



BELENE NPP PROJECT

CALL

**for Expression of Interest for a Strategic Investor and/or Acquisition of
Minority Shareholding and/or Purchase of Electricity**

March 2019

IMPORTANT INFORMATION

In pursuance of a Decision of the National Assembly of the Republic of Bulgaria of 7 June 2018 and Decision No: 447 of 29 June 2018 of the Council of Ministers of the Republic of Bulgaria, Natsionalna Elektricheska Kompania EAD (NEK) announces this Call for participation in a procedure for selection of a strategic investor for the Belene NPP construction, as well as a Call for expression of interest for acquiring minority shareholding in the future Project Company, which will be set up to build, own and operate Belene NPP in Bulgaria on a market principle and /or expression of interest for purchase of electricity from the future power plant.

The Bulgarian side, through NEK, will participate in the future Project Company with an in-kind contribution of the assets related to the Belene NPP Project, including the licensed site, the long-term manufacture equipment (LTME), the issued decisions, permits, licences and other documents and rights concerning the Project.

The Bulgarian side, through NEK, reserves the right of a blocking quota when deciding on certain matters within the competence of the General Assembly of the Shareholders in the Project Company throughout the whole period of the power plant construction, operation and subsequent decommissioning.

OBJECTIVE OF THE CALL

The only purpose of this Call is to provide certain information to the parties that wish to participate in the procedure for acquiring of a certain percentage of equity shares in the Project Company, as well as to assist them in deciding whether to declare an Expression of Interest (EOI) in connection with the Call. The Call does not purport to contain all the information that a potential subscriber of shares in the Project Company may need, and the information in the Call is provided for guidance only.

Neither NEK, nor Bulgarian Energy Holding EAD /BEH/, nor the Ministry of Energy /ME/, nor the Government of the Republic of Bulgaria make any representations or warranties regarding the accuracy or completeness of the information contained in this Call and have no obligation to correct any errors in it that may be brought to their attention. No responsibility or liability is assumed, and any responsibility and/or obligation is expressly denied by the Government of the Republic of Bulgaria, the Ministry of Energy, BEH, NEK, affiliates, directors, board members, partners, officers, agents, advisors and employees regarding errors, inaccurate statements, misrepresentations or omissions in this Call or in any other document.

With the publication of this Call, neither the Government of the Republic of Bulgaria, nor the Ministry of Energy, BEH, NEK, their affiliates, directors, board members, partners,

officers, agents, advisors and employees shall undertake to provide the recipient with any additional information or send an invitation to a party to participate in a share acquisition process.

Subject to confidentiality obligations, NEK intends to provide an information memorandum to some of the parties (each referred to as the "Short-listed Party") which submit an Expression Of Interest (EOI) in response to this Call and which, on the basis of an assessment made regarding the compliance and substance of the submitted EOIs, best meet the requirements for experience in investment and construction of large power facilities and which have the adequate financial capacity to secure their commitments for investment and participation in the Project Company. NEK also intends to provide the Short-listed Parties (also subject to confidentiality obligations) with information gathered in a data room which may be wholly or partly in an electronic form.

The potential investors in the Project Company must make their own investigations and get convinced in the financial position and prospects of the Project Company and its future business activities, as well as regarding the accuracy and completeness of the statements contained in this document.

RESPONSIBILITY DISCLAIMERS

Although NEK and ME have made diligent efforts to prepare the information contained in this document, none of them, nor any of their directors, partners, employees, subcontractors, intermediaries or agents will provide any assurances or warranties directly or indirectly, with respect to the Call. No statement or warranty, explicit or implied, will be given by the above parties or by any of their respective directors, partners, employees, sub-contractors, intermediaries or agents regarding the accuracy or completeness of the contents of the Call or any other document, or information supplied at any time in connection with this procedure. The only statements and warranties that will be made are those that may eventually be included in a final contract for acquiring of a certain percentage of equity shares in the Project Company.

By publishing this Call, none of the above parties undertake to provide additional information or to correct inaccuracies in the Call or to remove any gaps identified at some time. NEK and ME reserve the right, without prior notice, to change the procedure for acquiring of a certain percentage of equity shares in the Project Company, or to suspend or terminate the procedure at any time before the conclusion of a binding agreement. Any costs and expenses incurred by the persons that have expressed an interest to subscribe for shares in the Project Company and/or to purchase electricity, or such costs incurred by their agents or advisors will be the sole responsibility of these persons. Neither the Ministry of Energy, nor BEH, nor NEK, nor the Government of the Republic of Bulgaria undertake to cover such costs if the procedure is changed, suspended or terminated at any time.

Contact Person: All inquiries regarding the procedure should be referred to:
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INVESTMENT OPPORTUNITIES

Natsionalna Elektricheska Kompania EAD (NEK) has developed a project for construction of a 2 000 MW nuclear power plant Belene (Belene NPP) in Northern Bulgaria. Belene NPP will be owned by a newly created company, Project Company, in which NEK will be a shareholder. NEK calls for expression of interest by potential equity investors to participate in the ownership, financing, construction, management and operation of Belene NPP and/or expression of interest in purchase of electricity from the future power plant.

The Call gives an opportunity for expression of interest by parties (each called "Interested Party") which wish to participate in the procedure for acquiring of a certain percentage of equity shares in the Project Company that will be created to build, own and operate Belene NPP, and /or expressing of interest in purchase of electricity.

An application for participation in the procedure for selection of a strategic investor, respectively interest for acquiring of minority shareholding in the Project Company, may be submitted by Bulgarian or foreign legal entities, as well as by consortiums of such companies.

Any Bulgarian or foreign legal entity, as well as a consortium of such companies, or any other formation may submit their interest in purchase of electricity.

Participation in the procedure for selection of an investor is not allowed to persons and/or companies registered in jurisdictions with preferential tax regime, unless the exceptions under Art. 4 of the Economic and Financial Relations Act With Companies Registered in Jurisdictions with Preferential Tax Regime, Persons Controlled by Them and Their Actual Owners are in force, as well as for persons for whom there are other restrictions under the Bulgarian legislation.

SHORT DESCRIPTION OF THE PROJECT

The Project for Belene NPP construction in Northern Bulgaria / Belene Site, located 4 km away from the town of Belene and 11 km away from Svishtov/, includes construction of two 1000 MW units, each under Design A92, third generation of the most commonly used nuclear reactors in the world - pressurized water reactors. Until the Project suspension in 2012, the Main Contractor for engineering, procurement and construction was Atomstroyexport JSC, the Technical Design of Belene NPP was prepared by the Chief Designer Atomenergoprojekt JSC – Moscow, and Areva NP GmbH was a subcontractor for the electrical systems, safety systems, management and control, heating, ventilation & air-conditioning, etc. The equipment manufactured and delivered in 2017 for the Nuclear Island was manufactured by Izhora Plants JSC, ZiO – Podolsk PJSC and Atommashexport OJSC.

This is an evolutionary project that uses the best of experience for decades in the design and operation of light-water reactors (LWR) and combines it with state-of-the-art technical solutions and unique innovations. The reactor unit of the Belene NPP Project uses a pressurized water reactor (PWR) with four circulating loops. The nominal heat power is 3000 MW and the net useful power is 1000 MW. The fuel recharging process lasts 14 days and the planned annual outage for maintenance purposes is reduced and lasts 20 to 50 days depending on the scope of current repairs.

The Belene NPP Project is an optimal combination of several features - increased production efficiency, shortened time for construction and implementation, competitive electricity prices and long design life, and at the same time safety and care for people and the environment remain a top priority.

The safety systems are designed to withstand failures, including failures due to general reasons, and are able to perform their functions in case of power supply interruption.

The selected design for Belene NPP ensures more efficient use of nuclear fuel than the second generation light-water reactors. This allows generation of 20% more electricity by using 25% less fuel. At the same time, the achieved big depth of fuel burning reduces the annual amount of spent nuclear fuel by 50%.

Developed by leading design and engineering companies, on the basis of knowledge and experience gained in the design, construction and operation of nuclear power plants with VVER reactors, the A-92 design is licensed by the regulatory authorities in the manufacturing country and meets the modern national safety requirements and the recommendations of IAEA, as well as the requirements of the international consulting group INSAG, etc.

PROVISIONS SET BY THE BULGARIAN SIDE FOR THE BELENE NPP PROJECT CONSTRUCTION

For the purposes of maximum protection of the property and financial interests of the Bulgarian side, and for ensuring the energy security in the Republic of Bulgaria, and in order to guarantee the safe use of nuclear energy, the following provisions are set by the Bulgarian side in the procedure for the Belene NPP construction:

- Construction of Belene Nuclear Power Plant (Belene NPP) in Northern Bulgaria, under A92 design of third generation water-water reactors under Russian development VVER-1000/V-466: two units with installed capacity of 2000 MW.
- The construction of Belene NPP shall be carried out by a project company created for the purpose.
- The construction of the power plant shall be carried out on a market principle (no contracts for mandatory purchase of energy to be concluded by the Bulgarian state, no preferential prices to be provided by the Bulgarian state for purchase of electricity, no contracts for differences to be concluded by the Bulgarian state, no corporate guarantees to be provided by the Bulgarian state, no other non-market mechanisms to guarantee the investment) and no state guarantees.
- The construction should be carried out with the equipment and assets available at the licensed site.
- The Project shall be implemented by maximum and full use of the reactor equipment already supplied and the design documentation.
- In the course of the Project implementation, any changes to the design in terms of safety must be excluded in order to ensure its licensing.
- The owner of the VVER-1000 technology should be involved in the obtaining of licences and permits for the Project construction and operation.
- The Project Company should undertake commitments with a supplier of fresh nuclear fuel that will supply fuel for the VVER-1000 reactors in accordance with the existing licensing agreements and applicable legislation.
- The operator of the built power plant must be experienced in the operation of VVER-1000 reactors.
- Maximal size of the Bulgarian side's shareholding participation in the Project Company that will implement the Project - only in the amount of the in-kind contribution of the assets relevant to the Belene NPP Project.
- The Bulgarian side, through NEK, reserves the right of a blocking quota when deciding on certain matters within the competence of the General Assembly of the Shareholders in the Project Company throughout the whole period of the power plant construction, operation and subsequent decommissioning.
- Ensuring of possibilities for negotiations with large industrial and other consumers of electricity in the country and the Region, which have declared their willingness to conclude power purchase agreements.

- Maximum cost of the Project construction - not more than 10 Billion Euro;
- Maximum commissioning period - 10 (ten) years from signing a shareholders' agreement.
- Possibility for local companies to participate in the Project implementation under the conditions of the applicable legislation.

INFORMATION REQUIRED FOR SUBMISSION OF APPLICATIONS FOR PARTICIPATION IN THE PROCEDURE, RESPECTIVELY LETTERS OF INTEREST FOR ACQUISITION OF MINORITY SHAREHOLDING AND/OR PURCHASE OF ELECTRICITY

1. The Applications for participation in the procedure for selection of a strategic investor should contain the following information about the potential investors, as indicated in the Call:

- Applicant's profile with organizational structure (including subsidiaries), as well as shareholders' structure;
- Corporate connections of the Applicant with companies providing supplies, construction works and other companies involved in construction and/or operation of nuclear power plants;
- Credit Rating (s) awarded and audited financial statements for the past 3 years for which such reports are prepared. The financial statements should include the following documents: profit and loss account, balance sheet, cash flow statement, equity statement, audit report, as well as explanatory notes to them;
- Description of the Applicant's investment activities over the past 10 years, including type and value of investments, including investments in nuclear capacities construction and other large energy/infrastructure projects;
- A Concept suggested for the Project development, including power plant construction period, as well as a proposal for nuclear fuel supply and a proposal for the spent nuclear fuel;
- Sources suggested for the Project financing, including the way proposed for providing of borrowed capital (debt) for the Project, as well as the Applicant's own financial capacity;
- Maximum/minimum percentage of equity ownership in the Project that the Applicant would like to acquire, if any;
- Duration of the investment, if any.

The required information will be used for preparation of a Short List of preferred applicants who will be invited to submit a binding offer.

2. The Letter of Interest for acquisition of minority shareholding in the Project Company and/or for purchase of electricity shall contain obligatory information about the specific interest, as follows:

- Interest for acquiring only minority shareholding in the Project Company.
- Interest for acquiring minority shareholding in the Project Company and purchase of electricity.
- Only interested in purchase of electricity.

2.1. Together with the Letter of Interest for acquiring of minority shareholding in the Project Company and for purchase of electricity, the following information shall be provided:

- Applicant's profile, with organizational structure (including subsidiaries), as well as shareholders' structure;
- Audited financial statements for the past 3 years for which such reports are prepared. The financial statements should include the following documents: profit and loss account, balance sheet, cash flow statement, equity statement, audit report, as well as explanatory notes to them.

2.2. In case of interest expressed for purchase of electricity, the Letter shall indicate quantities, purchase period and other relevant information, as well as the electricity demand profile.

GUIDELINES FOR PREPARATION AND SUBMISSION OF APPLICATIONS FOR PARTICIPATION IN THE PROCEDURE, RESPECTIVELY FOR PREPARATION AND SUBMISSION OF LETTERS OF INTEREST FOR ACQUISITION OF MINORITY SHAREHOLDING AND/OR PURCHASE OF ELECTRICITY

1. The applications for participation in the procedure for selection of a strategic investor shall be submitted in accordance with the forms attached to the Call.

The applications for participation must be prepared in Bulgarian and English and submitted in original on paper, as well as in an electronic form.

The application for participation shall be signed by the legal representative of the Applicant or by an explicitly authorized person. In case of an Applicant-Consortium which is not a legal entity, the application for participation should be signed by the legal representative of the partner, who is designated to represent the Consortium.

2. The Letters of Interest for acquisition of minority shareholding in the Project Company and/or purchase of electricity shall be prepared in Bulgarian and English and submitted in original on paper, signed by the legal representative of the Applicant or by an explicitly authorized person. In case of an Applicant-Consortium that is not a legal entity, the Letter of Interest shall be signed by the legal representative of the partner, who is designated to represent the Consortium.

WAY, PLACE AND DEADLINE FOR SUBMISSION OF APPLICATIONS FOR PARTICIPATION IN THE PROCEDURE, RESPECTIVELY LETTERS OF INTEREST FOR ACQUISITION OF MINORITY SHAREHOLDING AND/OR PURCHASE OF ELECTRICITY

The applications for participation, respectively the letters of interest, shall be submitted by the Applicant or by a representative authorized by him in one of the following ways:

- a)** personally, against signature, or
- b)** by postal service with registered delivery with acknowledgment of receipt, or
- c)** another courier service with registered delivery with acknowledgment of receipt.

The applications / letters of interest shall be submitted by the Applicant to the address of NEK EAD: 5, Veslets Str., Sofia.

The deadline for receipt of applications /letters of interest is till 5:30 p.m. Sofia time on the 90th day from the date of this Call publishing in the Official Journal of the EU.

If the Applicant sends the application for participation / letter of interest by registered mail or courier, he must send it so as to secure its receipt by NEK EAD by the deadline.

Upon receipt of the application for participation / letter of interest, the packing will be marked by an incoming reference number, date and time of receipt and the bearer will be issued a document for that.

Attachments:

- 1. Brief information about Natsionalna Elektrieska Kompania EAD.
- 2. Brief history of the Project.

3. Documentary status of Belene NPP Project, including the documents issued by the time of the Call – orders, decisions, permits, etc., concerning its implementation (including construction).
4. Brief information about the electricity market in Bulgaria.
5. Information on the stages of the procedure for selection of a strategic investor for construction of Belene NPP.
6. Form of Application for participation in the strategic investor selection procedure.
7. Form of Letter of Interest for acquisition of minority shareholding in the Project Company.
8. Form of Letter of Interest for acquisition of minority shareholding in the Project Company and purchase of electricity.
9. Form of Letter of Interest for purchase of electricity.

This Call and all Attachments in Bulgarian and English are available on the website of the Ministry of Energy of the Republic of Bulgaria (www.me.government.bg) and on the website of Natsionalna Elektricheska Kompania EAD (www.nek.bg).