The activity fulfils the requirements of Directive 2009/71/Euratom implemented in accordance with the international guidance of the IAEA and WENRA relating to extreme natural hazards, including floods and extreme weather conditions.</p>
(3) Sustainable use and protection of water and marine resources	<p>The integrated management of water, in accordance with Directive 2000/60/EC and Directive 2007/60/EC, is performed by a River basin management plan and a Flood risk management plan. The management plans are updated every six years. All environmental degradation risks related to preserving water quality and avoiding water stress are</p>

Environmental objective in accordance with Article 9 of Regulation 2020/852	Climate change mitigation
	<p>identified and addressed therein, and their sustainable management is achieved by developing a programme of measures.</p> <p>In order to protect water against depletion, pollution and damage, each use of water resources is subject to a permit issued by the supervisory bodies, which sets out specific conditions and requirements.</p> <p>NPP Kozloduy EAD has been issued the relevant permits for the abstraction of water from surface water and groundwater and the discharge of waste water.</p> <p>Each investment project is in compliance with the legislative requirements for sustainable water management and approved by the national competent authorities.</p> <p>The waste water and cooling water discharge permits issued to the Company by the Ministry of Environment and Water set specific conditions and requirements for water use, individual emission limit values by stream and discharge points, including the requirement to raise the temperature of the receiving waters (for thermal power plants) by <math>\leq 3^{\circ}\text{C}</math>.</p> <p>Kozloduy NPP EAD monitors the discharge water according to the frequency and indicators specified in the permit. The indicator is measured at the point of practically complete mixing of the waste water and the receiving waters.</p> <p>No exceeding of the individual emission limit value has been identified and no increase in the temperature of the receiving water of more than <math>3^{\circ}\text{C}</math> has been detected at the point of complete mixing of the cooling water with the receiving waters.</p> <p>The requirements of Directive 2013/51/Euratom have been transposed to the Bulgarian legislation by the Regulation on the quality of water intended for drinking and household purposes, and the parametric values for radon, tritium and indicative dose of water are those specified in the Directive.</p> <p>Kozloduy NPP implements a programme of radioecological monitoring of environmental components, including surface water and groundwater. An annual report on the results of the radioecological monitoring is prepared and submitted to the Bulgarian Nuclear Regulatory Agency. No significant environmental impact has been identified resulting from the operation of Kozloduy NPP.</p>
(4) Transition to a circular economy	<p>A comprehensive programme for the management of radioactive waste has been developed at Kozloduy NPP in cooperation with SE RAW. The programme contains the policy, objectives, principles, methods, means and organisation for the management of radioactive waste from Kozloduy NPP throughout the entire technological cycle from its generation to its transfer to SE RAW, as well as the implementation of activities for clearance from regulatory control.</p> <p>The approach taken is to limit the generation of radioactive waste to a practical minimum in both volume and activity through appropriate operating practices. A schedule for the transfer of RAW for processing by SE RAW is established annually.</p> <p>A project for the radiological characterisation of solid radioactive waste, candidates for regulatory exemption, has been implemented. A methodology for exempting RAW from regulation is to be developed.</p> <p>The management of non-radioactive waste is carried out in accordance with the internal 'Procedure for collection, transportation, temporary storage and utilization of non-radioactive waste from Kozloduy NPP', which ensures the separate collection and transfer for utilization/disposal of non-radioactive waste from the activity.</p> <p>In 2011, the requirements of Commission Recommendation 2006/851/Euratom on</p>

Environmental objective in accordance with Article 9 of Regulation 2020/852	Climate change mitigation
	<p>the management of financial resources for the decommissioning of nuclear installations, spent nuclear fuel and radioactive waste were transposed into the Bulgarian legislation. Thus, good European practices in the field of financing activities for safe management of radioactive waste, spent fuel and decommissioning of nuclear installations are applied.</p> <p>The Regulation on the procedure for defining, collecting, spending and control of the funds and the amount of contributions due to the Radioactive Waste Fund establishes the conditions and procedure for financing by the Fund of spatial development projects in municipalities and residential areas where a radioactive waste management facility is operated or authorised for construction.</p> <p>The amount of contributions to the Nuclear Facilities Decommissioning Fund shall be determined on the basis of a methodology for the costs of financing decommissioning.</p> <p>A possibility is provided for the establishment of an earmarked account with the licensee of a nuclear facility in operation to cover the costs of removing spent nuclear fuel from previous years for technological storage and processing.</p> <p>An environmental impact assessment (EIA) of the plant was carried out in 1999. A mitigation measures programme was prepared to meet the conditions of the EIA decision and these have been implemented. For each new investment intention, the notification, consideration or environmental impact assessment (EIA) procedure is followed in accordance with the Environmental Protection Act, which transposes Directive 2011/92/EU.</p> <p>The relevant elements in this Section are covered by Member States' reports to the Commission in accordance with Article 14(1) of Directive 2011/70/Euratom.</p> <p>In accordance with the requirements of Directive 2011/70/Euratom, the first report on the implementation of the national programme for SNF and RAW management was prepared and submitted in 2015. The report, in accordance with the provisions of the Directive, shall be prepared every 3 years after the first one.</p>
(5) Pollution prevention and control	<p>The activity does not lead to the production, launching on the market or use of substances listed in the documents in Appendix C to Regulation 2022/1214 of 9 March 2022.</p> <p>Non-radioactive emissions are within or lower than the emission levels associated with the best available techniques (BAT-AEL) ranges set out in the best available techniques (BAT) conclusions for large combustion plants. No significant cross-media effects occur.</p> <p>No emissions of sulphur or nitrogen oxides are emitted during operation.</p> <p>Radioactive discharges to air, water bodies and ground (soil) comply with individual licence conditions for the specific operations, where applicable, or national threshold values in line with Directive 2013/51/Euratom and Directive 2013/59/Euratom.</p> <p>Continuous operational and periodic monitoring of liquid and gaseous emissions to the environment is carried out, as well as radioecological monitoring of environmental components (air, water, soil, food products, fauna and flora). Radioecological monitoring of the environment is carried out according to a defined annual schedule and monitoring network.</p> <p>The results of the monitoring show that the values of radioactive emissions into the environment are many times lower than the established permissible values.</p> <p>The safe SNF and RAW management, in accordance with the requirements of the Directives, is included in the conditions of the licences for operation of Units 5 and 6 and the Spent Fuel Storage Facility. Reports on the licence conditions implementation are</p>

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Environmental objective in accordance with Article 9 of Regulation 2020/852	Climate change mitigation
	<p>periodically submitted to the NRA.</p> <p>RAW generated during the operation of Kozloduy NPP is transferred for processing to SE RAW. The Company has an adequate capacity for interim storage of reinforced concrete containers with processed RAW. A National disposal facility for low and intermediate level radioactive waste (NDF) where the reprocessed RAW will be disposed of is under construction. The first stage of the disposal facility construction will be commissioned in 2025.</p>
(6) Protection and restoration of biodiversity and ecosystems	<p>The activity complies with the criteria set out in Appendix D to this Annex.</p> <p>An Environmental Impact Assessment is completed prior to the construction of a nuclear power plant, in accordance with Directive 2011/92/EU. The required mitigatory and compensatory measures are implemented.</p> <p>An environmental impact assessment (EIA) of the plant was carried out in 1999. A programme of mitigatory measures was prepared to meet the conditions of the EIA decision and these have been implemented.</p> <p>For each new investment intention the competent authority shall be notified and, on the basis of the requirements of the Environmental Protection Act, Regulation on the Terms and Procedure for Conducting Environmental Impact Assessments, Biological Diversity Act, Regulation on the Terms and Procedure for Assessing the Compatibility of Plans, Programmes, Projects and Investment Proposals with the Subject and Objectives of Protected Areas Conservation, shall carry out an assessment of the need to conduct an EIA, including an assessment of the compatibility of the investment proposal with the subject and objectives of protected areas conservation.</p> <p>For each new investment intention the competent authority shall be notified and, on the basis of the requirements of the national legislation which the respective Directives have been transposed to - Environmental Protection Act, Regulation on the Terms and Procedure for Conducting Environmental Impact Assessments, Biological Diversity Act, Regulation on the Terms and Procedure for Assessing the Compatibility of Plans, Programmes, Projects and Investment Proposals with the Subject and Objectives of Protected Areas Conservation, shall carry out an assessment of the need to conduct an EIA, including an assessment of the compatibility of the investment proposal with the subject and objectives of protected areas conservation.</p>

**V. Technical screening criteria pertaining to substantial contribution of activity 4.28 (Regulation (EU) 2022/1214) to climate change adaptation and Do no significant harm (Appendix II)**

**Regarding item 1.** Measures are being implemented to improve the safety of Units 5 and 6. Improvement actions arising from climate risk assessments are also included in the scope of these measures.

**Regarding item 2 a)** The climate risks included in the table in Section II of Appendix A are addressed and evaluated in the updated Level 1 PSA (2022) reports. The assessment was conducted based on the risk of core damage, i.e., inoperability of the power units.

**Regarding item 2.b)** The different climate risks distribution is presented in ‘Summary report’ of the updated Level 1 PSA (2022).

**Regarding item 2 c)** An assessment of the changes implemented in the systems since 2007 has been carried out to the draft of the updated Level 1 PSA (2022).

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**The climate risk and vulnerability assessment is proportionate to the scale of the activity and its expected lifespan, such that:**

**a)** Updated Level 1 PSA (2022) reports include activities with an expected lifespan of less than 10 years, the assessment is performed, at least by using climate projections at the smallest appropriate scale.

**b)** In Updated Level 1 PSA (2022) reports climate risks are also addressed and assessed based on climate projections.

**Regarding item 3.** Climate risks also based on climate projections are addressed and assessed in Updated Level 1 PSA (2022) reports.

**Regarding items 4.a), b), e)** Prior to commencement of activities, a risk assessment of the environmental impact of the activity is carried out.

**Regarding item 4 c)** All large-scale activities are coordinated at regional and national level.

**Regarding item 4 d)** Pre-defined self-assessment indicators are used and remedial action is considered where those indicators are not met.

**Regarding item 5.** The activity complies with the provisions laid down in the Euratom Treaty and the legislation adopted on its basis, in particular, Directive 2013/59/Euratom, Directive 2009/71/Euratom, and Directive 2011/70/Euratom as well as applicable Union environmental law adopted under Article 192 TFEU, in particular Directive 2011/92/EU, Directive 2000/60/EC and Directive 2007/60/EC.

**Regarding item 6.** The activity complies with national legislation that transposes Directive 2009/71/Euratom, including as regards the evaluation, through stress-tests, of the resilience of the Union nuclear power plants against extreme natural hazards, including earthquakes. Accordingly, the activity takes place on the territory of a Member State where the operator of a nuclear installation:

**a)** has submitted a demonstration of nuclear safety, whose scope and level of detail is commensurate with the potential magnitude and nature of the hazard relevant for the nuclear installation and its site (Article 6, point (b), of Directive 2009/71/Euratom);

**b)** has taken defence-in-depth measures to ensure, inter alia, that the impact of extreme external natural and unintended man-made hazards is minimised (Article 8b(1), point (a), of Directive 2009/71/Euratom); has constructed or is operating a nuclear power plant (article 8c, point (a) of Directive 2009/71/Euratom). The activity fulfils the requirements of Directive 2009/71/Euratom, supported by the latest international guidance through the IAEA and WENRA, contributing to increasing the resilience and the ability of new and existing nuclear power plants to cope with extreme natural hazards, including floods and extreme weather conditions.

**Additional criteria pertaining to Do no significant harm ('DNSH')**

Environmental objective in accordance with Article 9 of Regulation 2020/852	Climate change adaptation
(3) Sustainable use and protection of water and marine resources,	<p>The integrated management of water, in accordance with Directive 2000/60/EC and Directive 2007/60/EC, is performed by a River basin management plan and a Flood risk management plan. The management plans are updated every six years. All environmental degradation risks related to preserving water quality and avoiding water stress are identified and addressed therein, and their sustainable management is achieved by developing a programme of measures.</p> <p>In order to protect water against depletion, pollution and damage, each use of water resources is subject to a permit issued by the supervisory bodies, which sets out specific conditions and requirements.</p> <p>NPP Kozloduy EAD has been issued the relevant permits for the abstraction of water from surface water and groundwater and for the discharge of waste water.</p>



<b>Environmental objective in accordance with Article 9 of Regulation 2020/852</b>	<b>Climate change adaptation</b>
	<p>Each investment project is in compliance with the legislative requirements for sustainable water management and approved by the national competent authorities.</p> <p>The waste water and cooling water discharge permits issued to the Company by the Ministry of Environment and Water set specific conditions and requirements for water use, individual emission limit values by stream and discharge points, including the requirement to raise the temperature of the receiving waters (for thermal power plants) by <math>\leq 3^{\circ}\text{C}</math>.</p> <p>Kozloduy NPP EAD monitors the discharged water according to the frequency and indicators specified in the permit. The indicator is measured at the point of practically complete mixing of the waste water and the receiving waters.</p> <p>No exceeding of the individual emission limit value has been identified and no increase in the temperature of the receiving water of more than <math>3^{\circ}\text{C}</math> has been detected at the point of complete mixing of the cooling water with the receiving waters.</p> <p>The requirements of Directive 2013/51/Euratom have been transposed to the Bulgarian legislation by the Regulation on the quality of water intended for drinking and household purposes, and the parametric values for radon, tritium and indicative dose of water are those specified in the Directive.</p> <p>Kozloduy NPP implements a programme of radioecological monitoring of environmental components, including surface water and groundwater. An annual report on the results of the radioecological monitoring is prepared and submitted to the Bulgarian Nuclear Regulatory Agency. No significant environmental impact has been identified resulting from the operation of Kozloduy NPP.</p> <p>The activity complies with the Water Act that transposes Directive 2000/60/EC.</p>
<p>(4) Transition to a circular economy</p>	<p>A comprehensive programme for the management of radioactive waste has been developed at Kozloduy NPP in cooperation with SE RAW. The programme contains the policy, objectives, principles, methods, means and organisation for the management of radioactive waste from Kozloduy NPP throughout the entire technological cycle from its generation to its transfer to SE RAW, as well as the implementation of activities for clearance from regulatory control.</p> <p>The approach taken is to limit the generation of radioactive waste to a practical minimum in both volume and activity through appropriate operating practices. A schedule for the transfer of RAW for processing by SE RAW is established annually.</p> <p>A project for the radiological characterisation of solid radioactive waste, candidates for regulatory exemption, has been implemented. A methodology for exempting RAW from regulation is to be developed.</p> <p>The management of non-radioactive waste is carried out in accordance with the internal 'Procedure for collection, transportation, temporary storage and utilization of non-radioactive waste from Kozloduy NPP', which ensures the separate collection and transfer for utilization/disposal of non-radioactive waste from the activity.</p> <p>For each new investment intention the competent authority shall be notified and, on the basis of the requirements of the Environmental Protection Act, Regulation on the Terms and Procedure for Conducting Environmental Impact Assessments, Biological Diversity Act, Regulation on the Terms and Procedure for Assessing the Compatibility of Plans, Programmes, Projects and Investment Proposals with the Subject and Objectives of Protected Areas Conservation, shall carry out an assessment of the need to conduct an EIA, including an assessment of the compatibility of the</p>

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Environmental objective in accordance with Article 9 of Regulation 2020/852	Climate change adaptation
	<p>investment proposal with the subject and objectives of protected areas conservation.</p> <p>In accordance with the requirements of Directive 2011/70/Euratom, the first report on the implementation of the national programme for SNF and RAW management was prepared and submitted in 2015. The report, in accordance with the provisions of the Directive, shall be prepared every 3 years after the first one.</p>
(5) Pollution prevention and control	<p>No emissions of sulphur or nitrogen oxides are emitted during operation.</p> <p>Radioactive discharges to air, water bodies and ground (soil) comply with individual licence conditions for the specific operations, where applicable, or national threshold values in line with Directive 2013/51/Euratom and Directive 2013/59/Euratom.</p> <p>Continuous operational and periodic monitoring of liquid and gaseous emissions to the environment is carried out, as well as radioecological monitoring of environmental components (air, water, soil, food products, fauna and flora). Radioecological monitoring of the environment is carried out according to a defined annual schedule and monitoring network.</p> <p>The results of the monitoring show that the values of radioactive emissions into the environment are many times lower than the established permissible values.</p> <p>Spent fuel and radioactive waste is safely and responsibly managed in accordance with Directive 2011/70/Euratom and Directive 2013/59/Euratom.</p> <p>The safe SNF and RAW management, in accordance with the requirements of the Directives, is included in the conditions of the licences for operation of Units 5 and 6 and the Spent Fuel Storage Facility. Reports on the licence conditions implementation are periodically submitted to the NRA.</p> <p>RAW generated during the operation of Kozloduy NPP are transferred for processing to SE RAW. The Company has an adequate capacity for interim storage of reinforced concrete containers with processed RAW. A National disposal facility for low and intermediate level radioactive waste (NDF) where the reprocessed RAW will be disposed of is under construction. The first stage of the disposal facility construction will be commissioned in 2025.</p>
(6) Protection and restoration of biodiversity and ecosystems	<p>An environmental impact assessment (EIA) of the plant was carried out in 1999. A programme of mitigation measures was prepared to meet the conditions of the EIA decision and these have been implemented. For each new investment intention, the notification, consideration or environmental impact assessment (EIA) is performed in accordance with the Environmental Protection Act, which transposes Directive 2011/92/EU.</p> <p>For each new investment intention the competent authority shall be notified and, on the basis of the requirements of the national legislation which the respective Directives have been transposed to - Environmental Protection Act, Regulation on the Terms and Procedure for Conducting Environmental Impact Assessments, Biological Diversity Act, Regulation on the Terms and Procedure for Assessing the Compatibility of Plans, Programmes, Projects and Investment Proposals with the Subject and Objectives of Protected Areas Conservation, shall carry out an assessment of the need to conduct an EIA, including an assessment of the compatibility of the investment proposal with the subject and objectives of protected areas conservation.</p>

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### VI. Key performance indicators (KPIs) and accounting policies

In accordance with the Nuclear Activities Delegated Act, as a non-financial undertaking the Company discloses the proportion of turnover, capital and operating expenditure for 2022 associated with economic activities that qualify as environmentally sustainable depending on their contribution to the first two environmental objectives. The amount and proportion of KPIs associated with taxonomy-eligible but not taxonomy-aligned economic activities and activities non-eligible under Appendices I and II of Delegated Regulation (EU) 2021/2139 and Delegated Regulation (EU) 2022/1214 have been disclosed. The KPI information disclosed is presented in tabular form as required by the Delegated Regulations for each applicable KPI.

In accordance with the disclosure rules set in Article 8 of Delegated Regulation (EU) 2021/2178, the first annual reporting period covers the year 2023. This disclosure presents the KPIs covering the previous reporting period 01.01-31.12.2022. Accordingly, no comparison has been made and no changes to the key performance indicators from 2021 are presented in these disclosures.

The disclosures in financial terms are presented in Bulgarian Leva (BGN) and all disclosed amounts are rounded up to the nearest BGN thousand.

#### Data collection and validation process

To report information on taxonomy-aligned economic activities in 2022, we:

- reviewed the Company's economic activities and identified activities that could be eligible and aligned;
- performed a detailed analysis of the individual Taxonomy-eligible economic activities and the applicable technical screening criteria in close collaboration with key experts
- consulted technical experts related to the specific activities and criteria;
- conducted training of the responsible persons;
- set up a working group to summarise the results of the analyses and produce the report.

#### 1. KPI related to turnover (Turnover KPI)

##### Definition

The proportion of the taxonomy-aligned economic activities (group A1) in our total turnover is calculated as the part of the net turnover derived from products or services associated with Taxonomy-aligned economic activities (numerator), divided by the net turnover (denominator), in each case for the financial year from 1 January 2022 to 31 December 2022.

The numerator of the turnover KPI is defined as the net turnover derived from products and services associated with taxonomy-aligned economic activities, i.e.:

- Activity 4.28. Electricity generation from nuclear energy in existing installations (Generation of electricity or heat from existing nuclear power plant)
- Activity 5.3. Construction, extension and operation of waste water collection and treatment
- Activity 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

The realised turnover from Activity 4.28 Electricity generation from nuclear energy in existing installations (Generation of electricity or heat from existing nuclear power plant) comprises 100% of the Company's total turnover for the year 2022.

The other two activities 5.3 and 7.4. which are defined in group A1 contribute to the two objectives of climate change mitigation and adaptation, however, in the period 01.01-31.12.2022 the Company has not generated any turnover from them.

The denominator of the turnover KPI is based on the sum of the Company's revenue as disclosed on 'Revenue' line from the statement of profit and loss and other comprehensive income/note 22 and 23 of Kozloduy NPP EAD Separate Financial Statements for 2022.

The taxonomy-eligible activities but not taxonomy-aligned (group A2) did not generate turnover for Kozloduy NPP EAD for 2022.

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The taxonomy-non-eligible activities (Group B) have a contribution to the total share of the turnover for 2022, but given the financial calculations it is insignificant at 0.3%.

#### **Reconciliation**

The net turnover presented in KPI Turnover of Kozloduy NPP EAD for 2022 template in Appendix 1 is reconciled with the total sum of the revenue presented in Statement of profit and loss and other comprehensive income/note 22 and 23 of the Kozloduy NPP EAD Separate Financial Statements for 2022.

## **2. KPI related to capital expenditure (CapEx KPI)**

### **Definition**

The proportion of the taxonomy-aligned economic activities (group A1) in our total Capital expenditure is calculated as the part of the Capital expenditure for acquiring tangible and intangible assets associated with Taxonomy-aligned economic activities (numerator) divided by the total capital expenditure (denominator), in each case for the financial year from 1 January 2022 to 31 December 2022.

The numerator of the CapEx KPI is defined as the sum of realised investments in assets and processes associated with the performance of taxonomy-aligned activities, i.e.

- Activity 4.28. Electricity generation from nuclear energy in existing installations (Generation of electricity or heat from existing nuclear power plant)

The investment costs incurred in 2022 for enhancing safety at Kozloduy NPP EAD, for improving the operation of major and auxiliary facilities and equipment to ensure the long-term operation of the nuclear power units and the reliable operation of Units 5 and 6 reactor installations at uprated power rate up to 104%, are included. Investments concerning the reconstruction and extension of the heat supply network are taken into account.

- Activity 5.3. Construction, extension and operation of waste water collection and treatment
- Activity 7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

Investment costs for the construction of charging stations are included.

The realised capital expenditure from taxonomy-eligible activities account for a major 98% of the Company's total investment costs for 2022.

The denominator of the CapEx KPI is based on the sum of the Company's investment costs as disclosed in the Separate statement of financial position/Note 5 Property, Plant and Equipment - Acquisition Costs to the Kozloduy NPP EAD Separate Annual Financial Statements for 2022.

Capital expenditure for taxonomy-eligible but not taxonomy-aligned activities (Group A2) accounts for 1% of 2022 investment costs. In order to promote the development of a low-carbon economy and reduce greenhouse gas emissions, the Company is investing in the refurbishment and modernisation of existing systems and facilities, as well as the construction of new projects in respect of some of the disclosed Group A2 activities:

- 5.1. Construction, extension and operation of water collection, treatment and supply systems
- 5.5. Collection and transport of non-hazardous waste in source segregated fractions.

The capital expenditure for the purchase of specialised storage and waste containers is presented.

- 6.5. Transport by motorbikes, passenger cars and light commercial vehicles Funds invested in 2022 to purchase new electric vehicles and trucks are included.

- 7.3. Installation, maintenance and repair of energy efficiency equipment.

The capital expenditure is for the implementation of measures related to increasing energy efficiency in accordance with the Company's obligations under the Energy Efficiency Act with a view to achieving a lasting trend of improvement in energy consumption indicators, as well as the Company's investments for the implementation of energy saving activities in connection with the promotion of the green transition and the renewable energy production.

The Company discloses capital expenditure from taxonomy-non-eligible activities (Group B) with a proportion of 1%.

#### **Reconciliation**

The net capital expenditure, presented in KPI Capital expenditure of Kozloduy NPP EAD for 2022 template in Appendix 2, is reconciled with the total sum of capital expenditure presented in the Separate statement of financial

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position/Note 5 Property, Plant and Equipment - Acquisition Costs to the Kozloduy NPP EAD Separate Annual Financial Statements for 2022.

### **3. KPI related to operating expenditure (OpEx KPI)**

#### **Definition**

The proportion of the taxonomy-aligned economic activities (group A1) in our total Operating expenditure is calculated as the part of the realised operating expenditure for the activities associated with Taxonomy-aligned economic activities (numerator), divided by the total Operating expenditure (denominator), in each case for the financial year from 1 January 2022 to 31 December 2022.

The numerator is defined as the sum of the costs of performing a taxonomy-eligible activity 4.28 Electricity generation from nuclear energy in existing installations (Generation of electricity or heat from existing nuclear power plant). Realised costs of electricity and heat generation account for 99% of total operating expenditure in 2022.

The other two activities, which are defined in group A1, contribute to the achievement of the two objectives of climate change mitigation and adaptation, but in the period 01.01-31.12.2022 the Company did not realise any current costs for the operation of charging stations and waste water collection and treatment systems.

The denominator of the OpEx KPI is based on the sum of the Company's operating expenditure as disclosed on the line 'Costs' in the Statement of profit and loss and other comprehensive income/notes 5,6,24,25,26,27,28,29,30 of Kozloduy NPP EAD Separate Financial Statements for 2022. The disclosures include operating expenditure attributable to taxonomy-eligible but not taxonomy-aligned activities that meet certain technical screening criteria.

The current expenses for operation, maintenance and implementation of Group A activities have an extremely minimal proportion of 0.3%:

- 3.10 Manufacture of hydrogen
- 4.12 Storage of hydrogen
- 5.1. Construction, extension and operation of water collection, treatment and supply systems
- 5.5. Collection and transport of non-hazardous waste in source segregated fractions
- 6.5. Transport by motorbikes, passenger cars and light commercial vehicles
- 7.2. Renovation of existing buildings
- 7.3. Renovation of existing buildings

The Company discloses Operating expenditure from taxonomy-non-eligible activities with a proportion of 0.3%.

#### **Reconciliation**

The net operating expenditure presented in KPI Operating expenditure of Kozloduy NPP EAD for 2022 template in Appendix 3 is reconciled with the total sum of the capital expenditure presented in Statement of profit and loss and other comprehensive income /notes 5,6,24,25,26,27,28,29,30 of Kozloduy NPP EAD Separate Financial Statements for 2022.

### **4. Other disclosures**

In Appendices 1, 2 and 3 of the KPI Turnover, Capital expenditure and Operating Expenditure, the results of the screening of criteria for the achievement of the European objectives 1.) for climate change mitigation and 2.) for climate change adaptation are presented.

Activity 4.28 Electricity generation from nuclear energy in existing installations (Generation of electricity or heat from existing nuclear power plant) is the most significant contributor to both environmental objectives, with a contribution rate of 90%.

We disclose the results of a verification for Do no significant harm of economic activities classified as environmentally sustainable according to additional criteria under Appendices I and II of Delegated Regulation 2022/2014:

- Activity 4.28 Electricity generation from nuclear energy in existing installations (Generation of electricity or heat from existing nuclear power plant) meets five out of the six required criteria.

-Activity 5.3. Construction, extension and operation of waste water collection and treatment meets four out of the six required criteria.

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-7.4. Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings) meets two of the criteria.

In the Key Performance Indicators disclosed for the 2022 financial year, all of the Company's economic activities identified as environmentally sustainable and falling within Group A1 meet the minimum safeguards requirement in accordance with the European regulatory framework.

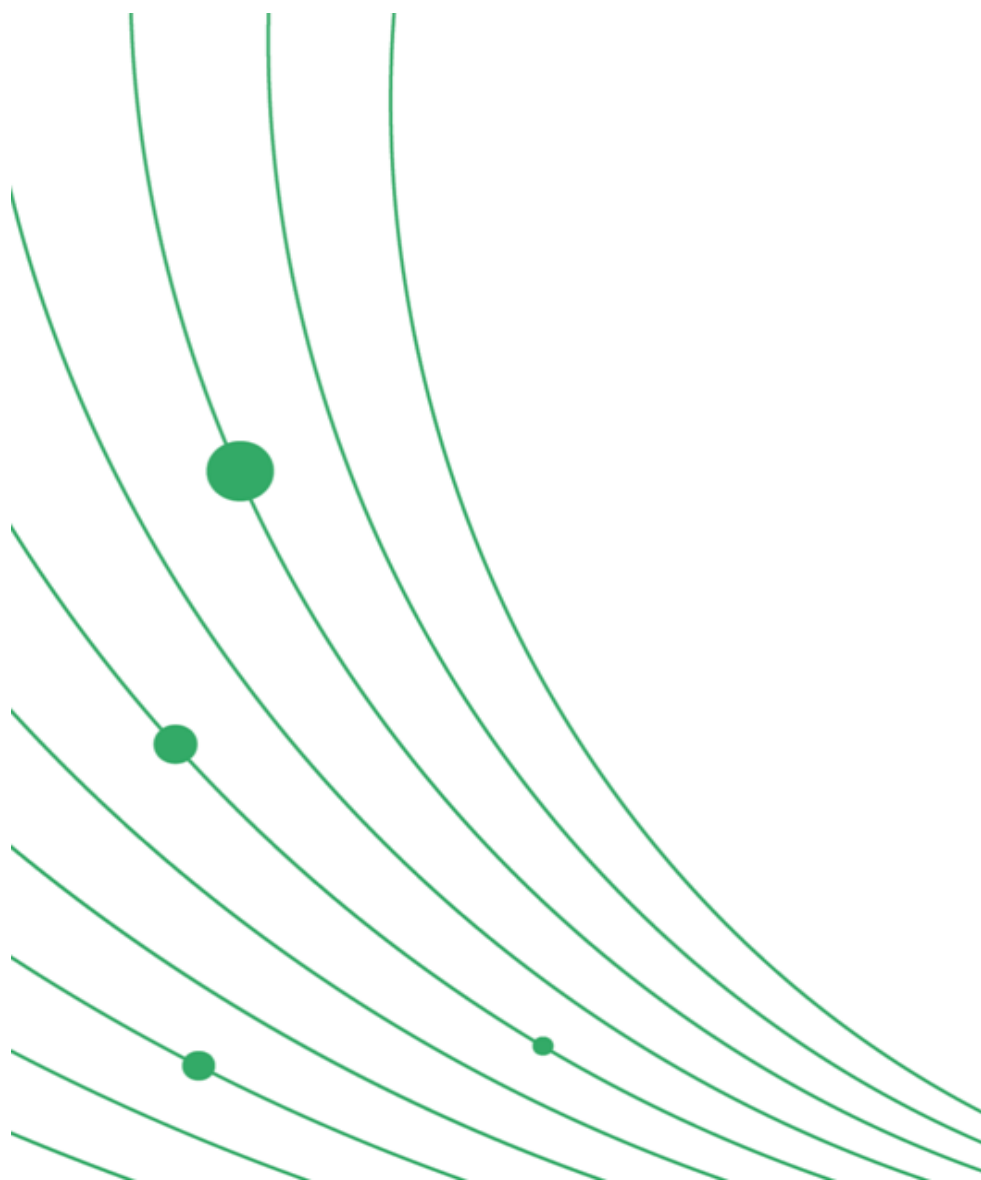












**Corporate Governance Statement  
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The Corporate Governance Statement is a separate report that is issued together with the Management Report of Kozloduy NPP EAD. It is prepared in pursuance of Article 61, para 3, item 5 of the Regulations for Implementation of the Public Enterprises Act (RIPEA), 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 100m, para 8, item 1 of the POSA concerning compliance as appropriate with: 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 (a) or (b)**

Kozloduy NPP EAD complies, as appropriate, with the National Code of Corporate Governance (NCCG), established in October 2007, subsequently amended in April 2016, approved by the Deputy Chair of the Financial Supervision Commission by Decision No. 461-KKY/30.06.2016, subsequently amended in July 2021, approved by the Chair of the Financial Supervision Commission by Decision No. 850-KKY/25.11.2021 and approved by the National Committee on Corporate Governance. The Code is applied based on the 'comply 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 an organisational culture based on shared values that helps reinforce the Company as a socially responsible entity in the application of 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 100m, para 8, item 2 of the POSA regarding the explanation by the Company as to which parts of the Corporate Governance Code under item 1, (a) or (b) the Company does not comply with and as to what are grounds for this are, respectively, when the Company has opted not to refer to any of the rules of the Corporate Governance Code - the grounds for that**

The Company observes the basic principles of the National Corporate Governance Code with regard to all the requirements relevant to 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 the Capital, according to the texts of the Commerce Act and the Incorporation Act of the Company. The BoD members are elected and appointed following a competition, the conditions and the order for which are laid down in the Regulations for Implementation 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 special acts. The contracts of the Board of Directors are terminated ahead of term, 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 Implementation of the Public Enterprises Act.

Kozloduy NPP EAD does not have an approved information disclosure policy. In connection with the requirements of the Bulgarian legislation, the Company observes the terms, comprehensiveness of the 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. Timely disclosure of quarterly, half-yearly, nine-monthly and annual financial statements, analyses and management reports is made through the public enterprises electronic information system of the Public Enterprises and Control Agency.

Other important information regarding the Company's activity is communicated on its website [www.kznpp.org](http://www.kznpp.org).

Kozloduy NPP EAD does not have established 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 100m, para 8, item 3 of the POSA - description of the main characteristics of the Company's internal control system and of the risk management systems in connection with the financial reporting process**

The Company has integrated an adequate and effective financial management and control system through policies and procedures developed in accordance with the provisions of the Financial Management and Control in the Public Sector Act (FMCPA), in order to provide reasonable assurance that the objectives 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
- Monitoring of the operations

Kozloduy NPP EAD has in place control activities that cover the risks and help achieve the objectives. The controls that are incorporated in the work processes are tailored to the specific nature of the plant and its operations.

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 minimise 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.

Management's strategy focuses on implementing a process to manage risks in achieving objectives at the Company, process and project level, as well as for risks arising at the operational level in the execution of specific activities. In processes where decisions are made and there are significant business risks, there are integrated risk monitoring and minimising actions and the responsibilities for performance, control and decision-making are defined, according to 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 of the identified risks of the Kozloduy NPP Management System processes has been prepared and adopted by the Safety and Quality Committee.

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 audit engagements for independent and objective inspections, analyses and evaluations of processes, so as to assure the management of the reliability, efficiency and effectiveness of risk management, internal control and corporate governance systems. Internal Audit performs audit engagements for legality and appropriateness as well as to provide advice and make recommendations to improve the Company's operational performance.

**4. Information under 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 cross shareholdings) 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 rights of ownership of the state are exercised by the Minister of Energy. As at 31 December 2022, 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
5. NPP Service EOOD	100%	750

The Company has a share of 1.12% in the capital of ZAD Energia AD. The value of the investment as at 31 December 2022 amounts to BGN 482 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 the 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 Incorporation Act are regulated in the Commerce Act, the Public Enterprises Act, the Rules for Implementation of the Public Enterprises Act and the Incorporation Act. The rules governing the appointment or replacement of BoD members are described in item 5.

#### **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 issuing or buy-back of shares takes place upon decision made by the Sole Owner of the Capital and, therefore, the BoD members do not have such powers.

#### **5. Information on Article 100m, 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 the 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. Sole Owner of the 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 Incorporation Act of the Company and makes decisions on all issues within the competence of the General Meeting of the Shareholders.

The Sole Owner of the Capital may:

- Modify and amend the Incorporation Act 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 dismiss independent registered auditor;
- Approve the business programme of the Company;
- Approve the annual financial statement, certified by the appointed independent registered auditor;
- 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 administrator if the circumstances are present for the Energy and Water Regulatory Commission to appoint a special representative under the Energy Act, and conclude contracts with these liquidators;
- Exempt the members of the Board of Directors from liability;
- Make decisions to open, transfer or close branches of the Company;

- Give permits for: disposal transactions with long-term assets and for establishment of property rights over real estate whose value exceeds the lower value of BGN 500,000 or 5 per cent of the carrying amount of the long-term assets as at 31 December of the preceding year; contracts for the usage or rental of real estate or assets whose carrying amount exceeds 5% of the carrying amount of the long-term assets as at 31 December of the preceding year or transactions which (regardless of the assets value) require authorisation by the Energy and Water Regulatory Commission; receiving loans or credits, granting loans, providing guarantees (except for guarantees provided under the provisions of the Public Procurement Act), taking on obligations for aval and providing earmarked financing, furnishing securities to third parties in the cases when the value of each of the above stated exceeds the lower value of BGN 500,000 or 5 per cent of the total carrying amount of the long-term assets as at 31 December of the preceding year; acquisition of shares in other companies, as well as the disposal of shares owned by the Company in other companies; conclusion of contracts for joint activity (so called 'joint venture'); undertaking liability under bills of exchange; securing obligations of the Company through establishing a mortgage or pledge on long-term assets of the Company; conclusion of a judicial or extra-judicial agreement which recognises obligations of the Company, or remits a debt of the Company, or remits receivables of the Company with regard to third parties; material change in the Company's activity; significant organisational changes, long-term cooperation that is essential for the Company, as well as the termination of such cooperation;
- Approve the choice of insurer when concluding contracts for mandatory insurance;
- Agree the Board of Directors decision of initiating procurement procedures for over BGN 500,000 (five hundred thousand), VAT excluded;
- Authorise conclusion of contracts for sale, exchange and lease of long-term assets, as well as the establishment of real rights, to be carried out through direct negotiation, with the initial price to be determined by an independent appraiser;
- Authorise the sale and exchange of homes, studios, offices and garages to workers and employees in the Company;
- 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 Corporate Governance Policy, Financial and Accounting Policy, Information Technology Policy, Human Resource Management Policy, Investment and Project Management Policy, Public Procurement Policy (including Policy for conducting tenders, competitions and direct negotiating for the procurement of goods and execution of works and services), Policy for conducting tenders, competitions and direct negotiations for the conclusion of contracts for sale, exchange or lease of long-term assets, Risk Management and Internal Audit Policy , and other policies that are mandatory for the Company (the 'Policies');
- Make decisions on the distribution of the Company's profit and its payment, on replenishing of the Reserve Fund, and on payment of dividend and payment of tantièmes to the members of the Board of Directors, and determine their amount;
- Give consent for the 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 paragraphs (except for sending on business trips) which the Company makes in respect of its subsidiaries and project companies (if any and 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 Incorporation Act.

### **1.2. Decision-making**

The Sole Owner of the Capital makes 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. For the exercise of the competence of a general meeting by the Sole Owner of the Capital, no invitation is published in the Commercial Register and the Register of Non-Profit Legal Entities. The Sole Owner of the 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 fulfils its obligations under Article 223, and Article 251 of the Commerce Act, respectively, by sending an application in writing to the Sole Owner of the Capital concerning the need, and the preparedness of the Sole Owner of the Capital to make decisions. The written application contains proposals regarding the issues on which the Board of Directors suggests that the Sole Owner of the Capital make decisions. The proposals neither binds the Sole Owner of the Capital to consider and resolve the issues raised, nor limits the Sole Owner with respect to the range of issues whereof the Sole Owner can make decisions.

The Sole Owner of the Capital writes a report on the decisions which bears the signature of the principal of the Company.

If the Sole Owner of the Capital requires attendance of the decision-making meeting by BoD members, the latter are obliged to attend. The Sole Owner of the 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 made. In the cases provided by law, the persons employed by the Company take part in the decision-making as appropriate.

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

## **2. Board of Directors**

### **2.1. Status and Functions**

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

The Board of Directors consists of at least five members - natural persons who are elected and appointed after a competition, under the terms and procedure set out in the Regulations for Implementation of the Public Enterprises Act.

The Board of Directors elects one or two of its members for executive members, while the rest function as non-executive members. The term of office of the Board of Directors is from 3 to 5 years, as of the entry of the Board of Directors in the Commercial Register and in the Register of Non-Profit Legal Entities. The Board of Directors continues 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 Incorporation Act, 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 managing or controlling body of a Company, cooperative, respectively, terminated due to bankruptcy over the past two years prior to the appointment, in case there were unsatisfied creditors;
- Is declared bankrupt as a sole trader or general partner in a commercial company declared bankrupt in case there were unsatisfied creditors;
- Is a spouse or a person in a de facto cohabitation, a relative by direct line, by collateral line - up to the fourth degree inclusive, and connected by marriage - up to the second degree inclusive, of a manager or a member of a collective management and control body of the same public enterprise;
- Has been convicted of a deliberate offence of a general nature, including deprived of the right to hold the respective office;
- Takes a senior public office under Article 6, para 1, i. 1-38 and 41-45 of the Counter-Corruption and Unlawfully Acquired Assets Forfeiture Act, is a member of a political cabinet and secretary of a municipality;
- Is under interdiction;
- Does not have a university degree, has less than 5 years of professional experience or does not meet other requirements laid down by law.

Persons working under employment contract or employment relationship may not be executive members of the Boards of Directors.

The functions of the Board of Directors are: to carry out the operative management of the Company and supervise the activity of the Chief Executive Officer, including compliance with the Policies. The Board of Directors fulfils all the functions and addresses all the matters outside the exclusive competence of the Sole Owner of the Capital, pursuant to the law or to the Company's Incorporation Act. The BoD adopts Rules of Procedure for the implementation of its activities, and these Rules are approved by the Sole Owner of the Capital.

The Board of Directors may set up special committees from among its members, such as remuneration or risk management committees.

The Board of Directors prepares annual self-assessments for its activity and efficiency which are submitted to the body exercising the state's rights and to the Public Enterprises and Control Agency.

## **2.2 Competence**

The Board of Directors exercises all its competence of Board of Directors as provided by law and the Incorporation Act of the Company, by:

- Organising, directing and controlling the whole activity of the Company;
- Preparing a business programme of the Company for the entire term of office and for each separate year, submitting this programme for approval by the Sole Owner of the Capital, and ensuring its implementation;

- Implementing the investment policy of the Company and making decisions on the acquisition of property and other rights on real estate which are not of the exclusive competence of the Sole Owner of the Capital;
- Bearing 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;
- Electing one or two of its members as Chief Executive Officers and empowering them to manage and represent the Company before third parties. Should two Chief Executive Officers be elected, they represent the Company jointly;
- Taking unanimous decisions for all transactions provided for in Article 236, para 2 of the Commerce Act;
- Upon request of the principal, seeking for and obtaining from the State Energy and Water Regulatory Commission or other competent authority the required permits and agreement, making motions to the principal for solving issues which are of the competency of the Sole Owner of the Capital and resolving all other matters provided for resolution by the Board of Directors in the Incorporation Act.

After a preliminary written approval by the principal, the Board of Directors may, at any time, remove the Chief Executive Officer and replace him/her with another member of the Board of Directors.

### **2.3. Decisions**

The Board of Directors may take valid decisions when at least half of its members are present or represented. A member of the Board of Directors may be represented at a meeting only by another member of the Board. None of the attending members may represent more than one absent member. Authorisation is submitted in writing. It is granted for each separate meeting and attached to the documents resulting from the meeting. When the authorisation does not contain voting instructions, the representative casts two equal votes reflecting the manner in which he/she votes on the respective matter. The procurators, if any, attend the meetings of the Board of Directors in an advisory capacity.

The Board of Directors adopts decisions by simple majority of all members, unless the law or the Incorporation Act require a decision by qualified majority or unanimous decision.

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 may also be validly given by means of identified telefax message or other electronic message, signed before sending it or in another manner as agreed among the Board members.

### **2.4. Status of an executive member of the Board**

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

The Chief Executive Officer represents the Company individually and is 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 are elected, they represent the Company under the conditions of joint representation.

The Chief Executive Officer organises the activity of the Company in compliance with the law, the Incorporation Act, the Board's Rules of Procedure, the Policies and decisions of the Sole Owner of the Capital, and the decisions of the Board of Directors. The CEO takes over the operative management of the Company's activity, concludes and terminates employment and other types of contracts of the Company's employees and associates, and bears responsibility for the Company's accountability and archives. The CEO decides on all other issues that are not of the exclusive competence of the Sole Owner of the Capital or the Board of Directors as provided by the law or the Incorporation Act, or issues that he/she has been assigned via a decision of the Sole Owner of the Capital.

The management and control contract of the Chief Executive Officer, as well as the management and control contracts of the Board of Directors' members is signed by the representative of the Sole Owner of the Capital, unless the Board of Directors of the Sole Owner of the Capital has authorised another Board member to this effect.

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

Each member of the Board of Directors concludes a management and control contract with the Sole Owner of the Capital. The contract is valid until the end of the term of office of the Board of Directors and specifies the rights and obligations of the parties, remuneration amount and method of payment, liability of the parties in the event of non-performance, grounds for termination of the contract, type and amount of the money guarantee paid by the members for their management, and amount of penalty in the event of an early termination of the contract through no fault of the member of the Board of Directors, as well as the relationships between the parties in the period of the contract termination until the name of the dismissed member of a management and control body is deleted in the Commercial Register and the Register of the Non-Profit Legal Entities.

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

The members of the Board of Directors are obliged to provide a guarantee for their management in the amount determined in the contract, but not less than their 3-month gross remuneration. The guarantee thus provided is returned upon termination of the contract for management and following a decision of the Company's Sole Owner for relieve the member from liability.

If business trips need to be made, the members of the Board of Directors are 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 arrangement and secondment of members of the Board of Directors, if the meeting venue is different from their place of residence, are borne by the Company.

## **2.6. Staff**

As at 31.12.2022 the Board of Directors of Kozloduy NPP EAD consists of, as follows:

- Iva Edward Nikolova
- Iliya Todorov Iliev
- Todorv Rangelov Yonev
- Georgi Kirov Kirkov
- Andrey Alexandrovich Krasnocharov

The Board of Directors is chaired by Iliya Todorov Iliev. Georgi Kirov Kirkov 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 the Capital of Kozloduy NPP EAD for a term of 3 (three) years.

As at 31.12.2022 the Audit Committee on behalf of Kozloduy NPP EAD comprises, 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. It 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 should 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 should, following the acceptance of the Company's annual financial statements, report on its activity to the Sole Owner of the 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;
- Energy Efficiency Committee;
- Nuclear Safety Advisory Committee.

### **Business and Finance Committee - functions and structure**

The Business and Finance Committee (BFC) is an expert committee with the Chief Executive Officer on all issues related to the senior management policy on financial and business matters. The organisation and activity of the Committee, its objectives and tasks, 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 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 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 standing Committee 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 included in 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 experts involved additionally prepare in writing and submit written statements to the BFC on the topics for which they are involved. They are entitled to an advisory vote.

### **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 regulations on its implementation as issued by the Nuclear Regulatory Agency (NRA), and other applicable laws and regulations as well as Kozloduy NPP EAD internal documents. The Committee's work 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.

Functions of the Safety and Quality Committee:

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 for taking technical and organisational measures related to them:
  - 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 protection;
  - Terms of reference, projects, deliverables and reports of completed contracts, inspections performed, analyses and evaluations of safety, quality and the environment;
  - Tender documents for supplies and services related to safety, quality and the environment;
  - Projects, reports, analyses and papers regarding the functioning of the management system;
  - Annual Safety report of the nuclear facilities at Kozloduy NPP EAD;
3. By 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. Address issues concerning the Management System (MS):
  - Review, assess and propose for approval by the CEO a set of policies for managing the Company and strategies for their implementation;
  - Review, evaluate and approve a process-based model of the MS;
  - Review and propose for approval a draft order listing managers and responsible persons for the MS processes;
  - Review and analyse the Company's strategic risks and the process risks having the highest residual risk, and approve actions for their monitoring and minimisation;
  - Approve changes made to the objectives, policies, strategies and process model of the MS and/or individual processes;
  - Deal with matters regarding the independent assessment process;
  - Approve applicable normative documents of a recommendatory nature (guidelines, good practices, etc.) as mandatory for implementation in the Company;
  - Approve 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 Kozloduy NPP 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 the 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 representatives may attend the SQC meetings as observers and without any prior invitation.

### **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 regulations on its implementation as issued by the 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 organisation, objectives and tasks, rights, obligations and responsibilities of the Committee members.

Functions of the Energy Efficiency Committee:

1. Discuss and evaluate the administrative, organisational and engineering documents prepared by the Company's organisational units and departments, as well as by external organisations, which are related to the plant management energy efficiency policy;
2. The principal tasks of the Committee are to:
  - 2.1. Evaluate and accept initial, interim and final results of 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 pertaining to service contracts awarded to external organisations;
  - 2.4. Evaluate and set optimal timeframes for the realisation of approved energy efficiency plans and documents developed;
  - 2.5. Analyse the results of the 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.

The Energy Efficiency Committee is made up of a chair, deputy chair, secretary and members. The 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 included in 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 EEC chair, the Committee meetings may be attended by managers of the organisational units whose documents will be discussed. When discussing general technical and economic matters, the Energy Efficiency Committee may invite relevant consultants and specialists to participate in the meetings.

**Independent Nuclear Safety Advisory Council - functions and structure**

The Independent Nuclear Safety Advisory Council is an external 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 in the field of nuclear safety and radiation protection, safe management of nuclear fuel and safe management of radioactive waste. The activity of the Council, namely work organisation, 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 draft regulations and on the implementation of the current 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, 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 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 100m, 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. Members of the Board of Directors of Kozloduy NPP EAD satisfy certain criteria for taking this position as stipulated in the Public Enterprises Act and the Incorporation Act of the Company. The posts are filled following a competition, the terms and conditions of which are laid down in the Rules for Implementation of the Public Enterprises Act. The natural persons that are members of the BoD have the required educational and professional background, good reputation and managerial qualities.

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

The gender equality principle is respected. 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.

Implementing a diversity policy is crucial and important 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 councils contribute to making the right, economically advantageous and strategically useful decisions for the Company. The result of implementing a diversity policy are: good corporate governance, good business reputation, attracting highly qualified staff.

[Signature illegible]

**GEORGI KIRKOV**

**CEO**

**KOZLODUY NPP EAD**

**Grant Thornton OOD**

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## INDEPENDENT AUDITORS' REPORT

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

### 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 2022 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 period then ended, as well as selected explanatory notes and information to the separate financial statements.

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 Group as at 31 December 2022 and of its financial performance and its cash flows for the period then 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 2022, 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. The Company's management is unable to reliably estimate the liability and, therefore, a provision for decommissioning nuclear facilities has not been recognized. As a result, we have not been able to provide sufficient assurance as to the valuation of provisions as of 31 December 2022 as presented in the Company's separate financial statements. Accordingly, we have not been able to determine whether and to what extent any additional adjustments would have been required to the Company's provisions in case an assessment has been made in accordance with applicable legislation and IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" when the attached separate financial statements of the Company have been prepared as of 31 December 2022.

2. As disclosed in Note 12 "Inventories" to the separate financial statements as of 31 December 2022, the Company's inventories at the amount of BGN 122 390 thousand mainly include spare parts and specialized equipment with a carrying amount of BGN 109 727 thousand. Of these, the slow moving inventories are at the amount of BGN 82,332 thousand. Note 4.23. Key estimates with high uncertainty, more specifically note 4.23.4 Inventories contains information about the methods and assumptions used by management in determining the net realizable value of materials and specialized spare equipment.

As at 31 December 2022 the Management of the Company, with the assistance of an independent valuator has prepared a valuation of the net realizable value of inventories, including of the specialized spare equipment and reached the conclusion that there is no need for the recognition of such.

Through the audit procedures we performed, we were unable to obtain sufficient and relevant audit evidence that the assumptions and assumptions on which the determination of the net realizable value of immovable inventories is based, including specialized spare equipment are justified, adequately reflect their specific nature and purpose to ensure continuous operation of the power units, and that uncertainties related to future supplies from existing Russian suppliers arising from the sanctions imposed as a result of the military conflict between Ukraine are taken into account and Russia, the subsequent derogations for the import of certain parts, materials and services in order to secure the planned annual repairs and operation of the nuclear plant. Accordingly, we were unable to determine whether and to what extent adjustments would be required to the carrying amount of specific spare equipment as of December 31, 2022.

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.

### Key Audit Matters

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

Revenue from contracts with customers	
Note 22 and Note 30 of the separate financial statement	
Key audit matter	How this matter was addressed during the audit
<p>In the separate financial statement the Company has recognized revenues from the sale of electricity in the total amount of BGN 6,042,862 thousand in 2022, which is substantially greater than the revenues for the previous year in the amount of BGN 2,709,407 thousand.</p> <p>Kozloduy NPP EAD's sales of electricity are mainly carried out on a regulated and exchange market, and the significant growth in revenues resulting from the record high prices established on the spot market, segment "Day Ahead", where the main volume of the electricity produced by the Company has been sold.</p> <p>The main factors that influence the prices on the free market are related to changes in the demand and supply of electricity in the regional and European markets, changes in the prices of the main energy resources (oil, gas, coal, etc.), prices of carbon emissions, weather conditions, planned (repairs) and emergency events, the military conflict on the territory of Ukraine, EU policies in the field of energy and others.</p> <p>Aiming to mitigate the economic consequences of the price instability that has occurred in the energy market, the Council of Ministers adopted a Program for compensation of non-domestic endpoint customers of electricity, which has a compensatory effect and whose support mechanism requires the Company to make targeted contributions, which for 2022 are at the amount of BGN 3,379,239 thousand, disclosed in detail in note 30 to the individual financial statement.</p>	<p>In this area, our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>- Updating our understanding of the processes and review of the accounting policy for reporting revenue from the production and sale of electricity;</li> <li>- obtaining an understanding and review of the material types of sales contracts to which the Company is a party;</li> <li>- management inquiries to the responsible persons regarding the process of reconciliation and validation of sales on the exchange market as well as shortage and surplus of electric energy on the balancing market;</li> <li>- we analyzed the trend of changes in the revenues by types of markets (regulated and spot) and by type of clients and by month both quantified and valued, as well as a study of the changes in the recognized income for the current compared to the previous period, including and by types of sales;</li> <li>- through research from specialized sources, we have studied trends in the exchange market of electricity, including factors that have direct and most significant impact on the prices of country producers where we compared with the Company's results;</li> <li>- detailed tests regarding the occurrence and valuation of revenues, including cut-off procedures for as well as external confirmation procedures of the revenue transactions on both regulated and spot market;</li> <li>- obtaining an understanding of the controls related to the financial reporting process, including transfer and comparison of data from the information data to the financial accounting system;</li> <li>- tests of controls regarding management's approval of volumes of electricity sold on the exchange market, set clearing prices and their compliance with production schedules;</li> <li>- tests of controls of data and applications used for the registration and reporting of the sale of electricity at the level of access to the information and databases; controls for unauthorized changes to data, systems or programs as well as tests on the integrity, reliability and appropriateness of data used when transferring between systems</li> <li>- on the basis of information on the quantities of electricity produced for the period, as well as the electricity prices approved by the "Energy and Water Regulation Commission" effective during the reporting period, we performed an analytical recalculation of the revenues from contracts with customers for sale on the regulated market;</li> <li>- review of the Program for compensation of industrial end-users of electricity and related decisions and resolutions of the Council of Ministers, as well as decisions of the management bodies of the Company;</li> <li>- comparison of the amounts recorded as costs for targeted contributions at the expense of the Company with the decisions of the relevant competent authorities and legal acts;</li> </ul>

Revenue from contracts with customers	
Note 22 and Note 30 of the separate financial statement	
Key audit matter	How this matter was addressed during the audit
Due to the materiality of revenues from the sale of electricity, their significant growth compared to the previous period and the dynamics of the spot electricity market on a national, European and global scale, we identified revenue recognition as a key audit matter.	<ul style="list-style-type: none"> <li>- analysis and comparison of reported revenues from contracts with customers with the costs of compensation at the expense of the Company in connection with determining the values that serve to calculate the ceiling of market revenues for the relevant type of electricity producer;</li> <li>- review and assessment of the completeness, relevance and adequacy of the disclosures in the separate financial statement in relation to the Company's revenues, the costs of compensating non-residential users for the period related to them, including significant accounting policies, judgments and assumptions disclosed by management.</li> </ul>

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

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

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report. In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the "Basis for Qualified Opinion" section 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 Separate Financial Statements

In accordance with the International Financial Reporting Standards (IFRS) adopted by the EU and Bulgarian legislation, as well as such system of internal control as management determines is necessary to ensure the preparation of financial statements that do not contain material misstatements, whether due of fraud or error.

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

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

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs 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 separate 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 separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement

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

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

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

Among the matters communicated with those charged with governance, we identify those matters that were of greatest significance in the audit of the separate financial statements for the current period and which are therefore key audit matters. We describe these matters in our auditor's report, except where law or regulation prevents the public disclosure of information about that matter or when, in extremely rare cases, we determine that a matter should not be communicated in our report, as it could reasonably be expected that the adverse consequences of such action would 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 and reporting in accordance with ISAs, described above in the "Information Other than the Separate Financial Statements and Auditor's Report Thereon" section, in relation to the annual management report, we have also performed the procedures added to those required under ISAs in accordance with Guidelines of the professional organisation of certified public accountants and registered auditors in Bulgaria - Institute of Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming opinions about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act and in the Public Offering of Securities Act, applicable in Bulgaria.

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

Based on the procedures performed, our opinion is that:

- (a) the information included in the separate management report referring to the period for which the separate financial statements have been prepared is consistent with those separate financial statements on which we have issued a qualified opinion in the "Report on the Audit of the Separate Financial Statements" above;
- (b) the separate management report has been prepared in accordance with the applicable legal requirements;
- (c) as a result of the acquired knowledge and understanding of the Company's activities and the environment in which it operates, we have not identified any cases of material misstatement in the annual separate management report, except for the possible effect described in the section "Information Other than the Separate Financial Statements and Auditor's Report Thereon" in "Report on the Audit of the Separate 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.

**Grant Thornton OOD**  
**Audit firm №032**

[Signature illegible]  
**Mariy Apostolov**  
**Managing partner**

[Signature illegible]  
**Emilia Marinova**  
**Registered auditor responsible for the audit №673**

**Zaharinoва Nexia EOOD**  
**Audit firm №138**

[Signature illegible]  
**Dimitrina Zaharinoва**  
**Managing Partner**

[Signature illegible]  
**Grigor Petrov**  
**Registered auditor responsible for the audit №816**

27 April 2023  
Sofia, Bulgaria

## Separate Statement of Financial Position

	Note	31 December 2022	31 December 2021
		BGN'000	BGN'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	5	2,375,852	2,456,097
Intangible assets	6	21,601	22,990
Investment property	7	-	4,127
Investments in subsidiaries	8	22,916	22,166
Loans granted to related parties	33.2	28,464	3,670
Financial instruments at fair value through other comprehensive income (OCI)	9	482	549
<b>Non-current assets</b>		<b>2,449,315</b>	<b>2,509,599</b>
<b>Current assets</b>			
Nuclear fuel	11	419,062	428,446
Inventory	12	122,390	112,102
Trade and other receivables	13	6,278	5,125
Loans granted to related parties	33.2	188,351	2,391
Receivables from related parties	33.3	98,673	44,625
Income tax receivables		18,804	-
Cash and cash equivalents	14	738,743	914,193
		<b>1,592,301</b>	<b>1,506,882</b>
Assets included in disposal groups classified as non-current assets held for distribution to owners	15	-	56,242
<b>Current assets</b>		<b>1,592,301</b>	<b>1,563,124</b>
<b>Total assets</b>		<b>4,041,616</b>	<b>4,072,723</b>

Prepared by: [Signature illegible]  
 /Volodya Bonovski/

CEO: [Signature illegible]  
 /Georgi Kirkov/

Date: 09 March 2023

The Separate Annual Financial Statements were approved for issue by decision of the Board of Directors on 21 April 2023 and signed on 27 April 2023.

Auditors' report issued by joint auditors

**Grant Thornton OOD**

**Audit firm No.032**

[Signature illegible]

Mariy Apostolov

Managing partner

[Signature illegible]

Emilia Marinova

Registered auditor responsible for the audit

**Zaharina Nexia EOOD**

**Audit firm No.138**

[Signature illegible]

Dimitrina Zaharina

Manager

[Signature illegible]

Grigor Petrov

Registered auditor responsible for the audit

The accompanying notes, pages 8 to 81, form an integral part of these separate annual financial statements.

*This version of annual separate financial statements as at 31 December 2022 of Kozloduy NPP EAD is free translation from Bulgarian to English language. These financial statements have been prepared and audited as at 27 April 2023.*



## Separate Statement of Financial Position (continued)

	Note	31 December 2022	31 December 2021
		BGN'000	BGN'000
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	16.1	244,585	244,585
Legal reserves	16.2	24,458	24,458
Revaluation reserve of non-financial assets	16.3	2,153,877	2,171,928
Remeasurement of defined benefit liabilities		(71,537)	(76,552)
Revaluation reserve of financial assets at fair value		225	285
Other reserves	16.4	11,405	21,406
Retained earnings		795,748	941,233
<b>Total equity</b>		<b>3,158,761</b>	<b>3,327,343</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Retentions on construction contracts	17	134	97
Financing	18	90,390	99,182
Pension and other employee obligations	19	98,267	101,211
Long-term trade and other payables	20	-	117
Deferred tax liabilities	10	160,056	175,921
<b>Non-current liabilities</b>		<b>348,847</b>	<b>376,528</b>
<b>Current liabilities</b>			
Trade and other payables	20	432,144	227,290
Payables to related parties	33.3	4,498	5,156
Financing	18	7,619	4,319
Retentions on construction contracts	17	6,842	7,137
Pension and other employee obligations	19	33,978	30,876
Provision for spent nuclear fuel and others	21	48,927	24,908
Income tax liabilities		-	23,287
		<b>534,008</b>	<b>322,973</b>
Liabilities included in disposal groups, classified as held for distribution to the owner	15	-	45,879
<b>Current liabilities</b>		<b>534,008</b>	<b>368,852</b>
<b>Total liabilities</b>		<b>882,855</b>	<b>745,380</b>
<b>Total equity and liabilities</b>		<b>4,041,616</b>	<b>4,072,723</b>

Prepared by: [Signature illegible]  
 /Volodya Bonovski/

CEO: [Signature illegible]  
 /Georgi Kirkov/

Date: 09 March 2023

The Separate Annual Financial Statements were approved for issue by decision of the Board of Directors on 21 April 2023 and signed on 27 April 2023.

Auditors' report issued by joint auditors

**Grant Thornton OOD**  
**Audit firm No.032**

[Signature illegible]  
 Mariy Apostolov  
 Managing partner

[Signature illegible]  
 Emilia Marinova  
 Registered auditor responsible for the audit

**Zaharinoва Nexia EOOD**  
**Audit firm No.138**

[Signature illegible]  
 Dimitrina Zaharinoва  
 Manager

[Signature illegible]  
 Grigor Petrov  
 Registered auditor responsible for the audit

The accompanying notes, pages 8 to 81, form an integral part of these separate annual financial statements.

*This version of annual separate financial statements as at 31 December 2022 of Kozloduy NPP EAD is free translation from Bulgarian to English language. These financial statements have been prepared and audited as at 27 April 2023.*

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

	Note	2022	2021
		BGN'000	BGN'000
Revenue from sale of electricity		6,035,000	2,702,696
Revenue from sale of heat energy		3,599	3,556
<b>Revenue from sale of production</b>	22	<b>6,038,599</b>	<b>2,706,252</b>
Income from sale of services, goods and other sales	22	4,263	3,155
Income from financing	18	7,340	3,922
Other income	23	4,343	3,550
Gains from sale of non-current assets		349	23
Change in the fair value of investment properties		-	12
Cost of materials	24	(145,230)	(138,333)
Hired services expenses	25	(184,487)	(171,206)
Employee benefits expenses	26	(311,113)	(254,568)
Provisions for defined benefit plans	26	(30,226)	(29,305)
Depreciation and amortization of non-financial assets	5.6	(208,857)	(180,859)
Provision expenses	27	(24,100)	(24,908)
Recognised/reversed expected credit losses of financial assets, net	28	2,824	(430)
Other expenses	29	(966,472)	(430,824)
Compensations of industrial end-users of electricity	30	(3,379,239)	(450,000)
Cost of goods and other assets sold		(996)	(426)
Changes in work in progress		(294)	3,539
Acquisition of machinery, plant, and equipment, self-constructed		4,709	114
<b>Operating profit</b>		<b>811,413</b>	<b>1,039,708</b>
Finance costs	31	(7,709)	(2,356)
Finance income	31	6,600	1,774
<b>Profit before tax</b>		<b>810,304</b>	<b>1,039,126</b>
Income tax expenses	32	(80,841)	(148,822)
<b>Profit for the year</b>		<b>729,463</b>	<b>890,304</b>

Prepared by: [Signature illegible]  
 /Volodya Bonovski/

CEO: [Signature illegible]  
 /Georgi Kirkov/

Date: 09 March 2023

The Separate Annual Financial Statements were approved for issue by decision of the Board of Directors on 21 April 2023 and signed on 27 April 2023.

Auditors' report issued by joint auditors

**Grant Thornton OOD**

**Audit firm No.032**

[Signature illegible]

Mariy Apostolov

Managing partner

[Signature illegible]

Emilia Marinova

Registered auditor responsible for the audit

**Zaharina Nexia EOOD**

**Audit firm No.138**

[Signature illegible]

Dimitrina Zaharina

Manager

[Signature illegible]

Grigor Petrov

Registered auditor responsible for the audit

The accompanying notes, pages 8 to 81, form an integral part of these separate annual financial statements.

*This version of annual separate financial statements as at 31 December 2022 of Kozloduy NPP EAD is free translation from Bulgarian to English language. These financial statements have been prepared and audited as at 27 April 2023.*

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

	Note	2022	2021
		BGN'000	BGN'000
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement of defined benefit liabilities	19	5,015	63
Revaluation of non-financial assets	5	-	287,141
Change in the fair value of financial instruments at fair value through other comprehensive income – profit/losses for the current period		(67)	39
Income tax relating to items that will not be reclassified into profit or loss	10	7	(28,718)
<b>Other comprehensive income for the year, net of tax</b>		<b>4,955</b>	<b>258,525</b>
<b>Total comprehensive income for the year</b>		<b>734,418</b>	<b>1,148,829</b>

Prepared by: [Signature illegible]  
 /Volodya Bonovski/

CEO: [Signature illegible]  
 /Georgi Kirkov/

Date: 09 March 2023

The Separate Annual Financial Statements were approved for issue by decision of the Board of Directors on 21 April 2023 and signed on 27 April 2023.

Auditors' report issued by joint auditors

**Grant Thornton OOD**

**Audit firm No.032**

[Signature illegible]

Mariy Apostolov

Managing partner

[Signature illegible]

Emilia Marinova

Registered auditor responsible for the audit

**Zaharinoва Nexia EOOD**

**Audit firm No.138**

[Signature illegible]

Dimitrina Zaharinoва

Manager

[Signature illegible]

Grigor Petrov

Registered auditor responsible for the audit

The accompanying notes, pages 8 to 81, form an integral part of these separate annual financial statements.

*This version of annual separate financial statements as at 31 December 2022 of Kozloduy NPP EAD is free translation from Bulgarian to English language. These financial statements have been prepared and audited as at 27 April 2023.*

## 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	Remeasur- ment of defined benefit liabilities	Revaluation reserve of financial assets at fair value	Other reserves	Retained earnings	Total equity
<b>Balance at 01 January 2022</b>	<b>244,585</b>	<b>24,458</b>	<b>2,171,928</b>	<b>(76,552)</b>	<b>285</b>	<b>21,406</b>	<b>941,233</b>	<b>3,327,343</b>
Dividends paid	-	-	-	-	-	-	(890,304)	(890,304)
Increase of capital at the expense of retained earnings and other reserves	56,242	-	-	-	-	(10,000)	(46,242)	-
Non-current assets and liabilities distributed to the owner	(56,242)	-	-	-	-	-	44,043	(12,199)
<b>Transactions with the owner</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>(892,503)</b>	<b>(902,503)</b>
Profit for the year	-	-	-	-	-	-	729,463	729,463
Other comprehensive income, net of tax	-	-	-	5,015	(60)	-	-	4,955
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,015</b>	<b>(60)</b>	<b>-</b>	<b>729,463</b>	<b>734,418</b>
Transfer of revaluation surplus to retained earnings	-	-	(18,051)	-	-	-	18,051	-
Other changes in capital	-	-	-	-	-	(1)	(496)	(497)
<b>Balance at 31 December 2022</b>	<b>244,585</b>	<b>24,458</b>	<b>2,153,877</b>	<b>(71,537)</b>	<b>225</b>	<b>11,405</b>	<b>795,748</b>	<b>3,158,761</b>

Prepared by: [Signature illegible]  
 /Volodya Bonovski/  
 Date: 09 March 2023

CEO: [Signature illegible]  
 /Georgi Kirkov/

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**Audit firm No.032**

[Signature illegible]  
 Mariy Apostolov  
 Managing partner

[Signature illegible]  
 Emilia Marinova  
 Registered auditor responsible for the audit

**Zaharinoва Nexia EOOD**  
**Audit firm No.138**

[Signature illegible]  
 Dimitrina Zaharinoва  
 Manager

[Signature illegible]  
 Grigor Petrov  
 Registered auditor responsible for the audit

The accompanying notes, pages 8 to 81, form an integral part of these separate financial statements.

## 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
<b>Balance at 01 January 2021</b>	<b>244,585</b>	<b>24,458</b>	<b>1,913,926</b>	<b>(76,615)</b>	<b>250</b>	<b>109,309</b>	<b>570,505</b>	<b>2,786,418</b>
Dividends	-	-	-	-	-	(225,808)	(382,097)	(607,905)
<b>Transactions with the sole owner</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(225,808)</b>	<b>(382,097)</b>	<b>(607,905)</b>
Profit for the year	-	-	-	-	-	-	890,304	890,304
Other comprehensive income, net of tax	-	-	258,427	63	35	-	-	258,525
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>258,427</b>	<b>63</b>	<b>35</b>	<b>-</b>	<b>890,304</b>	<b>1,148,829</b>
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
<b>Balance at 31 December 2021</b>	<b>244,585</b>	<b>24,458</b>	<b>2,171,928</b>	<b>(76,552)</b>	<b>285</b>	<b>21,406</b>	<b>941,233</b>	<b>3,327,343</b>

Prepared by: [Signature illegible]  
 /Volodya Bonovski/  
 Date: 09 March 2023

CEO: [Signature illegible]  
 /Georgi Kirkov/

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Dimitrina Zaharinoва

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Grigor Petrov

Registered auditor responsible for the audit

The accompanying notes, pages 8 to 81, form an integral part of these separate financial statements.

## Separate cash flow statement for the year, ended 31 December

	Note	2022 BGN'000	2021 BGN'000
<b>Operating activities</b>			
Cash receipts from customers		7,207,440	3,264,067
Cash paid to suppliers		(354,929)	(441,685)
Payments under a programme of the Council of Ministers to compensate non-household end customers of electricity to the ESS Fund		(3,181,011)	(450,000)
Cash paid to employees and social security institutions	30	(310,960)	(265,073)
Paid licences, taxes and other payments to the Nuclear Regulatory Agency (NRA)		(5,861)	(5,385)
Payments to the RAW Fund, DNF Fund, and ESS Fund in accordance with the legally defined obligations of Kozloduy NPP		(949,890)	(371,709)
Cash flows related to other taxes and payments to the governmental budget and local budgets		(1,177,482)	(429,529)
Cash flows related to insurance		(13,892)	(16,135)
Income tax payments, net		(139,287)	(126,966)
Litigation payments		(25,000)	-
Other payments for operating activity, net		(8,191)	(4,264)
<b>Net cash flows from operating activity</b>		<b>1,040,937</b>	<b>1,153,321</b>
<b>Investing activity</b>			
Capital contribution to a newly established subsidiary		(750)	(5)
Purchase of property, plant, and equipment		(119,712)	(101,676)
Received and reimbursed financing, net		(6,303)	(6,303)
Proceeds from disposals of property, plant and equipment		5,523	24
Loans granted		(387,865)	-
Loan repayments received		176,957	2,300
Dividends received	8,9	2,602	770
Interest received		4,317	196
<b>Net cash flows from investing activity</b>		<b>(325,231)</b>	<b>(104,694)</b>
<b>Financing activity</b>			
Repayments of borrowings		-	(10,879)
Interest paid		-	(452)
Dividends paid	16.5	(890,304)	(607,905)
Lease payments	34	(240)	(232)
<b>Net cash flows from financing activity</b>		<b>(890,544)</b>	<b>(619,468)</b>
<b>Net change in cash and cash equivalents</b>		<b>(174,838)</b>	<b>429,159</b>
Cash and cash equivalents at the beginning of the year before impairment		914,193	485,106
Expected credit losses of cash and cash equivalents	14	(612)	(72)
<b>Cash and cash equivalents at the end of the year</b>	14	<b>738,743</b>	<b>914,193</b>

Prepared by: [Signature illegible]  
 /Volodya Bonovski/

Date: 09 March 2023

CEO: [Signature illegible]  
 /Georgi Kirkov/

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Dimitrina Zaharinoва

Manager

[Signature illegible]

Grigor Petrov

Registered auditor responsible for the audit

# Notes to the separate annual financial statements

## 1. Principal activities

Kozloduy NPP EAD (“the Company”) is a single-owner shareholding company, established by virtue of Decision No. 582 of 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 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 2022, 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 January 2022, the Board of Directors consisted of:

- 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 - Member;

As at 31 December 2022, the Board of Directors consisted of the following members with a 5-year mandate:

- Iliya Todorov Iliev - Chair;
- Georgi Kirov Kirkov - Member and Chief Executive Officer;
- Iva Edward Nikolova - Member;
- Todor Angelov Yonev - Member;
- Andrey Krasnocharov - Member and Deputy Chief Executive Officer,

with this circumstance being entered into the Trade Register on 29 August 2022.

As at the date of preparation of the financial statements, Andrey Krasnocharov was dismissed as a member of the Board of Directors and Svilena Nikolova Nikolova was assigned in his place. This circumstance was entered into the Trade Register on 26 January 2023.

As at 31 December 2022, the Company is represented by the Chief Executive Officer Georgi Kirkov.

As at 31 December 2022, the number of the staff employed by the Company under employment contracts is 3,694 (31 December 2021: 3,706).

## 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."

### ***Effects of the military conflict between Russia and Ukraine***

In late February 2022, a military conflict between Russia and Ukraine arose. 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 involving Ukrainian citizens. The economic fallout resulting from the military conflict in Ukraine has had serious effects on all sectors of the global economy. Energy and commodity prices have risen significantly, exacerbating inflationary pressures from supply chain disruptions.

The economic situation in 2022 was marked by the recovery from the Covid-19 pandemic, war in Ukraine, sharp rise in prices and the reversal of the interest rate cycle. Oil and commodity prices rose. On a global scale, the war in Ukraine caused new interruptions and restrictions on the supply of goods, food and raw materials, which caused further price increases.

Inflation with subsequent monetary tightening and the energy crisis are the basis of the economic slowdown in the European Union in the last quarter of the year. Price pressures intensified and expanded in 2022, with inflation hitting record highs in recent decades. Key central banks have begun tightening after a very long period of loose monetary policy. In July 2022, the European Central Bank raised the interest rate on the deposit facility from -0.50% to 0% and by three more points to 2.00%, and for refinancing operations from 0% to 2.50%.

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 at the date of approval of the separate financial statements, the risks can be summarised as follows:

- A serious risk for Kozloduy NPP EAD resulting from the conflict between Ukraine and Russia may arise in the relations with some 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 2023.
- 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'. The shipment of SNF complies 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 of inability to ship SNF in 2023, 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'.
- 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 as well. 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.



Based on Council of Ministers' Decisions No. 695 of 23 September 2022 and No. 200 of 22 March 2023, the Council of Ministers approved a derogation from the sanctions of the European Union prohibiting the import of certain parts, materials and services in connection with the war in Ukraine. The government granted a derogation so that Kozloduy NPP could purchase the necessary materials and spare parts in order to secure the annual outages and operation of the nuclear power plant." Apart from that, the Company's management, supported by the Ministry, continued with the process of selecting new contractors.

Since the situation is extremely dynamic, the Company's management refrains from specific and definite assessments of the impact of the war on the future financial situation and results of its activities in 2023. The event has already affected the national economy, inflationary processes, prices of energy resources, costs of households and impacts of the supply chain disrupted elements and the Company considers that there may be a negative impact. 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.

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**

The Company has adopted the following new standards, amendments and interpretations to IFRS issued by the International Accounting Standards Board and endorsed by the EU, which are relevant to and effective for the Company's financial statements for the annual period beginning 01 January 2022, but do not have a significant impact on the Company's financial results or position:

#### **3.1. New standards, amendments, and interpretations of the IFRS which came into effect as at 01 January 2022**

##### **IFRS 3 Business Combinations**

The references to the Conceptual Framework were updated with amendments to IFRS 3 'Business Combinations', without significantly changing its requirements.

##### **IAS 16 Property, Plant and Equipment**

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 amendment concerns 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.

#### **3.2. Annual Improvements 2018-2020 effective from 1 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. A Company includes only fees paid or received between the Company (the borrower) and the lender, including fees paid or received by either the Company 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.

### **3.3. Standards, amendments, and interpretations that are not yet effective and have not been adopted early by the Company**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued, but are not effective or adopted by the EU for the financial year beginning on 1 January 2022 and have not been adopted early by the Company. The Management anticipates that all standards and amendments will be adopted in the Company’s accounting policy for the first period beginning after the effective date of the relevant pronouncement.

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

#### **IFRS 17 “Insurance Contracts” effective from 1 January 2023, adopted by the EU**

IFRS 17 replaces 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.

#### **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies effective from 1 January 2023, adopted by the EU**

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

#### **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors effective from 1 January 2023, 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, adopted by the EU**

A Company applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. The Company shall also, at the beginning of the earliest comparative period presented, recognise 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, 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 Insurance Contracts 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.

**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current, effective from 1 January 2024, 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 are intended to clarify the following:

- the 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. It is made explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- the classification is unaffected by expectations about whether the Company will exercise its right to defer settlement of a liability; and
- the settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

**Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback, effective not earlier than 1 January 2024, not yet adopted by the EU**

Amendments to IFRS 16 requires a Company seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease. The amendments to IFRS 16 do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

**IFRS 14 “Regulatory deferral accounts” effective from 1 January 2016, not 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 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.

#### **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 level of individual contract with customer 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.

Customers' 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 leases are recognised as income on the straight-line basis over the lease contract validity, except for the cases when the Company's management decides that another systematic basis is more representative of the time pattern the use of which has reduced the benefit from the leased asset.

#### *Revenue from sales of 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, a 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.

<b>Revenue</b>	<b>Recognition approach</b>
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.

Revenue	Recognition approach
Rental income	Lease payments under operating lease contracts are recognised as income on the straight-line basis over the lease term unless the management decides that another systematic basis is more representative of the time pattern the use of which has reduced the benefit from the leased asset.
Surplus assets and asset liquidation	Revenues from surplus assets are recognised when surpluses are established.
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.

## B. 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 a certified appraiser 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 reviewed for impairment when there are indications that their value has been 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 intangible asset are accounted for by changing the amortisation period or method, and are treated as changes in the 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
Other	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

No.	PPE Class	Subsequent 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
	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	Acquisition 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.

Revaluations 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 amounts of property, plant and equipment from their fair value as at the date of preparation of the 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 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 each new contract, the Company decides whether the contract is a lease or contains a lease. Lease is defined as a “contract or part of 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 an asset for the right to use or lease obligation in the balance. The asset with a right to use 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 ease payments, incurred before the start date of the lease (excluding any received incentives).

The Company depreciates the right-of-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 value 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 a 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 acquisition 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 enterprise.

#### 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 Group 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 profit or loss and other comprehensive income statement 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 consideration 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. 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. As 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.

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 periods of 3 to 5 years back, grouped by type and relevant customer segment models, and adjusted with debtor- and industry-specific predictive factors.

**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 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, incurred in bringing the inventories to their present condition and location, as well as part of the production overheads, determined based on the normal production capacity. Financial costs are not included in the cost of inventories. At the end of each reporting period, inventories are carried at the lower of cost and net realisable value. The amount of any impairment of inventories to 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 at the tax rates that are expected to apply in the reporting period when the deferred tax asset 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 profit on loss, unless they are related to items recognised in other comprehensive income or directly in equity. In such cases, the respective deferred tax is recognised in other comprehensive income or in equity.

#### **4.18. 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 Commercial Act, statutory reserves are formed from profit distributions.

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

The defined benefit plans revaluation surplus includes actuarial gains or losses occurring when determining the amount of liabilities related to 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 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 benefit plans are recognised currently, in profit or loss, in the period in which the respective services are received by the employee.

Plans that do not meet the definition of defined contribution plans are identified as defined benefit plans. Defined benefit plans are retirement plans used to determine the amount of money an employee will receive upon retirement 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 of the years of service and the labour category, as follows:

In accordance with Art. 222, para. 3 of the LC, after an employee has obtained the right to retirement, based on his/her years of 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 Company for at least 10 (ten) years and has received a notification 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, effective until 31 December 2022 and Art. 46 of the one adopted after 1 January 2023, 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, effective until 31 December 2022 and Art. 48, para. 1 of the one adopted after 1 January 2023, 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 and the entitled leaves, are included in current liabilities, under 'Trade and other payables', at the non-discounting amount that the Company expects to pay.

#### **4.22. 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 2022, the Management determined the useful life of assets - that being the expected period of the assets' use by the Company. The carrying amount of property, plant, and equipment is analysed in Note 5, and the carrying amount of intangible assets is analysed in Note 6.

##### **4.23.2. Revenue from contracts with customers**

When recognising revenues under contracts with customers, the Management makes various estimates, best estimates, and assumptions which influence the reported revenues, costs, and contractual assets and liabilities. The key estimates and assumptions having substantial effect on the amount and term for recognition of revenues from contracts with customers are disclosed in Note 22.

##### **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's last working day, 'buying' prices. In the absence of an active market, the management uses reports of independent certified appraisers and employs various techniques to measure the fair value of financial instruments and non-financial assets. When applying these measurement techniques, the management uses at maximum the market data and assumptions which the participants would consider in measuring a financial instrument or non-financial asset. In the absence of applicable market data, the management uses its best estimate of the assumptions which the market participants would employ. These valuations may differ from the actual prices which would be determined at a fair market transaction between well-informed and willing parties at the end of the reporting period.

The Company subsequently accounts for major groups of property, plant, and equipment, investment properties at revalued amounts, and financial instruments at fair value through other comprehensive income using reports of independent external appraisers in determining their fair value. Detailed information about the revaluation, employed valuation methods, basic assumptions and estimates used in determining the fair value is disclosed in Note 5, Note 6, and Note 7.

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. Inventories

##### *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 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*

According to the Company's accounting policy, except at acquisition cost, inventories are subsequently measured at the lower of cost and net realisable value. Regardless of the fact that the accounting policy allows for the use of different methods for subsequent measurements, the Company assigns those measurements to a professional independent appraiser.

Inventories held with a view to being used in production are not impaired below their cost if the finished products into which they are used are expected to be sold at or above their cost.

Inventories, of carrying amount as at 31 December 2022 of BGN 122,390 thousand (31 December 2021: BGN 112,102 thousand), are measured at the lower of the original cost and its net realisable value. To measure the net realisable value, the management considers the most reliable information at hand as at the estimation date and uses the reports of independent certified appraisers for the slow moving or idle inventories. When determining the net realisable value and, accordingly, the need for impairment, the Company's management, assisted by its experts, reviews the physical condition of the material stocks, in particular the specific spare parts, the period of their turnover, their purpose, circumstances regarding change or impossibility of putting them into service or using them as intended. In addition to the internal analysis, the Company's management also relies on results obtained by independent experts. For the measurement as at 31 December 2022, a replacement cost method was applied based on determining all direct and indirect costs for replacement of an identical object or asset, taking into account the various types of degradation (wear and tear, obsolescence, economic). Replacement cost reflects all the accompanying direct and indirect costs of acquiring assets (specific spare parts) that would be incurred by a market participant designing an equivalent modern asset. The measured cost of the equivalent is subject to adjustment for ageing and degradation to reflect the decreased amount in terms of its physical condition, functionality and economic benefit. The calculations are based on the assumption that the spare parts cost no more than replacing them with new ones with identical or as close as possible functions, technical and economic parameters to those of the measured asset. Upon analyses and assessments, the Company's management has come to the conclusion that the net realisable value of the spare parts is close to their carrying amount as at the end of the reporting period and no impairment loss should be recognised.

#### 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 2022, the Company's liabilities for retirement benefits recognised in the separate statement of financial position amounted to BGN 132,245 thousand. (31 December 2021: BGN 132,087 thousand). Additional information on the liabilities for retirement benefits is disclosed in Note 19.

#### **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 to future events and circumstances. The actual results could differ from these estimates and may require significant adjustments to the Company's assets in the next reporting period. In most cases, the appropriate adjustments related to the market risk and risk factors specific to the separate assets are measured when determining the applicable discounting factor.

The Company did not report impairment losses for non-current assets during the current period (in 2021, the reported impairment losses for non-current assets amounted to BGN 488 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 2022, the Management's best estimate on the expected credit losses of cash at banks amounted to BGN 2,796 thousand. (31 December 2021: BGN 2,184 thousand) (Note 14)

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

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

For the purpose of determining the expected credit losses, customer modelling is performed at the 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 be used for determination of the discounting rate which is used to measure impairment. The assessment of the ratio between the historical data on default, estimated economic conditions, industrial sector risk assessment and the amount of expected credit losses represents a substantial estimate. Information about the impairments of the Company's expected credit losses is presented in Note 13. As at 31 December 2022,

the management's best estimate of expected credit losses from receivables from related parties is presented in Note 33.

*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 is 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 13.

#### **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 budgeted estimate, adjusted to reflect the significant non-taxable income, and expenses, and the specific limitations to transfer unused taxable losses and credits. The tax rates in the different jurisdictions in which the Company operates are also taken into account. If the reliable estimate of taxable income implies the probable use of a deferred tax asset, especially in cases when the asset can be used without any time restrictions, the deferred tax asset is recognised in full. Recognition of deferred tax assets that are subject to certain legal or economic limitations, or uncertainty, is assessed by the management on a case-by-case basis, taking into consideration the specific facts and circumstances.

#### **4.23.9. Provisions**

*Provision of transport, processing and storage of spent nuclear fuel*

In accordance with the effective Strategy for Management of the Spent Nuclear Fuel and Radioactive Waste until 2030, adopted by a 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 to the Contract for the transportation, temporary technological storage and reprocessing 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 had not been 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 2022 the Company allocated an additional provision for SNF management to the amount of BGN 24,100 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 December 2022.

As at the end of the reporting period, ending 31 December 2022, the amount of the recognised provision required to cover the current obligation for SNF management is BGN 48,927 thousand, including the value of the unfulfilled transportations of WWER-1000 SNF for technological storage and processing for 2021 and 2022.

#### *Provision for decommissioning of nuclear facilities*

In compliance with the requirements of IAS 37 ‘Provisions, Contingent Liabilities and Contingent Assets’, provisions must be recognised in respect of future amounts with uncertain timing and amount. Provisions are recognised only if the following 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 is required to settle the liability; and
- The liability can be reliably estimated.

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 principal of 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 radioactive waste management facilities 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 Decommissioning of Nuclear Facilities 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 estimate of the forecast 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 2022 and 31 December 2021.

## 5. 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 BGN'000	Machines, plant, and equipment BGN'000	Transport vehicles BGN'000	Fixtures and other assets BGN'000	Acquisition costs BGN'000	Right-of-use assets	Total BGN'000
<b>Carrying amount</b>							
Balance at 01 January 2022	458,831	1,845,968	8,335	68,575	193,172	896	2,575,777
Additions	-	-	-	-	134,499	-	134,499
Transfers	6,701	75,804	876	679	(84,060)	-	-
Disposals	(38)	(27,921)	(4)	(352)	(6,634)	-	(34,949)
Reclassification to intangible assets	-	-	-	-	(2,276)	-	(2,276)
<b>Balance as at 31 December 2022</b>	<b>465,494</b>	<b>1,893,851</b>	<b>9,207</b>	<b>68,902</b>	<b>234,701</b>	<b>896</b>	<b>2,673,051</b>
<b>Depreciation</b>							
Balance as at 01 January 2022	-	(58,804)	-	(60,323)	-	(553)	(119,680)
Depreciation	(11,799)	(188,155)	(1,362)	(3,652)	-	(224)	(205,192)
Disposals	5	27,320	1	347	-	-	27,673
<b>Balance as of 31 December 2022</b>	<b>(11,794)</b>	<b>(219,639)</b>	<b>(1,361)</b>	<b>(63,628)</b>	<b>-</b>	<b>(777)</b>	<b>(297,199)</b>
<b>Carrying amount as at 31 December 2022</b>	<b>453,700</b>	<b>1,674,212</b>	<b>7,846</b>	<b>5,274</b>	<b>234,701</b>	<b>119</b>	<b>2,375,852</b>
<b>Carrying amount</b>							
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 in 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)
Impairment recovered in profit or loss	362	660	72	-	-	-	1,094
Revaluation at the expense of accumulated depreciation	(34,491)	(464,749)	(3,868)	-	-	-	(503,108)
<b>Balance as at 31 December 2021</b>	<b>458,831</b>	<b>1,845,968</b>	<b>8,335</b>	<b>68,575</b>	<b>193,172</b>	<b>896</b>	<b>2,575,777</b>
<b>Depreciation</b>							
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
<b>Balance as at 31 December 2021</b>	<b>-</b>	<b>(58,804)</b>	<b>-</b>	<b>(60,323)</b>	<b>-</b>	<b>(553)</b>	<b>(119,680)</b>
<b>Carrying amount as at 31 December 2021</b>	<b>458,831</b>	<b>1,787,164</b>	<b>8,335</b>	<b>8,252</b>	<b>193,172</b>	<b>343</b>	<b>2,456,097</b>

The Company has contractual obligations to acquire assets to the amount of BGN 99,580 thousand, which shall be realised in 2023. Further information on the capital commitments of the Company is communicated in Note 36 Commitments and contingent liabilities.

#### **Acquisition costs of long-term tangible assets**

As at 31 December 2022, the acquisition costs of long-term tangible assets amounted to BGN 234,701 thousand and were mainly related to:

- Activities to extend the operational life of Units 5 and 6 in compliance with the Investment Programme of the Company for 2022;
- Projects to improve the power generation efficiency in the Company.

As at 31 December 2022, the advance payments for acquisitions of long-term assets amounted to BGN 2,265 thousand (31 December 2021: BGN 13,915 thousand) which are included in the long-term tangible assets' acquisition costs.

#### **Review for revaluation**

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 EngineeringService 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 2022, impairment tests were prepared that showed no indications of the need to perform such impairment. No indications that the carrying amount of property, plant and equipment exceeded their recoverable value were found as a result of the conducted review.

#### **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 revaluated and considered property of the Company.

## 6. Intangible assets

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

	Development products	Patents and licences	Software	Other	Total
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Carrying amount</b>					
<b>Balance as at 01 January 2022</b>	<b>71,987</b>	<b>6,958</b>	<b>14,793</b>	<b>67,536</b>	<b>161,274</b>
Reclassified from property, plant, and equipment	-	838	1,438	-	2,276
Disposals	-	(30)	(109)	-	(139)
<b>Balance as at 31 December 2022</b>	<b>71,987</b>	<b>7,766</b>	<b>16,122</b>	<b>67,536</b>	<b>163,411</b>
<b>Amortisation</b>					
<b>Balance as at 01 January 2022</b>	<b>(51,108)</b>	<b>(5,764)</b>	<b>(13,876)</b>	<b>(67,536)</b>	<b>(138,284)</b>
Depreciation	(2,738)	(345)	(582)	-	(3,665)
Disposals	-	30	109	-	139
<b>Balance as at 31 December 2022</b>	<b>(53,846)</b>	<b>(6,079)</b>	<b>(14,349)</b>	<b>(67,536)</b>	<b>(141,810)</b>
<b>Carrying amount as at 31 December 2022</b>	<b>18,141</b>	<b>1,687</b>	<b>1,773</b>	<b>-</b>	<b>21,601</b>
<b>Carrying amount</b>					
<b>Balance as at 01 January 2021</b>	<b>53,910</b>	<b>6,911</b>	<b>14,789</b>	<b>69,743</b>	<b>145,353</b>
Reclassified from property, plant, and equipment	18,077	51	265	-	18,393
Disposals	-	(4)	(261)	(2,207)	(2,472)
<b>Balance as at 31 December 2021</b>	<b>71,987</b>	<b>6,958</b>	<b>14,793</b>	<b>67,536</b>	<b>161,274</b>
<b>Amortisation</b>					
<b>Balance as at 01 January 2021</b>	<b>(49,826)</b>	<b>(5,492)</b>	<b>(13,524)</b>	<b>(69,743)</b>	<b>(138,585)</b>
Depreciation	(1,282)	(276)	(613)	-	(2,171)
Disposals	-	4	261	2,207	2,472
<b>Balance as at 31 December 2021</b>	<b>(51,108)</b>	<b>(5,764)</b>	<b>(13,876)</b>	<b>(67,536)</b>	<b>(138,284)</b>
<b>Carrying amount as at 31 December 2021</b>	<b>20,879</b>	<b>1,194</b>	<b>917</b>	<b>-</b>	<b>22,990</b>

During the reporting period, the Company acquired 35 intangible assets, including 6 licences and 29 software products connected with Units 5 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 2022. 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.



## 7. 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 2022	31 December 2021
	BGN'000	BGN'000
<b>At the beginning of the year</b>	4,127	4,115
Increase from fair value measurement	-	12
Disposal by sale	(4,127)	-
<b>At the end of the year</b>	<b>-</b>	<b>4,127</b>

### Fair value measurement

Based on Minute Resolution No. 17 dated 09.06.2022 of the Board of Directors of Kozloduy NPP EAD for the sale of the owned investment property and Decision of the Council of Ministers No. 558 dated 29.07.2022 approving the sale, the investment properties were measured at fair value based on the observable and unobservable data, adjusted by specific factors, such as area, location, and current use. The fair value of the investment property determined by the independent appraiser is BGN 4,590 thousand, excluding taxes.

The fair value measurements of the Company's investment properties are consistent and repeatable due to the application of the fair value model under IAS 40. They are 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.

The table below provides a description of the valuation techniques, used to determine the fair value of investment properties as at 31 December 2021, and the significant unobservable input data used:

Valuation method	Weight of the valuation method	Valuation techniques	Significant observable input data
<b>Comparative method</b>	<b>50%</b>	Market prices of similar properties in the same and nearby locations	Information on concluded transactions, prices of identical properties
<b>Income method</b>	<b>50%</b>	Capitalised rental income method, discounted cash flows	Rental rates for the respective region, for the respective type of property
<b>Cost of assets method</b>	<b>0%</b>	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 revenues from rents for 2022 until its sale in October amounting to BGN 111 thousand (2021: BGN 143 thousand) are included in the separate statement of profit or loss and other comprehensive income under 'Income from sales of services, goods and others' (Note 22). These include variable lease payments that do not depend on an index or variable rates. The direct operating costs to the amount of BGN 36 thousand are disclosed in the line 'Other expenses' (2021 - BGN 35 thousand), which are entirely for the rented property.

### Operating lease as a lessor

In 2022, the Company concluded a contract to lease real estates - land and building -for a 10-year period. The contract was terminated by a contract of sale as per Decision of the Ministry of Justice No. 558 of 29 July 2022.

## 8. Investments in subsidiaries

The Company has the following investments in subsidiaries:

Subsidiary name	Country of incorporation	Principal activities	31 December 2022		31 December 2021	
			BGN'00	%	BGN'00	%
Kozloduy NPP - New Build EAD	Bulgaria	Construction 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	5	100
NPP Service EOOD	Bulgaria	Maintenance services	750	100	-	
			<b>22,916</b>		<b>22,166</b>	

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 1,680,000 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 out of a total of 111 shares, at par value of BGN 100 each. The investment amounts to BGN 79 thousand. The transactions with this company were terminated at the end of the first half of the reporting period. At the time of preparation of this report, Interpriborservice OOD, Kozloduy was declared insolvent and insolvency proceedings were initiated by Decision No. 11 dated 16.02.2023 of the District Court of the town Vratsa.

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

The Company owns 100% of the capital of NPP Service EOOD, Kozloduy, established at the beginning of 2022, with the capital amounting to BGN 750 thousand.

In 2022, Kozloduy HPP EAD distributed dividends amounting to BGN 2,140 thousand (2021: BGN 964 thousand), which were effectively received. The Company did not receive dividends from other subsidiaries during the current and previous reporting period.

For the purposes of the annual impairment test, a management analysis has been prepared which shows that the carrying amount of the investments is close to their recoverable amount. There may be differences for the investment in Interpriborservice OOD, but due to the immateriality of the amount, losses have not been recognized in the current reporting period.

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

## 9. Financial instruments at fair value through other comprehensive income

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.

The Company accounts for the equity 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 2022</u>	<u>31 December 2021</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Financial instruments at fair value through other comprehensive income (OCI)	482	549
	<u>482</u>	<u>549</u>

In 2022, the Company received dividends of BGN 157 thousand from ZAD Energia (2021: BGN 111 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 and stakes 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 change
	Valuation technique:	* terminal growth
	Cash flow discount model	* discount rate

## 10. Deferred tax assets and liabilities

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

Deferred tax (assets) / liabilities	01.01.2022	Recognised in other comprehensive income	Recognised in equity	Recognised in profit or loss	31.12.2022
	BGN'000	BGN'000	BGN'000	BGN'000	BGN'000
<b>Non-current assets</b>					
Property, plant and equipment - revaluation	184,144	-	-	(1,084)	183,060
Property, plant and equipment - depreciation	7,833	-	-	(11,134)	(3,301)
Property, plant and equipment - impairment	(1,100)	-	-	21	(1,079)
Investment properties - revaluation	109	-	-	(109)	-
Financial instruments at fair value	32	(7)	-	-	25
<b>Current assets</b>					
Inventories - impairment	(1,656)	-	-	13	(1,643)
Trade and other receivables - impairment	(1,395)	-	-	343	(1,052)
Cash at banks - impairment	(218)	-	-	(62)	(280)
<b>Non-current liabilities</b>					
Liabilities for retirement employee benefits	(6,050)	-	497	(518)	(6,071)
<b>Current liabilities</b>					
Provisions	(2,491)	-	-	(2,402)	(4,893)
Unused leaves by the personnel	(2,304)	-	-	(694)	(2,998)
Accrued bonuses to the personnel	(983)	-	-	(729)	(1,712)
	<b>175,921</b>	<b>7</b>	<b>497</b>	<b>(16,355)</b>	<b>160,056</b>
Deferred tax assets	(16,196)				(23,029)
Deferred tax liabilities	192,117				183,085
Recognised as:					
<b>Deferred tax liabilities, net</b>	<b>175,921</b>				<b>160,056</b>
<b>Deferred tax assets / (liabilities)</b>					
	01.01.2021	Recognised in other comprehensive income	Recognised in profit or loss		31.12.2021
	BGN'000	BGN'000	BGN'000		BGN'000
<b>Non-current assets</b>					
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
<b>Current assets</b>					
Inventories - impairment	(1,056)	-	(600)		(1,656)
Trade and other receivables - impairment	(1,359)	-	(36)		(1,395)
Cash at banks - impairment	(211)	-	(7)		(218)
<b>Non-current liabilities</b>					
Liabilities for retirement employee benefits	(4,607)	-	(1,443)		(6,050)
<b>Current liabilities</b>					
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)
	<b>150,469</b>	<b>28,718</b>	<b>3,266</b>		<b>175,921</b>
Deferred tax assets	(19,907)				(16,196)
Deferred tax liabilities	170,376				192,117
Recognised as:					
<b>Deferred tax liabilities, net</b>	<b>150,469</b>				<b>175,921</b>

All deferred tax assets are included in the statement of financial position

**11. Nuclear fuel**

	<b>Fuel loaded in the reactors</b>	<b>Fresh Nuclear Fuel</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
<b>As at 01 January 2021</b>	<b>64,709</b>	<b>368,690</b>	<b>433,399</b>
Fuel purchased over the year	-	111,044	111,044
Transfers	<b>119,530</b>	(119,530)	-
Fuel, spent over the year	<b>(115,997)</b>	-	(115,997)
<b>As at 31 December 2021</b>	<b>68,242</b>	<b>360,204</b>	<b>428,446</b>
Fuel purchased over the year	-	107,177	107,177
Transfers	<b>116,275</b>	(116,275)	-
Fuel, spent over the year	<b>(116,561)</b>	-	(116,561)
<b>As at 31 December 2022</b>	<b>67,956</b>	<b>351,106</b>	<b>419,062</b>

The uninterrupted operation of Kozloduy NPP at maximum capacity is crucial for Bulgaria's energy and national security. Therefore, regular supplies of fresh nuclear fuel will ensure the smooth operation of Units 5 and 6. In view of the current military situation between the Russian Federation and Ukraine and the Company's current dependence on TVEL - Russian Federation, which is the main supplier of nuclear fuel for WWER-1000 type reactors, Kozloduy NPP EAD supported by the Bulgarian Ministry of Energy, has taken measures to diversify the supply of fresh nuclear fuel. Reducing the dependence on sole suppliers of nuclear materials and services in the nuclear fuel cycle (NFC) is in line with the EURATOM Supply Agency's policy to ensure the continuous and safe operation of nuclear facilities and the security and reliability of electricity generation for the population and industry of EU Member States. The European Energy Security Strategy, adopted on 28.05.2014, requires a comprehensive diversified portfolio of nuclear materials and services supply to all nuclear power plant operators in the European Union.

Pursuant to the decision of the National Assembly of the Republic of Bulgaria of 09.11.2022 to accelerate the process of securing an alternative supplier, partnership agreements with Westinghouse Electric Sweden AB and Framatome were signed in December.

A contract has been signed between Kozloduy NPP and Westinghouse for the supply of fresh nuclear fuel assemblies (compatible with those currently in use) for Unit 5 for a period of 10 years starting from 2024. A contract for the supply of nuclear fuel for Unit 6 has been concluded with the French company Framatome for a period of 10 years starting from 2025.

Apart from that, in order to secure energy supplies, in March 2022, the Council of Ministers approved a derogation from the sanctions of the European Union prohibiting the import of certain parts, materials and services in connection with the war in Ukraine so that Kozloduy NPP could purchase the necessary materials and spare parts in order to secure the annual outages and operation of the nuclear power plant.

## 12. Inventories

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

	31 December 2022	31 December 2021
	<b>BGN'000</b>	<b>BGN'000</b>
Spare parts	109,727	99,827
Fuels	3,160	3,102
Metals	1,297	1,498
Equipment	344	344
Reagents	1,476	765
Other materials	6,232	6,451
<b>Total materials</b>	<b>122,236</b>	<b>111,987</b>
<b>Goods</b>	<b>154</b>	<b>115</b>
<b>Total inventories</b>	<b>122,390</b>	<b>112,102</b>

The spare parts of the Company represent specific spare equipment for the operation of the power units and all facilities concerned with the generation of electricity, including ensuring and guaranteeing a continuous mode of operation.

As at 31 December 2022, based on measurements performed by an independent certified appraiser, a loss from impairment of material stocks amounting to BGN 167 thousand was recognized. The value of recovered impairment from previous periods in the amount of BGN 18 thousand. The review of the net realisable value of the Company's specific spare parts requires taking into account that they are intended not for subsequent sale, but for the production activity at Kozloduy NPP EAD.

An impairment of the idle inventory was performed as at 31 December 2021 based on the report of an independent certified appraiser amounting to BGN 6,105 thousand, and an impairment from previous periods amounting to BGN 17 thousand was recovered.

None of the inventories are pledged as securities for liabilities.

## 13. Trade and other receivables

	31 December 2022	31 December 2021
	<b>BGN'000</b>	<b>BGN'000</b>
Trade receivables	591	174
Impairment of trade receivables	(21)	(1)
Court receivables	8,364	11,033
Impairment of court receivables	(6,696)	(10,398)
Receivables from CCB (insolvent)	3,375	3,399
Impairment of a receivable from the CCB (insolvent)	(3,375)	(3,399)
Other receivables	1,060	1,217
Impairment of other receivables	(16)	(23)
<b>Financial assets</b>	<b>3,282</b>	<b>2,002</b>
Advance payments	2,320	558
Prepayments	676	2,565
<b>Non-financial assets</b>	<b>2,996</b>	<b>3,123</b>
<b>Trade and other receivables</b>	<b>6,278</b>	<b>5,125</b>

All trade and other financial receivables as at 31 December 2022 have been reviewed for indications of impairment.

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

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Balance as at 1 January</b>	<b>13,821</b>	<b>13,545</b>
Impairment loss	20	932
Recovery of impairment loss	(3,734)	(656)
<b>Balance as at 31 December</b>	<b><u>10,108</u></b>	<b><u>13,821</u></b>

An analysis of the age structure of trade and other financial receivables is provided in Note 38.2.

#### 14. Cash and cash equivalents

Cash and cash equivalents include the following items:

	<u>31</u>	<u>31</u>
	<b>December</b>	<b>December</b>
	<b>2022</b>	<b>2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Cash at banks and cash in hand, denominated in:		
- Bulgarian Leva (BGN)	686,845	856,646
- Euro (EUR)	54,682	59,728
- US Dollars (USD)	10	3
- Other currencies	2	-
Expected credit losses	(2,796)	(2,184)
<b>Cash and cash equivalents</b>	<b><u>738,743</u></b>	<b><u>914,193</u></b>

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 2,796 thousand in total in relation to cash and cash equivalents. For 2022 only, the latter amounted to BGN 612 thousand. The expected credit losses are recognised in consequence of the risk that the Company faces regarding the financial institutions.

The Company has BGN 24,851 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.

#### 15. 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 December 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 shutdown 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.

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 Decree 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 have been transferred to SE RAW and written off from the balance sheet of Kozloduy NPP EAD at their carrying amount as at 31 December 2020.

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:

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Assets</b>		
Lands and buildings	-	1,069
Machines, plant, and equipment	-	8,600
Acquisition costs	-	46,573
<b>Total assets</b>	<b>-</b>	<b>56,242</b>
<b>Liabilities</b>		
Retentions on construction contracts	-	2,170
Financing	-	43,709
<b>Total liabilities</b>	<b>-</b>	<b>45,879</b>

As at 31 December 2022, there are no assets and liabilities which have been distributed to the owners and there are no cash flows generated.

## 16. Equity

### 16.1. Share capital

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

### 16.2. Legal reserves

The Company reports legal reserves amounting to BGN 24,458 thousand (2022: 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.



### 16.3. 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.

	<b>Revaluation reserve of non- financial assets</b>
	<b>BGN'000</b>
<b>Balance as at 01 January 2021</b>	<b>1,913,926</b>
Revaluation of non-financial assets, net of tax	258,427
Transfer to retained earnings upon disposals of assets	(425)
<b>Balance as at 31 December 2021</b>	<b>2,171,928</b>
Transfer to retained earnings upon disposals of assets	(18,051)
<b>Balance as at 31 December 2022</b>	<b>2,153,877</b>

The write-off of revaluation reserves and their transfer to the Company's retained earnings is in accordance with the Company's accounting policy and is performed when assets that have been revalued are written off.

### 16.4. Other reserves

The other reserves amounting to BGN 11,405 thousand represent distributed earning from 2020.

The reduction of BGN 10,000 thousand of the other reserves compared to the end of the previous reporting period is due to their use as a source of share capital increase in relation to Decision No. 27 of 25 January 2022 of the Council of Ministers of the Republic of Bulgaria simultaneous increase and reduction of the Company's capital by BGN 56,242 thousand.

### 16.5. Declared and paid dividends

Based on a decision of the Board of Directors of BEH in Minutes No. 30-2022 of 05.05.2022, the dividends distributed and paid by the Company in 2022 to the sole owner amount to BGN 890,304 thousand representing 100% of the net income for 2021.

The dividends distributed and paid by the Company in 2021 to the sole owner amount to a total of 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;
- ✓ BGN 137,905 thousand, which represents 50% of the net profit for 2020 according to a decision of the Board of Directors of BEH under Minutes No.32-2021/22.06.2021. The remaining 50% of the net profit for 2020, also amounting to BGN 137,905 thousand, is allocated to Other reserves.
- ✓ BGN 250,000 thousand additional dividend according to a decision of the Board of Directors of BEH in Minutes No. 43-2021 of 11 August 2021 at the expense of 'Retained earnings from previous years' to the amount of BGN 244,192 thousand and at the expense of 'Other reserves' to the amount of BGN 5,808 thousand.

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

## 17. Retentions on construction contracts

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
Non-current	134	97
Current	6,842	7,137
	<b>6,976</b>	<b>7,234</b>

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 15)

## 18. Financing

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>As at 01 January</b>	<b>103,501</b>	<b>107,364</b>
Received over the year	-	59
Transfer of liabilities for distribution to the owners	1,848	-
Recognised in profit or loss	(7,340)	(3,922)
<b>As at 31 December</b>	<b>98,009</b>	<b>103,501</b>
Non-current	90,390	99,182
Current	7,619	4,319

The Company's financing represents amounts approved or obtained under programmes and funds for construction of property, plant and equipment with ecological purpose. The essential part of the assets subject to financing are part of the Company's Investment Programme and as at the date of the financial statement have been put into operation. The more significant of them are as follows:

- BGN 95,135 thousand received under projects financed by the EBRD for construction and equipment of a Dry Spent Fuel Storage Facility (DSFSF) and monitoring systems. Financing income is recognized proportionately over the useful life of the non-current assets being financed.

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.

In 2022, a payment amounting to BGN 6,304 thousand was effected, whereby the Company's debt as at 31 December 2022 was fully repaid (31 December 2021: debt amounting to BGN 6,304 thousand) and was presented in line 'Trade and other liabilities' (Note 22).

## 19. Liabilities for retirement employee benefits

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>2022</u>	<u>2021</u>
	<u>BGN'000</u>	<u>BGN'000</u>
<b>Balance as at 01 January</b>	<b>132,087</b>	<b>117,721</b>
Interest costs	900	697
Current service costs	30,904	29,405
Past services costs	-	(507)
Retirement employee benefits paid	(25,953)	(15,572)
Actuarial (gains) / losses, incl.:	<b>(5,693)</b>	<b>343</b>
Actuarial (gains) / losses from changes in the actual experience	20,784	(4,030)
Actuarial (gains) / losses from change in the financial assumptions, incl. from	(25,048)	4,398
- change in the discount rate from 0.6% to 5.5%	(25,048)	(524)
- increase of salaries growth in long-term perspective	-	4,922
Actuarial (gains) / losses from changes in the demographic assumptions	(1,429)	(25)
<b>Balance as at 31 December</b>	<b>132,245</b>	<b>132,087</b>
Non-current	98,267	101,211
Current	33,978	30,876

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

<u>31 December</u>	<u>31 December</u>
<u>2022</u>	<u>2021</u>

Discount rate	5.5%	0.6%
Future increase in remunerations	5% for the first and every subsequent year	10% for the first year

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>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Current service costs	(30,904)	(29,405)
Past services costs	-	507
Actuarial (gains) / losses, related to liabilities upon retirement due to	678	(406)
Retirement costs recognised as personnel costs	<b>(30,226)</b>	<b>(29,304)</b>
Interest costs recognised in financial costs	(900)	(697)
<b>Total expenses recognised in profit or loss</b>	<b><u>(31,126)</u></b>	<b><u>(30,001)</u></b>

The expenses, incurred with regards to current and past labour experience, as well as the actuarial losses related to liabilities upon retirement due to illness (retirement employee benefits), are included in 'Employee benefits costs'. 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>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Actuarial (gains) / losses from change in the actual experience assumptions	19,186	(4,215)
Actuarial (gains) / losses from change in the financial assumptions	(22,841)	4,175
Actuarial (gains) / losses from changes in the demographic assumptions	(1,360)	(23)
<b>Total Actuarial (gains) / losses recognised in other comprehensive income</b>	<b><u>(5,015)</u></b>	<b><u>(63)</u></b>

Based on past experience, the Company expects to pay BGN 33,978 thousand contributions under defined benefit plans in 2023.

The weighted average duration of the liability to pay defined benefits as at 31 December 2022 is 14.6 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 2022:

**Changes in significant actuarial assumptions in BGN'000**

<b>Discount rate</b>	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Increase / (decrease) in liabilities under defined benefit plans	(4,067)	4,391
<b>Percentage of increase of salaries</b>	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
Increase / (decrease) in liabilities under defined benefit plans	4,569	(4,310)
	<b>Increase by 1 year</b>	<b>Decrease by 1 year</b>
<b>Estimated life expectancy</b>		
Increase / (decrease) in liabilities under defined benefit plans	602	(636)
	<b>Increase by 1%</b>	<b>Decrease by 1%</b>
<b>Percentage of personnel's turnover</b>		
Increase / (decrease) in liabilities under defined benefit plans	(4,749)	5,072

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.

**20. Trade and other payables**

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

	<b>31 December 2022</b>	<b>31 December 2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<i>Non-current</i>		
Lease	-	117
<b>Financial liabilities</b>	<b>-</b>	<b>117</b>
<i>Current</i>		
Payables to suppliers	35,132	19,490
Lease liabilities	122	245
Financing subject to recovery	-	6,304
Other liabilities	14,854	4,948
<b>Financial liabilities</b>	<b>50,108</b>	<b>30,987</b>
Liabilities for remunerations of personnel	61,306	41,052
Liabilities for social security contributions	5,328	4,628
Tax liabilities	62,866	81,806
Liabilities under contributions to the NDF Fund, RAW Fund, and ESS Fund	252,490	68,728
Advances received	46	89
<b>Non-financial liabilities</b>	<b>382,036</b>	<b>196,303</b>
<b>Trade and other payables</b>	<b>432,144</b>	<b>227,290</b>

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

**20.1. 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:

	31 December, 2022 BGN'000	31 December 2021 BGN'000
<b>Right-of-use assets</b>		
Transport vehicles	119	343
	<u>119</u>	<u>343</u>
<b>Lease liabilities</b>		
Current	122	245
Non-current	-	117
	<u>122</u>	<u>362</u>

- **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:

	2022 BGN'000	2021 BGN'000
<b>Depreciation of right-of-use assets</b>		
Transport vehicles	(773)	(553)
	<u>(773)</u>	<u>(553)</u>
Interest costs (included in the financial costs)	(8)	(16)

The total lease cash flow in 2022 amounted to BGN 240 thousand.

## 21. Provisions

The carrying amount of the provisions can be presented, as follows:

	31 December 2022 BGN'000	31 December 2021 BGN'000
Provision for spent nuclear fuel	48,927	24,908
	<u>48,927</u>	<u>24,908</u>

The adjustment of the provisions during the year is presented below.

	<b>Provision for spent nuclear fuel</b> BGN'000
<b>Balance at 01 January 2021</b>	<u>79,720</u>
Released	(79,720)
Recognised provision	24,908
<b>Carrying amount at 31 December 2021</b>	<u>24,908</u>
Released	(81)
Recognised provision	24,100
<b>Carrying amount at 31 December 2022</b>	<u>48,927</u>

### Provision for transport, reprocessing 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 spent nuclear fuel (SNF) annually for reprocessing 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 reprocessing 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. The costs thereof were covered by the earmarked funds set aside in 2018 for SNF management, including the activities related to transportation, technological storage and reprocessing of SNF that had not been carried out during the previous years. Two transports of SNF from WWER-1000 were performed in 2021, with a total of 192 assemblies and the provision amounting to BGN 79,720 thousand set aside in the previous reporting period was recognised. In 2021, an Annex to the Contract was signed for the transportation of SNF from WWER-1000 (118 SNF assemblies) until the end of 2022, however, due to objective reasons related to the war in Ukraine, the two transports scheduled for 2022 were not carried out.

In view of performing its obligations as stated in the 'Strategy for Management of the 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 recognised a provision for SNF management in 2022 to the amount of BGN 24,100 thousand. The calculations are based on the best estimate of the cost of 1 transport of SNF from WWER-1000 (58 fuel assemblies) required to cover the current liability as at 31 December 2022. In 2021, BGN 24,908 thousand were accrued as expenses for provision for obligation for transport of SNF from WWER-1000, the financing of the transport of 60 SNF assemblies.

As at the end of the reporting period, ending 31 December 2022, the amount of the recognised provision required to cover the current obligation for SNF management is BGN 48,927 thousand, including the value of the unfulfilled transportations of WWER-1000 SNF for technological storage and reprocessing for 2021 and 2022.

## 22. Revenue from contracts with customers

### 22.1. The revenues from contracts with the Company's customers per types are as follows:

	2022	2021
	BGN'000	BGN'000
Revenue from sales of electricity	6,035,000	2,702,696
Revenue from sale of heat energy	3,599	3,556
<b>Revenue from sales of production</b>	<b>6,038,599</b>	<b>2,706,252</b>
Revenue from sales of services	2,401	2,349
Revenue from sales of goods and other current assets	1,862	806
<b>Revenue from contracts with customers</b>	<b>6,042,862</b>	<b>2,709,407</b>

### 22.2. The point-in-time of recognising the revenue from contracts with customers is as follows:

	2022	2021
	BGN'000	BGN'000
Products transferred as a point-in-time	1,862	806
Products and services transferred over time	6,041,000	2,708,601
	<b>6,042,862</b>	<b>2,709,407</b>

### 22.3. The revenue from sales of electricity by type of markets is as follows:

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Sales of electricity on the exchange market	5,816,338	2,543,438
Sales of electricity on the regulated market	228,114	161,588
Sales of electricity on the non-regulated market	2,089	1,386
Sales of electricity on the balancing market	(11,541)	(3,716)
<b>Revenue from sales of electricity</b>	<b><u>6,035,000</u></b>	<b><u>2,702,696</u></b>

Revenue from the sales of electricity on the power exchange market were realized in the following power exchange segments:

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Market segment 'Day ahead'	5,794,825	2,263,175
Market segments 'Bilateral contracts'	71	272,034
Market segment 'Intraday'	26,053	12,341
Purchased replacement energy	(4,611)	(4,112)
<b>Revenue from sales of electricity</b>	<b><u>5,816,338</u></b>	<b><u>2,543,438</u></b>

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 reporting periods, 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 January 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.
- ✓ As of 11 May 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.
- ✓ Yet in 2021, the energy and gas exchanges in Europe reported consistently record-high prices. In 2022, this 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 reported increase in electricity prices in the second half of 2021 continued as a trend in 2022 too.
- ✓ The war in Ukraine is the other factor that had a strong impact on the price of energy resources. The main cause of rising inflation across the world, mainly in Europe and Bulgaria, was the increase in the price of natural gas, electricity and fuels. The war made this process sustainable throughout 2022, and last summer a historic record was set for the price of natural gas on Europe's largest exchange in the Netherlands, reaching almost EUR 343 per megawatt-hour. It was therefore only logical that the rise in the price of natural gas should lead to an increase in electricity prices in Europe. Although in Bulgaria a very small part of the electricity is produced from natural gas, prices on the Independent Bulgarian Energy Exchange (IBEX) have risen dramatically because the exchange is linked to the European energy exchanges. Thus, electricity prices in Europe have a direct impact on the values of the IBEX, where businesses in the country buy their electricity.

**22.4. The revenue from sales of electricity by type of customers is as follows:**

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>



<b>Related parties, incl.:</b>	<b>6,034,867</b>	<b>2,435,715</b>
<i>Independent Bulgarian Energy Exchange EAD</i>	5,816,266	2,271,404
<i>National Electricity Company EAD</i>	228,114	161,588
<i>ESO EAD sales of electricity + balancing electricity, net</i>	(11,539)	1,363
<i>SE RAW</i>	2,026	1,360
<b>Other customers</b>	<b>133</b>	<b>266,981</b>
<b>Revenue from sales of electricity</b>	<b>6,035,000</b>	<b>2,702,696</b>

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 schedule. Revenue is invoiced under the terms of the contract.
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.

Type of product/ service	Contractual obligations nature and completion time, including essential payment terms	Recognition of revenue under IFRS 15
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.

#### 22.5. Balances under contracts with customers

	31 December 2022	31 December 2021
	BGN'000	BGN'000
Trade receivables	570	173
Trade receivables from related parties	98,673	44,625
	<b>99,243</b>	<b>44,798</b>

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.

#### 23. Other income

	2022	2021
	BGN'000	BGN'000
Income from penalties under contracts	3,288	699
Revenue from sale of waste	503	575
Income from assets' surplus	181	84
Income from insurance events	1	704
Recovered impairment of PPE	-	1,094
Other income	370	394
	<b>4,343</b>	<b>3,550</b>

#### 24. Cost of materials

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Nuclear fuel, lubricants and fuels	(119,559)	(120,695)
Spare parts and tools	(19,680)	(11,901)
Materials for current maintenance	(2,198)	(2,353)
Working and special clothing	(1,634)	(1,585)
Reagents for production	(1,609)	(1,215)
Purchased electric energy	(44)	(290)
Specialised literature and stationery	(252)	(175)
Construction materials and metals	(145)	(80)
Advertising materials	(109)	(39)
	<b><u>(145,230)</u></b>	<b><u>(138,333)</u></b>

#### 25. Hired services costs

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Repair and maintenance services	(75,738)	(66,369)
Transmission grid access fee	(37,125)	(36,658)
Armed security and fire protection	(23,709)	(22,405)
Insurance of property and nuclear damage	(15,806)	(15,336)
Fees for permits by regulatory bodies	(7,077)	(5,785)
Consulting services	(5,946)	(4,037)
Transport costs	(3,499)	(3,133)
Taxes and fees	(3,292)	(5,445)
Cleaning services and landscaping	(2,233)	(1,902)
Water usage fee	(1,510)	(1,445)
Water supply and sewerage services	(1,182)	(959)
Scientific research and documentation	(1,034)	-
Researches, measurements and control	(860)	(764)
Training and qualification	(856)	(561)
Information, postal and telecommunication services	(367)	(383)
Medical services	(365)	(183)
Services for provision of protective food as per government order	(229)	(2,496)
Rents	(226)	(70)
Transportation of SNF	-	(1,653)
Other	(3,433)	(1,622)
	<b><u>(184,487)</u></b>	<b><u>(171,206)</u></b>

#### 26. Employee benefits expenses

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Salaries and wages	(214,915)	(166,631)
Social security costs	(43,499)	(37,945)
Social expenses, in cash	(29,871)	(27,487)
Food expenses, in accordance with Regulation No. 11	(14,305)	(15,960)
Other expenses for social services	(5,011)	(4,334)
Compensations, provided in accordance with the Labour Code	(3,512)	(2,211)
	<b><u>(311,113)</u></b>	<b><u>(254,568)</u></b>
Retirement employee benefits	<b><u>(30,226)</u></b>	<b><u>(29,305)</u></b>
	<b><u>(341,339)</u></b>	<b><u>(283,873)</u></b>

## 27. Provision expenses

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Provision for spent nuclear fuel	(24,100)	(24,908)
	<b>(24,100)</b>	<b>(24,908)</b>

Detailed information on the provision is provided in Note 21.

## 28. Recovered impairment/ (impairment costs) on financial assets, net

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Recovered/(Accrued) impairment of receivables from litigations and claims	3,702	(932)
(Accrued)/ Recovered impairment of receivables from customers	(20)	31
(Accrued) impairment of receivables from related parties	(278)	(82)
Recovered impairment of other receivables	32	625
(Accrued) impairment of cash in banks	(612)	(72)
	<b>2,824</b>	<b>(430)</b>

## 29. Other expenses

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Annual instalment payment to the Nuclear Facilities Decommissioning Fund (NFDF)	(452,625)	(202,702)
Annual instalment payment to the Energy System Security Fund (ESS Fund)	(301,750)	(135,135)
Annual instalment payment to the Radioactive Waste Fund (RAW Fund)	(181,050)	(81,081)
Out-of-court settlements	(25,000)	-
Donations and sponsorship	(1,257)	(2,185)
Membership fees	(875)	(948)
Social costs	(600)	(897)
Business trips	(512)	(403)
Shrinkage and waste	(607)	(267)
Representation expenses	(192)	(248)
Penalties and charges under contracts	(124)	(45)
Impairment of inventory	(167)	(6,105)
Recovered impairment of inventory	18	17
Other expenses	(1,731)	(825)
	<b>(966,472)</b>	<b>(430,824)</b>

The statutory contributions that the Company is required to make monthly to several funds amount to the total of BGN 935,425 thousand (2021: BGN 418,918 thousand) and represent approximately 97% of the Company's Other expenses. They are recognised under the following regulations:

- ✓ 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 (contributions to the NFDF);
- ✓ REGULATION on the procedure for defining, collecting, spending and control of the funds and the amount of contributions due to the Radioactive Waste Fund (contributions to the RAW Fund);
- ✓ REGULATION on the procedure for collecting, spending and control of the funds for the Electricity System Security Fund (contributions to the ESS Fund).

In 2022 Kozloduy NPP EAD reached out-of-court settlements, respectively signed out-of-court settlements and terminated commercial cases with the Company's customers under standardised agreements for the purchase and sale of electricity. As a result, the Company paid BGN 25,000 thousand to settle all current and future claims under the closed cases.

### **30. Compensations of non-household end customers of electricity**

In 2022, the country and the European Union as a whole faced a drastic surge in electricity prices, mainly due to increased demand both in Europe and worldwide, and rising prices of energy carriers and carbon emissions and the war in Ukraine.

The drastic increase in electricity market prices has had a negative impact on end consumers, respectively the business in the country, which suffered the negative economic consequences of the Covid-19 pandemic. It was impossible to avoid the adverse impact due to the short period of time, the dynamic situation and the significant rise in electricity prices. The increased cost of electricity logically led to an immediate increase in the prices of all products offered. Therefore, all countries in Europe started looking for ways to cope with the high inflation. One of the measures taken was to compensate consumers for the expensive electricity. But although the price of electricity for household consumers in Bulgaria is regulated by the Energy and Water Regulatory Commission (EWRC), the expensive electricity for businesses immediately affected the purchasing power of people in our country because of high inflation.

In order to mitigate the economic repercussions of the 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 non-household end customers of electricity. The programme aims to protect and assist all non-household 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 non-household end customers through electricity traders, ultimate suppliers, electricity producers selling directly to final non-household end customers, 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 was aimed at reducing the amount due from non-household end customers.

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 in 2021, 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 November 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 November 2021 and reported as current expense for the period in the statement of profit and loss and other comprehensive income.

With the legislative changes in the Act on Amendments and Supplements to the Act on the State Budget of the Republic of Bulgaria, effective from 01 July 2022, an obligation has been imposed on public enterprises in the energy sector with 100% state share in the capital to make earmarked contributions to the ESS Fund for financing of programmes for compensation of non-household customers of electricity. By Decision No.490 dated 15 July 2022 the Council of Ministers made a decision that BEH EAD shall make an earmarked contribution to the ESS Fund to the amount of BGN 456,010,939. According to this decision, the necessary funds should be provided to BEH EAD by its subsidiaries, which are electricity producers.

Decision dated 28 July 2022 of the Board of Directors of BEH confirms the decision made under Minutes No.49-2022/18.07.2022, that the payer of the amount due under the Decree shall be Kozloduy NPP EAD. On 29 July 2022, Kozloduy NPP EAD paid the amount of BGN 456,010,939 to BEH EAD.

For the implementation of the programme, monthly decisions of the Council of Ministers determine the amounts that Bulgarian Energy Holding EAD is obliged to transfer to the Energy System Security Fund within the specified deadlines.

For its part, by decisions of the Board of Directors of BEH, the latter obliges Kozloduy NPP EAD to provide the necessary funds to BEH accounts. For the period from July 2022 to December 2022, the total amount is BGN 3,181,011 thousand, respectively for the months as follows:

- July 2022 – BGN 456,011 thousand under the CM decision No. 490/15.07. 2022;
- August 2022 – BGN 700,000 thousand under the CM decision No. 587/17.08. 2022;
- September 2022 – BGN 970,000 thousand under the CM decision No. 648/07.09. 2022;
- October 2022 – BGN 650,000 thousand under the CM decision No. 735/05.10. 2022;
- November 2022 – BGN 200,000 thousand under the CM decision No. 920/17.11. 2022;
- December 2022 – BGN 205,000 thousand under the CM decision No. 1 035/19.12. 2022.

The Decision of the Council of Ministers No. 29 of 12.01.2023, effective from 01.12.2022, establishes a ceiling on the market revenues from the production of electricity, for the electricity produced by a nuclear power plant, it is BGN 180 per MWh for each individual transaction. Pursuant to the decree, Kozloduy NPP EAD declared additional BGN 198,228 thousand to be paid in December 2022, which is presented as a liability for contributions to the ESS Fund under ‘Trade and other payables’ and was paid by the Company in January 2023.

As a result of the measures taken, the cost of compensating non-household end customers of electricity at the expense of Kozloduy NPP EAD for 2022 amounts to the total of BGN 3,379,239 thousand and for 2021 amounts to BGN 450,000 thousand.

### 31. Finance income and finance costs

	<u>2022</u>	<u>2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
Interest costs on loans and leases	(8)	(266)
<b>Total interest expenses under financial instruments that are not carried at fair value in profit or loss</b>	<b>(8)</b>	<b>(266)</b>
Interest expenses on liabilities for retirement employee benefits	(900)	(697)
Fees and commissions expenses	(6,787)	(1,339)
Negative exchange rate differences	(14)	(54)
<b>Financial costs</b>	<b>(7,709)</b>	<b>(2,356)</b>

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

	<u>2022</u>	<u>2021</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Interest income on loans granted	4,290	169
Interest income on deferred payments agreements	-	479
Interest income on bank accounts	8	42
<b>Total interest income on financial assets that are not carried at fair value in profit or loss</b>	<b><u>4,298</u></b>	<b><u>690</u></b>
Income from dividends	2,297	1,075
Positive exchange rate differences	5	9
<b>Finance income</b>	<b><u><u>6,600</u></u></b>	<b><u><u>1,774</u></u></b>

### 32. Income tax expenses

The estimated income tax expenses based on the applicable tax rate for Bulgaria amounting to 10% (2021: 10%) and the actual tax expenses recognised in profit or loss can be reconciled as follows:

	<u>2022</u>	<u>2021</u>
	<u>BGN'000</u>	<u>BGN'000</u>
Accounting profit before taxation	810,304	1,039,126
Tax rate	10%	10%
Estimated income tax expense	<u>(81,030)</u>	<u>(103,913)</u>
Tax effect of:		
Increase of the financial result for tax purposes	(31,612)	(72,220)
Decrease of the financial result for tax purposes	15,446	24,046
<b>Income tax expense due</b>	<b><u>(97,196)</u></b>	<b><u>(152,087)</u></b>
Deferred tax income/(expenses) as a result of:		
Incurrence and reversal of temporary differences	16,355	3,265
<b>Current income tax</b>	<b><u>(80,841)</u></b>	<b><u>(148,822)</u></b>
Deferred tax income, recognised in the other comprehensive income	7	(28,718)

Note 10 provides information on the deferred tax assets and deferred tax liabilities.

### 33. Disclosures of related parties

The Company discloses the following related parties:

#### **Sole owner of the Company, exercising control (Parent Company)**

Bulgarian Energy Holding EAD (BEH)

#### **Owner of the Parent Company's capital**

The Republic of Bulgaria through the Minister of Energy

#### **Subsidiaries**

Kozloduy NPP - New Build EAD

Kozloduy HPP EAD

Interpriborservice OOD /insolvency proceedings were initiated by Decision No. 11 dated 16.02.2023 of the District Court of the town of Vratsa/

NPP Construction Supervision EOOD

NPP Service EOOD

**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, Bulgartel Skopje DOOEL, Gauging and Information Technologies Energy Operator EAD (in liquidation), Energy Investment Company EAD (until 26.04.2018), Independent Bulgarian Energy Exchange EAD (until 15.02.2018).

**Associates for the BEH Group**

Contour Global Maritsa Iztok 3 AD, Contour Global Operations Bulgaria AD, ZAD Energia, POD Allianz Bulgaria AD, HEK Gorna Arda AD

**Joint ventures for the BEH Group**

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

Others - Independent Bulgarian Energy Exchange EAD, 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 2022:**

Iliya Todorov Iliev - Chair;  
 Georgi Kirov Kirkov - Member and Chief Executive Officer;  
 Iva Edward Nikolova - Member;  
 Todor Angelov Yonev - Member;  
 Andrey Krasnocharov - Member and Deputy Chief Executive Officer;

**Key management personnel of the Parent company as at 31 December 2022:**

Veselina Lachezarova Kanatova-Buchkova - Chair of the BoD;  
 Angel Emilov Yankov - Member of the BoD;  
 Ivan Todorov Andreev - Member of the BoD and Chief Executive Officer;  
 Diyan Stanimirov Dimitrov - Member of the BoD;  
 Stelian Penchev Koev - Member of the BoD;  
 Anton Georgiev Simeonov - Member of the BoD;  
 Zheko Mihaylov Zhekov - Member of the BoD;

Unless otherwise stated, none of the transactions with related parties incorporate special terms and conditions and no guarantees were given or received.

**33.1. Transactions with related parties and payables to related parties as at year-end**

**33.1.1. Transactions with the Sole Owner – BEH EAD**

	<u>2022</u>	<u>2021</u>
	BGN'000	BGN'000
Increase of the capital	56,242	-
Decrease of the capital	(56,242)	-
Purchase of services	436	351
Sale of services	4,702	143
Granting a loan	387,865	-
Interest on loan granted	4,180	-
Repaid loan - BEH EAD	174,637	-
Dividend distributed to BEH EAD	890,304	607,905
Payments made for the ESS Fund to the account of BEH EAD	3,181,011	-

Information on the loans provided is included in Note 33.2. Loans granted to related parties



**33.1.2. Transactions with subsidiaries**

	<b>2022</b>	<b>2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Services rendered</b>		
- services rendered to Interpriborservice OOD	104	38
- services rendered to Kozloduy HPP EAD	33	48
- services rendered to Kozloduy NPP - New Build EAD	84	16
- services rendered to NPP Service EOOD	7	-
<b>Purchased assets and services:</b>		
- purchase of goods and services from Interpriborservice OOD	1,676	7,409
- purchase of services from NPP Construction Supervision OOD	25	-
- purchase of goods from NPP Service EOOD	450	-
- purchase of services from NPP Service EOOD	4,182	-
Interest income under loan granted - Kozloduy HPP EAD	110	169
Repaid loan - Kozloduy HPP EAD	2,320	2,300
Distributed dividends from Kozloduy HPP EAD	2,140	964
Founding capital contribution for NPP Service EOOD	750	-

**33.1.3. Transactions with other related parties under common control**

	<b>2022</b>	<b>2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Sales of products, goods, and services:</b>		
- sales of electricity to IBEX AD, net of purchased substitute energy	5,816,266	2,271,404
- sales of electricity to NEK EAD	228,114	161,588
- sales of balancing electricity to ESO EAD	1,156	5,329
- Services rendered to ESO EAD	2	2
- sales of electricity, heat energy and services to SE RAW	3,938	3,176
<b>Purchase of goods and services:</b>		
- services purchased from IBEX AD	1,960	1,970
- purchase of goods and services from NEK EAD	2,869	817
- purchase of services and goods from ESO EAD	49,679	40,727
- purchase of services from SE RAW	737	525
- purchase of insurance services from ZAD Energia AD	-	14,353
- dividend received from ZAD Energia AD	157	111
- recovered insurance premium for 'Low claims ratio' from ZAD Energia AD for 2021	704	669

Sales and purchases from related parties are performed at contracted rates. Unless otherwise stated, none of the transactions with related parties incorporate special terms and conditions.

### 33.2. Loans granted to related parties

	31 December 2022	31 December 2021
	BGN'000	BGN'000
Non-current part:		
Principal	28,590	3,670
<i>Impairment</i>	<i>(126)</i>	<i>(-)</i>
	<u>28,464</u>	<u>3,670</u>
Current:		
Principal	188,308	2,320
Interest	43	71
	<u>188,351</u>	<u>2,391</u>
<b>Total loans granted</b>	<u><b>216,815</b></u>	<u><b>6,061</b></u>

The loans granted to related parties are as follows:

**Loan to the subsidiary Kozloduy HPP EAD**, granted in previous reporting periods:

- Limit of up to BGN 20,000 thousand,
- maturity date 15 January 2024
- a negotiated annual interest rate equalling the BIR as at the date of payment of the due instalment plus 0.30% margin or 2.5% margin
- the loan shall be repaid in 22 instalments according to a repayment schedule
- secured by a promissory note

In 2022, Kozloduy HPP EAD repaid BGN 2,320 thousand and the credit balance as at 31 December 2022 amounted to BGN 3,670 thousand.

The interests accrued in 2022 amounted to BGN 110 thousand (2021: BGN 169 thousand).

**Loan to the sole owner BEH EAD:**

- By Minutes No. E-RD-21-10/24.03.2022 of the Ministry of Energy permission was granted for the conclusion of a loan agreement between Kozloduy NPP EAD as Lender and BEH EAD as Borrower;
- credit amount: BGN 350,000 thousand;
- period: one year and the loan maturity date is 31 March 2023
- a negotiated annual interest rate - 1.66%, in the event of late payment it equals the BIR as at the date of payment of the due instalment plus 10% margin;
- the loan is unsecured.

As at 31 December 2022 BEH EAD has made loan payments in the amount of BGN 174,637 thousand and the amount due at the end of the reporting period is BGN 175,363 thousand.

- By virtue of Minutes No. 31-2022/11.05.2022 of the Board of Directors of BEH EAD and protocol No.15/19.05.2022 of the Board of Directors of Kozloduy NPP EAD a decision was made for signing a contract for a loan between Kozloduy NPP EAD as Lender and BEH EAD as Borrower;
- Loan value - BGN 37,865 thousand;
- repayment due date 30 June 2026, the payment of the principal is due after 01 January 2023;
- a negotiated annual interest rate - 1.66%, in the event of late payment it equals the BIR as at the date of payment of the due instalment plus 10% margin;
- the loan is unsecured.

No payments were made by BEH EAD during the reporting period other than interest due.

Proceeds from loans granted to related parties of the Company amount to a total of BGN 216,815 thousand, including non-current receivables totalling BGN 28,464 thousand (2021: BGN 3,670 thousand)

which include Proceeds from loans granted to BEH EAD to the amount of BGN 27,270 thousand and Kozloduy HPP EAD to the amount of BGN 1,320 thousand (2021: BGN 3,670 thousand).

Short-term receivables from related parties under loans granted amount to a total of BGN 188,351 thousand, including receivables from BEH EAD to the amount of BGN 185,958 thousand and from Kozloduy HPP EAD to the amount of BGN 2,393 thousand.

### 33.3. Related party balances, other than loans

	31 December 2022	31 December 2021
	BGN'000	BGN'000
<b>Current receivables</b>		
- <i>sole owner</i>		
BEH EAD - trade	-	28
- <i>subsidiaries</i>		
Kozloduy HPP EAD - trade and dividend	-	310
Interpriborservice OOD - dividend	32	32
Interpriborservice OOD - impairment	(9)	(5)
Interpriborservice OOD - trade	97	12
Kozloduy NPP - New Build EAD	1	-
NPP Service EOOD - trade	2	-
- <i>related parties under common control</i>		
NEK EAD - trade, interest, gross	45,836	31,657
<i>Impairment</i>	(268)	(123)
ESO EAD - trade, guarantees	558	375
- <i>other related parties</i>		
IBEX EAD	50,919	10,736
SE RAW	1,509	900
<i>Impairment</i>	(4)	(1)
ZAD Energia AD	-	704
<b>Total current receivables from related parties</b>	<b>98,673</b>	<b>44,625</b>

The Company's receivables from related parties in their essence are:

Current receivables from transactions– BGN 86,600 thousand (31 December 2021: BGN 32,185 thousand)

Provided guarantees under contracts - BGN 11,025 thousand /Note 36 - from IBEX EAD - BGN 10,673 thousand, and ESO EAD - BGN 352 thousand as at 31 December 2022 and 3 December 2021

Receivables from dividends to the amount of BGN 32 thousand from Interpriborservice OOD due since 2020.

Litigation receivables from Interpriborservice OOD to the amount of BGN 90 thousand (31 December 2021: BGN 0 thousand).

Interest receivables for late payments from NEK EAD - BGN 1,207 thousand (31 December 2021: BGN 1,207 thousand). At the moment the principal has been repaid.

For receivables of the dividend due from Interpriborservice OOD and the interest from NEK, the Company has recognised impairment loss presented in Note 33.3.

	31 December 2022	31 December 2021
	BGN'000	BGN'000
<b>Current payables</b>		
- <i>sole owner</i>		
BEH EAD - trade	32	24
- <i>subsidiaries</i>		
Interpiborservice OOD - trade, guarantees	65	617
Kozloduy NPP - New Build EAD - guarantees	1	2
NPP Construction Supervision EOOD - trade	1	-
NPP Service EOOD - trade	581	-
- <i>related parties under common control</i>		
ESO EAD - trade	3,749	4,491
- <i>other related parties</i>		
IBEX EAD	7	22
SE RAW	62	-
<b>Total current payables to related parties</b>	<b>4,498</b>	<b>5,156</b>
<b>Total payables to related parties</b>	<b>4,498</b>	<b>5,156</b>

The amounts due from the Company such as BGN 4,498 thousand in the portion of BGN 4,435 thousand are current payables for completed transactions, while the sum of BGN 63 thousand is contract warranty retained amount, comprising BGN 62 thousand of Interpiborservice OOD, and BGN 1 thousand of Kozloduy NPP - New Build EAD.

The dividends distributed and paid to the sole owner have no tax effect.

The receivables from related parties have been reviewed for indications of impairment. The movement of the allowance account for impairment of trade and other receivables is as follows:

#### 33.4. Movement of the impairment of receivables and loans granted from related parties

	2022	2021
	BGN'000	BGN'000
<b>Balance at 01 January</b>	<b>129</b>	<b>47</b>
Impairment loss	278	82
<b>Balance at 31 December</b>	<b>407</b>	<b>129</b>

#### 33.5. Transactions with key management personnel

The key management personnel of the Company includes the members of the Board of Directors. The remuneration costs of the key management personnel include:

	2022	2021
	BGN'000	BGN'000
Short-term remunerations:		
Salaries and wages, including bonuses and compensations	495	605
Social security costs	32	26
Social costs	48	37
<b>Total remuneration costs</b>	<b>575</b>	<b>668</b>

#### 34. Adjustment of liabilities resulting from financing activity

The changes in the Company's liabilities resulting from financing activity can be classified, as follows:

	Short-term borrowings BGN'000	Obligations under lease contracts BGN'000	Total BGN'000
<b>01 January 2022</b>	-	362	362
<b>Cash flows:</b>			
Payments	-	(240)	(240)
<b>31 December 2022</b>	-	122	122
<b>01 January 2021</b>	11,170	578	11,748
<b>Cash flows:</b>			
Payments	(11,331)	(232)	(11,563)
<b>Non-cash changes:</b>			
Fair value	-	16	16
Accrued interest	161	-	161
<b>31 December 2021</b>	-	362	362

### 35. Cashless transactions

In 2022, the Company did not engage in any investment or financial transactions in which no cash or cash equivalents were used.

### 36. Commitments and contingent liabilities

#### Capital commitments

As at 31 December 2022, the Company had capital commitments amounting to BGN 115,423 thousand till the end of 2025, including BGN 99,580 thousand for 2023 (31 December 2021: BGN 120,910 thousand) which are associated with commitments to acquire property, plant and equipment.

The Company has contractual commitments on a framework contract with TVEL JSC for the acquisition of nuclear fuel until the end of 2025. As at 31 December 2022, the financial commitments regarding the supply for 2023 amount to BGN 163,069 thousand (31 December 2021: BGN 54,684 thousand).

#### Legal claims

Legal claims to the amount of BGN 2,463 thousand were brought against the Company (31 December 2021: BGN 50,760 thousand). None of the above claims is set out in details herewith, so as not to seriously affect the Company's position in the dispute resolution.

In 2022 Kozloduy NPP EAD reached out-of-court settlements, respectively signed out-of-court settlements and terminated commercial cases with the Company's customers under standardised agreements for the purchase and sale of electricity. As a result, the Company paid BGN 25,000 thousand to settle all current and future claims under the closed cases.

#### Guarantees, collaterals and mortgages

Bank guarantees and cash collaterals to the amount of BGN 10,498 thousand were opened for the benefit of the Company as at 31 December 2022 (31 December 2021: BGN 10,180 thousand).

As at 31 December 2022, the Company had provided the following guarantees and collaterals:

- Monetary guarantee under a contract for organised exchange market - BGN 3,200 thousand;
- Monetary guarantee on the provision of a financial limit when initiating a CMBC bid for electricity - BGN 350 thousand;
- Monetary guarantee on the provision of a financial limit for participation on IBEX CMBC segment- BGN 1,498 thousand;
- Monetary guarantee for concluding electricity trade transactions - BGN 75 thousand;
- Monetary guarantee for participation on the electricity exchange market - BGN 50 thousand;
- Monetary guarantee for obligations to society for trading in electricity - BGN 566 thousand;
- Monetary guarantee on balancing contract - BGN 326 thousand;

- Monetary guarantee under a contract for supply of reactive power to the off-site emergency response centre (ERC) - BGN 19 thousand;
- Monetary guarantee under a contract for access and transmission of electricity - 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 7 thousand;
- Guarantee collateral under a framework contract for provision of electricity - BGN 16 thousand.

### Insurance policies

The Safe Use of Nuclear Energy Act stipulates a limit on the liability of the operating organisation for nuclear damages. The Act limits the liability of the operator to BGN 96,000 thousand for each 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 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.

As of 29 July 2022, a new one-year contract was concluded with the Bulgarian Nuclear Insurance Pool for the period from 1 August 2022 to 31 July 2023. The insurance amount is BGN 864 thousand, of which BGN 847 thousand insurance premium and BGN 17 thousand tax on premium. The Company has an “Industrial fire” property insurance policy concluded with OZK-Insurance JSC covering the period from 01 January 2022 to 31 December 2022. The insurance sum amounts to BGN 14,834 thousand (2021 - BGN 14,352 thousand).

### Other

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.

### 37. 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:

<b>Financial assets</b>	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
		<b>BGN’000</b>	<b>BGN’000</b>
Financial instruments at fair value through other comprehensive income	9	482	549
<b>Debt instruments measured at amortised cost</b>			
Trade and other receivables	13	3,282	2,002
Loans granted to related parties	33.2	216,815	6,061
Receivables from related parties	33.3	98,673	44,625
Cash and cash equivalents	14	738,743	914,193
<b>Total financial assets</b>		<b>1,057,995</b>	<b>967,430</b>
<b>Financial liabilities</b>	<b>Note</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
		<b>BGN’000</b>	<b>BGN’000</b>

**Financial liabilities carried at amortised cost –  
 current and non-current:**

Retentions on construction contracts	17	6,976	7,234
Trade and other liabilities	20	50,108	31,104
Payables to related parties	33.1	4,498	5,156
<b>Total financial liabilities</b>		<b>61,582</b>	<b>43,494</b>

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 38.

**38. Risks related to financial instruments**

**Management objectives and policies in respect of risk management**

Risk management is a structured process within which existing risks to the achievement of the Company's objectives are identified and analysed. To counteract significant risks, strategies are defined, evaluated, selected and implemented to reduce to acceptable levels the probability of occurrence of risk events and the expected magnitude of their consequences. The risk management process includes monitoring of the changes in the parameters of reported significant risk events and control of the effectiveness of strategies implemented to counteract them. Where necessary, corrective action are taken by modifying or updating the applied counteracting and risk reporting strategies.

The Company's risk management is a responsibility of the Company's Central administration in cooperation with the Board of Directors and the Board of Directors of BEH EAD.

The Company is exposed to various types of financial risks. The most significant ones are market risk, credit risk and liquidity risk.

**38.1. 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. A material risk event in the medium-term perspective is the continued unfavourable upward trend of inflation in the country and in Europe in 2022, on the one hand due to the rapid pace of development of European economies after the COVID pandemic and on the other hand due to the drastic jump in energy prices due to the war in Ukraine. The high levels of inflation 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.

The Company is also exposed to price risk regarding change in electricity prices. About 96 % of the revenue from contracts with customers are from sales of electricity on the exchange market where there has been significant volatility in market prices in recent years and a potential fall in electricity prices on European markets would have a negative effect on the financial result.

**38.1.1. 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.

**38.1.2. Interest risk**

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

The Company is exposed to interest risk also with regard to the developed retirement defined employee benefit plan. Changes to the calculated present value of the liabilities are possible in the presence of changes in the discount rate which is based on the market yield of the government securities held. A possible decline in the market yield of the government securities held will increase the Company's future liabilities related to defined benefit plans. (see item 19 Liabilities for retirement employee benefits)

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.

In connection with the credits granted by the Company to BEH EAD, interest rate risk does not exist, since the agreed interest rate is fixed on an annual basis. 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.

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

### 38.2. 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 2022</u>	<u>31 December 2021</u>
	<u>BGN'000</u>	<u>BGN'000</u>
<b>Groups of financial assets – carrying amounts:</b>		
Financial instruments at fair value through other comprehensive income	482	549
<b>Debt instruments measured at amortised cost – current and non-current:</b>		
Trade and other receivables	3,282	2,002
Loans granted to related parties	216,815	6,061
Receivables from related parties	98,673	44,625
Cash and cash equivalents	738,743	914,193
<b>Carrying amount</b>	<u><b>1,057,995</b></u>	<u><b>967,430</b></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 financial receivables from non-related and related parties of the Company by using the expected credit loss provision matrix as at 31 January 2022 and 31 December 2021 respectively.

	<u>Estimated credit loss percentage</u>	<u>Gross value of receivables from customers</u>	<u>Impairment for expected credit loss</u>	<u>Net value of receivables from customers</u>
	%	BGN'000	BGN'000	BGN'000
<b>31 December 2022</b>				
Non-matured	0%	1,112	-	1,112
From 30 to 90 days	0%	7	-	7
From 90 to 180 days	0%	2	-	2
From 180 to 360 days	5.59%	519	(29)	490
Over 360 days	99.90%	3,386	(3,383)	3
Litigations and writs	80.06%	8,364	(6,696)	1,668
		<u><b>13,390</b></u>	<u><b>(10,108)</b></u>	<u><b>3,282</b></u>
<b>31 December 2021</b>				
Non-matured	0%	906	-	906
From 30 to 90 days	0%	38	-	38



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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
		<b>15,823</b>	<b>(13,821)</b>	<b>2,002</b>

As at the date of the separate financial statements, the age structure of financial receivables is as follows:

**As at 31 December 2022**

	<b>Not overdue</b>	<b>30-90</b>	<b>90-180</b>	<b>180-360</b>	<b>&gt;360</b>	<b>Total</b>
	<b>BGN'000</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>BGN'000</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Trade and other receivables	2,780	7	2	490	3	3,282
Receivables from related parties	97,346	360	6	-	961	98,673
	<b>100,126</b>	<b>367</b>	<b>8</b>	<b>490</b>	<b>964</b>	<b>101,955</b>

**As at 31 December 2021**

	<b>Not overdue</b>	<b>30-90</b>	<b>90-180</b>	<b>180-360</b>	<b>&gt;360</b>	<b>Total</b>
	<b>BGN'000</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>days</b>	<b>BGN'000</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Trade and other receivables	1,541	38	6	379	38	2,002
Receivables from related parties	42,836	678	-	-	1,111	44,625
	<b>44,377</b>	<b>716</b>	<b>6</b>	<b>379</b>	<b>1,149</b>	<b>46,627</b>

Information about the change in the impairment of the trade and other receivables from related parties is presented in Note 33.3.

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.

**38.3. 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:

<b>31 December 2022</b>	<b>&lt;3 months</b>	<b>3-12 months</b>	<b>1-5</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>years</b>	<b>BGN'000</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Retentions on construction contracts	-	6,842	134	6,976
Trade and other liabilities	402,159	29,985	-	432,144
Payables to related parties	4,434	64	-	4,498
	<b>406,593</b>	<b>36,891</b>	<b>134</b>	<b>443,618</b>

<b>31 December 2021</b>	<b>&lt;3 months</b>	<b>3-12 months</b>	<b>1-5</b>	<b>Total</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>years</b>	<b>BGN'000</b>
	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>	<b>BGN'000</b>
Retentions on construction contracts	-	7,137	97	7,234

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Trade and other liabilities	203,329	23,961	117	227,407
Payables to related parties	5,154	2	-	5,156
	<u>208,483</u>	<u>31,100</u>	<u>214</u>	<u>239,797</u>

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.

### 39. 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 levels of hierarchy of non-financial assets as at 31 December, periodically measured at fair value:

	<u>31 December 2022</u>	<u>31 December 2021</u>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Property, plant, and equipment (Level 3):</b>		
- Land	14,032	14,032
- Buildings	439,668	444,799
- Machines, plant, and equipment	1,679,486	1,795,416
- Vehicles	7,965	8,678
<b>Investment property (Level 3):</b>	-	4,127
	<u>2,141,151</u>	<u>2,267,052</u>

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 2022 a review for impairment was conducted. 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 2022, the Company has disposed of 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 opening balance of non-financial assets of level 3 can be reconciled to the closing balance as of the reporting date as follows:

<b>Non-current assets for distribution to the owner</b>	<b>Investment property</b>
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	<b>Land, buildings, machines and acquisition costs BGN'000</b>	<b>Office building BGN'000</b>
<b>Balance at 01 January 2022</b>	<b>56,242</b>	<b>4,127</b>
Disposal of non-financial assets		
- at the expense of the capital	(56,242)	-
- through sale	-	(4,127)
<b>Balance at 31 December 2022</b>	<b>-</b>	<b>-</b>

	<b>Land, buildings, machines and acquisition costs BGN'000</b>	<b>Investment property Office building BGN'000</b>
<b>Balance at 01 January 2021</b>	<b>56,242</b>	<b>4,115</b>
Profit or loss, recognised in profit or loss:		
Change in the fair value of investment property	-	12
<b>Balance at 31 December 2021</b>	<b>56,242</b>	<b>4,127</b>

#### 40. 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:

	<b>2022</b>	<b>2021</b>
	<b>BGN'000</b>	<b>BGN'000</b>
<b>Profit for the year, after tax</b>	<b>729,463</b>	<b>890,304</b>

#### 41. Post-reporting date events

At the beginning of January 2023, by Minute Resolution No. 6-2023/20.01.2023 of the Board of Directors of BEH and No. CA-2/20.01.2023 of the Board of Directors of Kozloduy NPP EAD, Andrey Krasnocharov was dismissed as a member of the Board of Directors and Svilena Nikolova Nikolova was appointed in his place. This circumstance was entered into the Commercial Register on 26.01.2023.

By Decision No. 11 dated 16.02.2023 of the District Court in the town of Vratsa, Interpriborservice OOD, Kozloduy, in which the Company has a controlling interest of 63.96% was declared bankrupt.

In 2022, electricity prices escalated to historic high as a result of the energy crisis following the Russia-Ukraine military conflict. Measures taken at the EU level (Council Regulation No. EU 2022/1854 of 06.10.2022) and in the Member States to address the high energy prices have largely contributed to the normalisation of price levels already at the end of 2022. In the first quarter of 2023, there has been a decline in electricity prices traded on the IBEX. For the period January-March 2023, the average exchange price of electricity sold by Kozloduy NPP EAD was 251 BGN/MWh with significantly lower levels compared to the reported in 2022 ~496 BGN/MWh.

On 15 April 2023, Kozloduy NPP Unit 6 was shut down to perform planned preventive maintenance related to indications of a coolant leakage. The downtime is consistent with the availability of sufficient

electricity in the country's power system at this time of the year. The continuous monitoring of the unit's systems and equipment showed that the leakage from the first to the second circuit in the third steam generator does not exceed the limits for safe operation. The limits provided for in the Technical Specification have not been reached and there is no change in the radiation situation in the working premises and on the Kozloduy NPP site. Although the operation of the nuclear power plant can continue, a conservative decision has been taken to shut down the unit and carry out preventive maintenance and repairs to ensure the required high safety and operational reliability of the nuclear power plant.

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 2022.

#### **42. Disclosure pursuant to statutory requirements**

These Separate financial statements were audited jointly by audit firms Grant Thornton OOD and Zaharina Nexia OOD, based on a contract signed between the Bulgarian Energy Holding EAD and DZZD Audit BEH. The Company does not accrue amounts for independent financial audit. The Consolidated Financial Statements of the Bulgarian Energy Holding EAD disclose the accrued amounts for rendering of services by the registered auditor for independent financial audit. The auditors did not render other services during the period.

#### **43. Approval of the separate financial statements**

The Separate Financial Statements as at 31 December 2022 (including comparison data) were approved for issue by the Board of Directors on 21 April 2023.