**HECHO RELEVANTE**

En cumplimiento de lo dispuesto en la Circular 9/2010 del Mercado Alternativo Bursátil y para su puesta a disposición del público, remitimos el informe financiero anual relativo al ejercicio 2014 de EBIOSS Energy, AD.

En Sofía (Bulgaria), a 30 de Abril de 2015

José Óscar Leiva Méndez
*Presidente de EBIOSS Energy, AD.*

# Informe de evolución anual y grado de cumplimiento de las previsiones.

La compañía formula sus cuentas de acuerdo a las normas internacionales de contabilidad, por lo que para que las previsiones financieras resulten directamente comparables con las cuentas auditadas, se ha tomado la decisión de realizar las previsiones financieras según normas NIIF tal como se ha reflejado en la actualización del Plan de Negocio publicada en el día de hoy.

Por la misma razón, se ha decidido informar la comparación de las previsiones recogidas en el presente apartado referidas al cierre del ejercicio 2014 en formato NIIF.

- ## Análisis de la Cuenta de Resultados del ejercicio 2014.

A continuación se muestra una comparación entre la cuenta de pérdidas y ganancias auditada a 31 de diciembre de 2014 y el presupuesto estimado total para el año 2014 extraído del Plan de Negocio de la Compañía vigente a cierre del ejercicio 2014.

Asimismo, a efectos de mejorar el análisis comparativo, se añade una columna en la que se refleja el porcentaje de desviación en unidades monetarias y otra con el porcentaje de desviación en términos porcentuales:

| EBIOSS CONSOLIDADO<br>millones de euros | 2014e | 2014 | Variation (€) | Variation (%) |
|---|---|---|---|---|
| Revenue | 3,2 | 2,3 | -0,9 | -29% |
| Other revenues | 0,0 | 0,1 | 0,1 | 0% |
| Work performed by the entity and capitalized | 12,7 | 13,0 | 0,3 | 3% |
| Gain on a bargain purchases | 2,7 | 2,7 | 0,0 | 0% |
| Materials, goods for resale and expenses for hired services | 12,7 | 13,1 | 0,4 | 3% |
| Employee benefit expenses | 1,6 | 1,8 | 0,2 | 10% |
| Depreciation and amortization | 0,1 | 0,2 | 0,1 | 54% |
| Other expenses | 0,8 | 0,6 | -0,2 | -25% |
| Impairments | 0,1 | 0,0 | -0,1 | -97% |
| **Results from operating activities** | **3,2** | **2,4** | **-0,8** | **-25%** |
| Net finance costs | 0,1 | 0,211 | | |
| **Profit/Loss before tax** | **3,1** | **2,2** | **-0,9** | **-28%** |
| Income tax | 0,5 | 0,4 | | |
| **Net profit/loss** | **2,6** | **2,6** | **0,0** | **-2%** |

- ## Análisis del Balance de situación del ejercicio 2014.

A continuación se muestra el balance de situación a 31 de diciembre de 2014 junto al previsto en el Plan de Negocio de la Compañía que estaba vigente en el cierre del año 2014.

Asimismo, a efectos de mejorar el análisis comparativo, se añade una columna en la que se refleja el porcentaje de desviación en unidades monetarias y otra con el porcentaje de desviación en términos porcentuales:

| EBIOSS CONSOLIDADO<br>millones de euros | 2014e | 2014 | Variation (€) | Variation (%) |
|---|---|---|---|---|
| ASSETS | | | | |
| Non Current Assets | 46,1 | 41,3 | -4,8 | -10% |
| Current Asses | 7,7 | 11,8 | 4,0 | 52% |
| Total Assets | 53,8 | 53,0 | | |
| Liabilities | | | | |
| Non Current Liabilities | 9,0 | 8,4 | -0,6 | -7% |
| Current Liabilities | 4,8 | 6,5 | 1,6 | 34% |
| Equity | 40,0 | 38,2 | -1,8 | -4% |
| Total equity and liabilities | 53,819 | 53,045 | -0,774 | -1% |

- ## Aspectos relevantes del informe de auditoría del ejercicio 2014.

A continuación se señalan dos salvedades que el auditor de la sociedad, Baker & Tilly, ha reflejado en su informe de auditoría relativo a las cuentas de la compañía del ejercicio 2014, y que se incluyen en el presente Hecho Relevante:

1. Al igual que ya había señalado como salvedad para el ejercicio precedente, se advierte que el grupo no ha eliminado el beneficio intragrupo de sus estados consolidados por valor de 1,845 MM € en el ejercicio 2014 y de 0,568 MM € en el ejercicio 2013 en los "Trabajos realizados y capitalizados". Como resultado de lo anterior, "Trabajos realizados y capitalizados" de los ejercicios 2013 y 2014 están incluyendo un exceso de 1,845 MM € y 0,568 MM € respectivamente, y en consecuencia está sobredimensionado el Inmovilizado en 2,413 MM € y 0,568 MM €, respectivamente en 2014 y 2013.

2. En Marzo de 2015 se produjeron cambios legislativos en Bulgaria que han motivado la necesidad en el grupo de reorganizar y rediseñar parcialmente sus plantas de producción de Karlovo Biomass y Heat Biomass. El grupo ha estimado pero no incluido en las cuentas un deterioro del fondo de comercio de 0,580 MM € en el caso de Karlovo y de 0,755 MM € en el caso de Heat. Como resultado de ello, el fondo de comercio estaría sobredimensionado en 1,335 MM €.

- ## Acontecimientos posteriores al cierre del ejercicio 2014.

Tras el cierre del ejercicio 2014 han tenido lugar dos hitos especialmente relevantes a destacar en el presente documento:

1. La aprobación en Bulgaria de una nueva legislación que modificó las condiciones del desarrollo de negocio esperado para los proyectos de la compañía en aquel país.

2. La publicación subsiguiente, en el día de hoy 30 de abril de 2015, de un nuevo Plan de Negocio, que incorpora:

    a. El impacto previsto en las proyecciones por la modificación de la Ley de Energía Renovable en Bulgaria.
    b. Las perspectivas de mayor expansión internacional.
    c. La evolución de la integración de nuevos servicios en el grupo.

## Estados Financieros individuales y consolidados de EBIOSS Energy, AD a 31 de diciembre de 2014.

**EBIOSS ENERGY AD**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

# EBIOSS ENERGY AD

## CONTENTS

**PAGE**

# DIRECTORS AND OTHER OFFICERS

**Executive Directors:**

Jose Oscar Leiva Mendez
Luis Sanchez Angrill

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**Legal Consultant**

Angel Panayotov
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**Bank**

BNP Paribas Securities Services, Spain
Banco Inversis S.A., Spain
Unicredit Bulbank AD, Bulgaria
United Bulgarian Bank, Bulgaria
Banco de Sabadell S.A., Spain
Banco Popular Portugal S.A., Spain
Banco Bilbao Vizcaya Argentaria S.A., Spain
CaixaBank S.A., Spain
Novo Banco, Portugal
Banco Santander Totta S.A., Portugal
Caixa Geral de Depositos, Portugal
Banco Portugues de Investimento, Portugal
Millenium BCP, Portugal

**Auditor**

Baker Tilly Klitou and Partners OOD
104 Akad. Iv.Evst.Geshov Blvd
7th floor; office 12
Sofia 1612

# EBIOSS ENERGY AD

# DIRECTOR`S REPORT

The Board of Directors presents its report and audited consolidated financial statements of EBIOSS ENERGY AD (the Company) and its subsidiaries (the Group) for the year ended 31 December 2014.

**Incorporation**

EBIOSS ENERGY AD (the Company) is a joint stock company registered in Sofia, Bulgaria with EIC: 202356513. It was incorporated on 07 January 2011 as TETEVEN BIOMASS EOOD with Elektra Holding AD holding 100% of the issued share capital which was EUR 102 (BGN 200 comprising of 20 shares at nominal value BGN 10 each). On 28 March 2012 the name was changed from TETEVEN BIOMASS EOOD to EBIOSS ENERGY EOOD.

On 01 October 2012 EBIOSS ENERGY EOOD was transformed into EBIOSS ENERGY OOD and on the same date the share capital of EBIOSS ENERGY OOD was increased from EUR 102 (BGN 200) to EUR 12,391,414 (BGN 24,235,500), comprising 2,423,550 shares of a nominal value of EUR 5.11 each, divided between the following shareholders:

| Shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 75.95 | 1,840,654 | 18,407 | 9,411 |
| Sofia Biomass EOOD | 12.71 | 308,043 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 1.65 | 40,000 | 400 | 205 |
| SPAX OOD | 0.88 | 21,325 | 213 | 109 |
| 4 physical persons | 8.81 | 213,528 | 2,136 | 1,092 |
| **Total:** | **100** | **2,423,550** | **24,236** | **12,392** |

The increase of the share capital of EBIOSS ENERGY OOD was performed through contributions in kind representing 100% of shares in the following subsidiaries, valued at fair values by licensed valuers at the date of the transaction, as follows:

| Subsidiary | Fair value in EUR'000 |
|---|---|
| Heat Biomass | 3,500 |
| Karlovo Biomass | 3,500 |
| Tvarditsa Biomass | 2,045 |
| Nova Zagora Biomass | 1,278 |
| Provdiv Biomass | 979 |
| United Biomass | 1,090 |
| **Total:** | **12,392** |

### 1. Incorporation and principal activities (continued)

**Incorporation (continued)**

On 12 December 2012 EBIOSS ENERGY OOD has been transformed into joint stock company EBIOSS ENERGY AD.

On 21 December 2012 according to Agreements for transfer of shares against repayment of receivables, Elektra Holding AD transferred 210,000 dematerialized shares from the registered capital of Ebioss Energy AD to Sungroup Bulgaria EOOD, 78,200 dematerialized shares from the registered capital of Ebioss Energy AD to Origina Bulgaria OOD and 19,500 dematerialized shares from the registered capital of Ebioss Energy AD to Antigona Bulgaria EOOD.

As at 31 December 2013 the share capital of Ebioss Energy AD is divided between the following shareholders:

| Shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 43.22 | 3,046,732 | 15,234 | 7,789 |
| Sofia Biomass EOOD | 8.74 | 616,086 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 6.94 | 489,000 | 2,445 | 1,250 |
| Origina Bulgaria OOD | 2.20 | 155,028 | 775 | 396 |
| SPAX OOD | 0.60 | 42,650 | 213 | 109 |
| Antigona Bulgaria EOOD | 1.15 | 81,000 | 405 | 207 |
| 5 physical persons | 5.68 | 400,090 | 2,000 | 1,023 |
| **Minority shareholders** | 31.48 | 2,219,107 | 11,096 | 5,673 |
| **Total:** | **100** | **7,049,693** | **35,248** | **18,022** |

The basic shareholders of the company are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 68.5% of the share capital of the Company as at 31.12.2013.

The minority shareholders are those who subscribed shares in two subsequent capital increases made during 2013 by means of initial public offering of shares on the Spanish Alternative Stock Exchange Market – MAB). These shareholders own approximately 31.5% of the share capital of the Company as at 31.12.2013.

### 1. Incorporation and principal activities (continued)

#### Incorporation (continued)

As at 31 December 2014 the share capital of Ebioss Energy AD is divided between the following shareholders:

| Basic shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 37.32 | 15,268,585 | 15,269 | 7,807 |
| Sofia Biomass EOOD | 7.53 | 3,080,430 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 5.88 | 2,407,110 | 2,407 | 1,231 |
| Origina Bulgaria OOD | 1.89 | 775,140 | 775 | 396 |
| Antigona Bulgaria EOOD | 1.25 | 509,265 | 509 | 260 |
| 4 physical persons | 3.99 | 1,631,025 | 1,631 | 834 |
| **Minority shareholders** | 42,14 | 17,240,861 | 17,241 | 8,815 |
| **Total:** | **100** | **40,912,416** | **40,912** | **20,918** |

#### Principal activities

The principal activity of the Company is the management of the engineering, construction and development of gasification Power Plants. As of December 31, 2014 the following Power Plant Projects are under development by each subsidiary of the Company:

- **Heat Biomass EOOD,** registered on 6 January 2011 with UIC 201384552 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The construction of the external connection to the grid of the plant has started in March 2014 and electricity will start to be produced in 2016 (see also events after the reporting period).

- **Karlovo Biomass EOOD,** registered on 6 January 2011 with UIC 201384641 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is under construction on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The construction of the first phase of 2 MW has started in October 2013 and electricity will start to be produced in 2015. The construction of the second phase of 3 MW has started in March 2014 and electricity will start to be produced in 2015 (see also events after the reporting period).

**1. Incorporation and principal activities (continued)**

**Principal activities (continued)**

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Plovdiv.

- **Nova Zagora Biomass EOOD,** registered on 7 January 2011 with UIC 201385519 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017.

- **Tvardica Biomass EOOD,** registered on 7 January 2011 with UIC 201384926 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Tvarditza. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD,** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Tvarditza.

- **United Biomass EOOD,** registered on 6 January 2011 with UIC 201384562 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Letnitza. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to CEZ Distribution Bulgaria AD, the electricity distribution Company for the Western part of Bulgaria. The plant should be completed and electricity production shall commence in 2018.

The Company has also the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the subsidiaries of EBIOSS ENERGY AD.

On 30 November 2012 Ebioss Energy AD has acquired control over **EQTEC IBERIA S.L.**, a Company registered in Spain. EQTEC IBERIA S.L. is an engineering company specializing in the design, complete construction, operation and maintenance of cogeneration plants heat and electricity power, gasification power plants and renewable energy, with experience in the market for more than 15 years. Since its founding, the company has implemented over 60 plant projects of production of electricity and / or heat, with capacities ranging from 60 kW to 10,000 kW. The company has developed and currently works on projects in Spain, Portugal, India, France, Germany, Italy and Bulgaria.

In 2013 on the grounds and under conditions of the Minutes of the meeting of the Board of Directors of Ebioss Energy AD dated 24 October 2013, the Company participated in the incorporation of the joint-stock company **Energotec-Eco AD** through subscribtion and acquisition of 215 shares with nominal value of EUR 51.12, representing 43% of the registered capital of the company Energotec-Eco AD. The new incorporated company Energotec Eco AD plans to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants.

On 3 April 2014 according to agreement for transfer of shares Ebioss Energy AD acquired 100% of the shares of Sorgenia Bioenergy S.P.A in Italy (renamed at present to Syngas Italy S.R.L) with fiscal number 06337630963. The registered share capital of the company is EUR 120,000 comprising of 120,000 shares at nominal value EUR 1 each. The company was acquired for the price of EUR 650,000. The principal activity of the company is development of biomass power plants and its first power plant located in municipality of Castiglione d'Orcia, Toscana region of a 1 MW is under construction and is planned to become fully operational in 2015.

### 1. Incorporation and principal activities (continued)

### Principal activities (continued)

On 10 April 2014 with decision of the General meeting of EBIOSS ENERGY AD the nominal value of the shares of the Company is changed from EUR 2.56 to EUR 0,51. There is a change in the number of the members of the Board of Directors from 3 to 4 and Meriden Group SAU, Company registered in the Principality of Andorra with tax number (NRT) – A – 706620-E, is appointed as a new member of the Board of Directors of the Company. The General meeting also takes decision to delegate and issues an explicit statutory mandate of the Board of Directors of EBIOSS ENERGY AD with the right to increase the share capital by issuing new emission of dematerialized shares with voting rights with nominal value of EUR 0,51 and comprising up to a total EUR 20,452 thousand.

On 1 August 2014 according to the Agreement for acquisition of quotas from the capital and subsequent capital increase, Ebioss Energy AD acquired 51% of the shares of TNL SGPS LDA in Portugal, dully registered and existing under the laws of Portugal, with VAT number 509543596. The registered share capital of the company is EUR 7,550,000. The Company's shares were acquired by Ebioss Energy AD for the amount of EUR 1,550 thousand. The main activity of the Company is equity management in other companies – see below.

In addition, on 4 August 2014 additional 1,62% have been acquired by Ebioss Energy AD, for the amount 50,000 euro, consequently reaching in total 52,62% of the shares of TNL SGPS LDA.

TNL SGPS LDA owns 100% of TNL SA which is a company domiciled in Porto (Portugal) and specializing in the development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities. The company owns share participation in other companies domiciled in Spain, Portugal and Brazil, which have similar scope of commercial activity as TNL SA.

### Review of current position, future developments and significant risks

The Group's development to date, financial results and position are presented in the consolidated financial statements. For the year ended 31 December 2014 the financial result of the Group is net profit in the amount of EUR 2,576 thousand with net profit to non-controlling interests of EUR 628 thousand and the net equity is a positive value amounting to EUR 38 189 thousand from which EUR 346 thousand represent non-controlling interests. As of 31 December 2014 the earnings per share are a positive value of EUR 0,05/share.

The main risks and uncertainties faced by the Group and the steps taken to manage these risks, are described in note 27 of the consolidated financial statements.

### Share capital

Changes in the share capital of the Parent Company during the period under audit are explained above.

### Events after the reporting period

On 13th February 2015, the General Meeting of Ebioss Energy adopted resolution for issuance of emission of freely transferable, interest-bearing, bonds, convertible or non-convertible, at overall nominal and emission value of the debt instruments: up to 60,000,000 BGN or its equivalent in Euro. The general Meeting adopted also a resolution the shares of "EBIOSS ENERGY" AD to be admitted to trading on the alternative stock market in Paris, France – ALTERNEXT or on the alternative stock market in London, UK – AIM by making a private placement and/or dual listing.

On 5th March 2015, with act for registration No20150305112127 of the Registry Agency of the Republic of Bulgaria in the Trade registry was cancelled the participation of MERIDEN GROUP SAU as a board member in Ebioss Energy AD and the latter company was replaced by newly elected board member – Mr. Carlos Cuervo Arango Martinez.

### Events after the reporting period (continued)

On 6th March 2015 there were made changes in the Renewable Energy Act /REA/ regarding the operating conditions related to renewable energy producers, which are applicable to the Company. According to the amended Act, the Company may produce electicity with power capacity up to 1,5 MW, using combined cycle and indirect use of biomass out of whose total weight animal manure shall comprises not less than 50%.

Thus the Company plans to produce electricity through thermal gasification with combined cycle from biomass of agricultural waste for power plants with power capacity up to 5MW become no longer applicable.

The feed-in tariff for production of electricity by way of combined cycle and indirect use of biomass of animal manure and agricultural substance for power plants with capacity up to 1,5MW is fixed to 447,43 BGN/MWh which is higher compared to the not applicable anymore feed-in tariff of 389,60 BGN/MWh for production of electricity through thermal gasification with combined cycle from biomass of agricultural waste for power plants with power capacity up to 5MW.

Following the above mentioned changes in the legislation, the Company has commenced to reorganize and redesign its existing power production facilities of Karlovo Biomass Power Plant and construction in progress of Heat Biomass Power Plant.

As of 31st March 2015 the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation and started to sell electricity.

On 20th of April 2015 Ebioss Energy signed with the Spanish company CONECTA2 ENERGIA S.L, domiciled in the city of Barcelona, an Agreement for investment intention Ebioss to be admitted as shareholder in the capital of CONECTA2 ENERGIA SL. The parties agreed to perform within approximately 1-year term legal procedure of gradual capital increase of the registered capital of CONECTA2 ENERGIA S.L, whereat Ebioss shall consecutively subscribe certain portions of newly emitted shares up to 50,01% of the registered capital of CONECTA2 ENERGIA S.L, making an overall equity investment in the receiving company of 1.500.000 €.

Apart from the above mentioned events, there are no other significant events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

### Director's responsibilities

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable prudent judgments and estimates have been made in the preparation of the consolidated financial statements for the year ended 31 December 2014.

The Directors also confirm that applicable accounting standards have been followed and that the consolidated financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As of 31 December 2014 Managing Directors are Jose Oscar Leiva Mendez and Luis Sanchez Angrill.

By order of the Board of Directors,

Jose Oscar Leiva Mendez
Executive Director

Sofia, 29.04.2015

ЕБИОСС ЕНЕРДЖИ АД СОФИЯ

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## Independent Auditor's Report

To the Shareholders of EBIOSS ENERGY AD

*Report on the consolidated financial statements*

We have audited the accompanying consolidated financial statements of EBIOSS ENERGY AD and its subsidiaries (the "Group") which comprise the consolidated statement of financial position as of 31 December 2014 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of consolidated financial statements that give a true and fair view 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BAKER TILLY

*Basis for qualified opinion*

As of and for the year ended 31 December 2014 and year ended 31 December 2013, the Group has not eliminated unrealized intra-group profit from "Work performed by the entity and capitalized " of EUR 1,845 thousand and EUR 568 thousand, respectively. As a result, "Work performed by the entity and capitalized" for the year ended 31 December 2014 and for the year ended 31 December 2013 is overstated by EUR 1,845 thousand and EUR 568 thousand, respectively, and as of 31 December 2014 and 31 December 2013 "Property, plant and equipment" is overstated by EUR 2,413 thousand and EUR 568 thousand, respectively.

As discussed in Note 31 to the consolidated financial statements, in March 2015 there were made changes in the Bulgarian Renewable Energy Act, as a result of which, the Group has to redesign and reorganize its existing power production facilities of Karlovo Biomass Power Plant and the construction in progress of Heat Biomass Power Plant. The Group has estimated, but not recorded in the accompanying consolidated financial statements as of and for the year ended 31 December 2014 an impairment loss of goodwill resulting from the required reconstruction activities of EUR 580 thousand related to Karlovo Biomass Power Plant and of EUR 755 thousand related to Heat Biomass Power Plant. As a result of the above, goodwill is overstated as of 31 December 2014 by EUR 1,335 thousand.

*Qualified Opinion*

In our opinion, except for the effects of the matters described in Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view of the consolidated financial position of EBIOSS ENERGY AD as of 31 December 2014, and of its consolidated financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

*Emphasis of matter*

Without qualifying further our auditor`s report, we would like to draw attention to the following:
As indicated in Notes 13, 14, 30 and 31 to the accompanying consolidated financial statements, the values of development costs are based on estimated discounted future cash flows and hence, along with goodwill are dependent on timing of the completion of the Biomass Power Plants and commencement of the electricity production. These values might change in case there are changes in the estimated completion of the power plant projects.

**Baker Tilly ~~Klitou and~~ Partners Ltd**

**29 April 2015**
**Sofia, Bulgaria**

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ
София
Рег. № 129
БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ ООД

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

| | Note | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|---|
| Revenue | 3 | 2,258 | 754 |
| Other revenue | 4 | 131 | - |
| Gain on bargain purchases | 14.5 | 2,736 | - |
| Changes in inventories and work in progress | | 8 | (70) |
| Work performed by the entity and capitalized | 5 | 13,033 | 4,533 |
| Loss from associated companies | | (13) | - |
| Raw materials and consumables used | 6 | (2,968) | (3,850) |
| Cost of goods sold | 7 | (945) | - |
| Expenses for hired services | 8 | (9,195) | (335) |
| Employee benefit expenses | 9 | (1,805) | (850) |
| Depreciation and amortization | 12,13 | (228) | (41) |
| Other expenses | 10 | (578) | (429) |
| **Result from operating activities** | | 2,434 | (288) |
| Finance income | 11 | 2 | 1 |
| Finance costs | 11 | (213) | (29) |
| **Net finance cost** | | (211) | (28) |
| **Profit/(Loss) before income tax** | | 2,223 | (316) |
| Income tax | 23 | 353 | 13 |
| **Profit/(Loss) for the year** | | 2,576 | (303) |
| **Other comprehensive income** | | | |
| ***Items that will never be reclassified to profit or loss:*** | | | |
| Revaluation of land, net of tax | | 49 | 38 |
| **Other comprehensive income for the year, net of tax** | | 49 | 38 |
| **Total comprehensive income for the year** | | 2,625 | (265) |
| **Profit/(Loss) attributable to:** | | | |
| Owners of the parent | | 1,948 | (367) |
| Non-controlling interests | | 628 | 64 |
| **Profit/(Loss) for the year** | | 2,576 | (303) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | 1,997 | (329) |
| Non-controlling interests | | 628 | 64 |
| **Total comprehensive income for the year** | | 2,625 | (265) |
| **Basic earnings per share (euro)** | 20 | 0.05 | (0.07) |

The notes on pages 16 to 58 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 12 | 24,050 | 6,119 |
| Intangible assets | 13 | 11,041 | 10,537 |
| Investments in associates | 15.1 | 191 | - |
| Other investments | 15.2 | 149 | - |
| Trade and other receivables | 16 | 43 | 11 |
| Goodwill | 14 | 4,736 | 2,821 |
| Deferred tax assets | 23 | 1,054 | 58 |
| **Non-current assets** | | 41,264 | 19,546 |
| Inventory | 17 | 1,592 | 109 |
| Trade and other receivables | 16 | 3,597 | 264 |
| Cash at bank and in hand | 18 | 5,713 | 5,406 |
| Trade receivables from related parties | 29 | 879 | - |
| **Current assets** | | 11,781 | 5,779 |
| **Total assets** | | 53,045 | 25,325 |
| **Equity** | | | |
| Share capital | 19.1 | 20,918 | 18,022 |
| Share premium | 19.2 | 15,351 | 4,460 |
| Reserve for own shares | 19.3 | (668) | (21) |
| Revaluation surplus | | 87 | 38 |
| Retained earnings | | 2,155 | 193 |
| Equity attributable to owners of the parent | | 37,843 | 22,692 |
| Non-controlling interests | | 346 | 250 |
| **Total equity** | | 38,189 | 22,942 |
| **Liabilities** | | | |
| Bank loans | 21 | 7,123 | 32 |
| Other payables to related parties | 29 | - | 206 |
| Provisions | 25 | 122 | - |
| Finance leases | 26 | 33 | 1 |
| Deferred tax liabilities | 23 | 1,110 | 1,105 |
| **Non-current liabilities** | | 8,388 | 1,344 |
| Loans due to related parties | 22 | 927 | 255 |
| Bank loans | 21 | 1,215 | 186 |
| Trade and other payables | 24 | 3,720 | 590 |
| Other payables to related parties | 29 | 234 | - |
| Finance leases | 26 | 17 | 8 |
| Income tax payable | 23 | 355 | - |
| **Current liabilities** | | 6,468 | 1,039 |
| **Total liabilities** | | 14,856 | 2,383 |
| **Total equity and liabilities** | | 53,045 | 25,325 |

The notes on pages 16 to 58 are an integral part of these consolidated financial statements.

These consolidated financial statements are approved on behalf of EBIOSS ENERGY AD on 29.04.2015.

Executive Director:
Jose Oscar Leiva Mendez

ЕБИОС ЕНЕРДЖИ АД СОФИЯ

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Share capital EUR'000 | Share premium EUR'000 | Reserve for own shares EUR'000 | Revaluation surplus EUR'000 | Retained earnings EUR'000 | Total attributable to owners of the Parent EUR'000 | Non-controlling interest EUR'000 | Total equity EUR'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2013** | 12,392 | - | - | - | 546 | 12,938 | 188 | 13,126 |
| **Total comprehensive income** | | | | | | | | |
| Loss for the year | - | - | - | - | (367) | (367) | 64 | (303) |
| Other comprehensive income | - | - | - | 38 | - | 38 | - | 38 |
| **Total comprehensive income** | - | - | - | 38 | (367) | (329) | 64 | (265) |
| **Transactions with owners of the Parent** | | | | | | | | |
| ***Contributions by and distributions to owners of the Parent*** | | | | | | | | |
| Issue of ordinary shares /note 19/ | 5,630 | 4,491 | - | - | - | 10,121 | - | 10,121 |
| Own shares acquired | - | (191) | (120) | - | - | (311) | - | (311) |
| Own shares sold | - | 160 | 99 | - | - | 259 | - | 259 |
| **Total contributions by and distributions to owners of the Parent** | 5,630 | 4,460 | (21) | - | - | 10,069 | - | 10,069 |
| ***Changes in ownership interests in subsidiaries*** | | | | | | | | |
| Acquisition of non-controlling interest without a change in control /note 14.4/ | - | - | - | - | 14 | 14 | (14) | - |
| Non-controlling interest at proportional share of fair value of net assets | - | - | - | - | - | - | 12 | 12 |
| **Total transactions with owners of the parent** | 5,630 | 4,460 | (21) | - | 14 | 10,083 | (2) | 10,081 |
| **Balance at 31 December 2013** | 18,022 | 4,460 | (21) | 38 | 193 | 22,692 | 250 | 22,942 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

| | Share capital EUR'000 | Share premium EUR'000 | Reserve for own shares EUR'000 | Revaluation surplus EUR'000 | Retained earnings EUR'000 | Total attributable to owners of the Parent EUR'000 | Non-controlling interest EUR'000 | Total equity EUR'000 |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | 18,022 | 4,460 | (21) | 38 | 193 | 22,692 | 250 | 22,942 |
| **Total comprehensive income** | | | | | | | | |
| Profit for the year | - | - | - | - | 1,948 | 1,948 | 628 | 2,576 |
| Other comprehensive income | - | - | - | 49 | - | 49 | - | 49 |
| **Total comprehensive income** | - | - | - | 49 | 1,948 | 1,997 | 628 | 2,625 |
| ***Transactions with owners of the Parent Contributions by and distributions to owners of the Parent*** | | | | | | | | |
| Issue of ordinary shares /note 19/ | 2,896 | 12,963 | - | - | - | 15,859 | - | 15,859 |
| Share issue costs | - | (814) | - | - | - | (814) | - | (814) |
| Own shares acquired | - | (3,511) | (1,343) | - | - | (4,854) | - | (4,854) |
| Own shares sold | - | 2,253 | 696 | - | - | 2,949 | - | 2,949 |
| **Total contributions by and distributions to owners of the Parent** | 2,896 | 10,891 | (647) | - | - | 13,140 | - | 13,140 |
| ***Changes in ownership interests in subsidiaries*** | | | | | | | | |
| Acquisition of non-controlling interest without a change in control /notes 14.7,14.8/ | - | - | - | - | 14 | 14 | (53) | (39) |
| Non-controlling interest at proportional share of fair value of net asset /note 14.6/ | - | - | - | - | - | - | (479) | (479) |
| **Total transactions with owners of the parent** | 2,896 | 10,891 | (647) | - | 14 | 13,154 | (532) | 12,622 |
| **Balance at 31 December 2014** | 20,918 | 15,351 | (668) | 87 | 2,155 | 37,843 | 346 | 38,189 |

The notes on pages 16 to 58 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Profit /(Loss) before tax** | | 2,223 | (316) |
| **Adjustments to profit:** | | | |
| Depreciation and amortization | | 228 | 41 |
| Interest expense | | 140 | 17 |
| Interest income | | (2) | (1) |
| Other financial expense | | - | 12 |
| Impairment losses | | 82 | 257 |
| Changes in provisions | | 122 | - |
| Share of loss of equity accounted investees | | 13 | - |
| Gain on bargain purchases | | (2,736) | - |
| **Cash flows from operations before working capital changes** | | 70 | 10 |
| **Change in:** | | | |
| Inventories | | (701) | 70 |
| Trade and other payables | | 331 | (253) |
| Trade and other receivables | | (2,293) | (110) |
| Other current liabilities | | - | (24) |
| **Other cash flow from operating activities** | | | |
| Interest paid | | - | (6) |
| Interest received | | 2 | 1 |
| Income tax paid | | (2) | (48) |
| **Net cash flows from/(used in) operating activities** | | (2,593) | (360) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Acquisition of property, plant and equipment | | (13,052) | (4,667) |
| Acquisition of intangible assets | | (321) | (191) |
| Acquisition of subsidiaries, net of cash acquired | | (630) | - |
| Proceeds from disposal of other financial assets | | - | 22 |
| **Net cash flows used in investing activities** | | (14,003) | (4,836) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital | | 15,859 | 10,834 |
| Payments related to issue of new shares | | (1,022) | (492) |
| Repayment of loan from related party | | (556) | (135) |
| Proceeds on loan from related party | | 30 | 213 |
| Proceeds from sale of own shares | | 2,949 | 259 |
| Repurchase of own shares | | (4,854) | (311) |
| Proceeds from bank borrowing | | 5,282 | 194 |
| Repayment of bank borrowing | | (635) | (37) |
| Interest paid | | (140) | - |
| Loans granted to related party | | (10) | - |
| **Net cash flows from financing activities** | | 16,903 | 10,525 |
| **Net increase in cash and cash equivalents** | | 307 | 5,329 |
| Cash and cash equivalents at 1 January | | 5,406 | 77 |
| **Cash and cash equivalents at 31 December** | 18 | 5,713 | 5,406 |

The notes on pages 16 to 58 are an integral part of these consolidated financial statements.

### 1. Incorporation and principal activities

#### Incorporation

Ebioss Energy AD (the "Company") is a joint stock company registered in Sofia, Bulgaria with EIC: 202356513. It was incorporated on 07 January 2011 as TETEVEN BIOMASS EOOD with Elektra Holding AD holding 100% of the issued share capital which was EUR 102 (BGN 200 comprising of 20 shares at nominal value BGN 10 each). On 28 March 2012 the name was changed from TETEVEN BIOMASS EOOD to EBIOSS ENERGY EOOD. The financial statements as at 31 December 2014 consolidate the individual financial statements of the Company and its subsidiaries together referred to as the "Group" and individually as "Group entities". The Group primarily is involved in the construction of biomass gasification power plants and further production and sale of electricity.

On 01 October 2012 Ebioss Energy EOOD was transformed into Ebioss Energy OOD and on the same date the share capital of Ebioss Energy OOD was increased from EUR 102 (BGN 200) to EUR 12,391,414 (BGN 24,235,500), comprising 2,423,550 shares of a nominal value of EUR 5.11 (BGN 10) each, distributed to the following shareholders:

| Shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Electra Holding AD | 75.95 | 1,840,654 | 18,407 | 9,411 |
| Sofia Biomass EOOD | 12.71 | 308,043 | 3,080 | 1,575 |
| Sungroup Bulgaria EOOD | 1.65 | 40,000 | 400 | 205 |
| SPAX OOD | 0.88 | 21,325 | 213 | 109 |
| 4 physical persons | 8.81 | 213,528 | 2,135 | 1,092 |
| **Total:** | **100** | **2,423,550** | **24,235** | **12,392** |

The increase of the share capital of the Ebioss Energy OOD was performed through contributions in kind representing 100% of shares in the following subsidiaries, valued at fair values by licensed valuers at the date of the transaction, as follows:

| Subsidiary | Fair value in EUR'000 |
|---|---|
| Heat Biomass | 3,500 |
| Karlovo Biomass | 3,500 |
| Tvarditsa Biomass | 2,045 |
| Nova Zagora Biomass | 1,278 |
| Plovdiv Biomass | 979 |
| United Biomass | 1,090 |
| **Total:** | **12,392** |

### 1. Incorporation and principal activities (continued)

**Incorporation (continued)**

On 12 December 2012 Ebioss Energy OOD has been transformed into joint stock company Ebioss Energy AD.

As at 31 December 2013 the share capital of Ebioss Energy AD was owned by the following shareholders:

| Shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 43.22 | 3,046,732 | 15,234 | 7,789 |
| Sofia Biomass EOOD | 8.74 | 616,086 | 3,080 | 1,575 |
| Sungroup Bulgaria EOOD | 6.94 | 489,000 | 2,445 | 1,250 |
| Origina Bulgaria OOD | 2.20 | 155,028 | 775 | 396 |
| SPAX OOD | 0.60 | 42,650 | 213 | 109 |
| Antigona Bulgaria EOOD | 1.15 | 81,000 | 405 | 207 |
| 5 physical persons | 5.68 | 400,090 | 2,000 | 1,023 |
| **Other minority shareholders** | 31.48 | 2,219,107 | 11,096 | 5,673 |
| **Total:** | **100** | **7,049,693** | **35,248** | **18,022** |

The main shareholders of Ebioss Energy AD are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 68.52% of the share capital of Ebioss Energy AD as at 31.12.2013.

The minority shareholders of Ebioss Energy AD are those who subscribed shares in the two subsequent capital increases made during 2013 by means of initial public offering of shares on the Spanish Alternative Stock Exchange Market. These shareholders own approximately 31.48% of the share capital of Ebioss Energy as at 31.12.2013.

As at 31 December 2014 the share capital of Ebioss Energy AD belongs to the following shareholders:

| Main shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 37.32 | 15,268,585 | 15,269 | 7,807 |
| Sofia Biomass EOOD | 7.53 | 3,080,430 | 3,080 | 1,575 |
| Sungroup Bulgaria EOOD | 5.88 | 2,407,110 | 2,407 | 1,231 |
| Origina Bulgaria OOD | 1.89 | 775,140 | 775 | 396 |
| Antigona Bulgaria EOOD | 1.25 | 509,265 | 509 | 260 |
| **4 physical persons** | 3.99 | 1,631,025 | 1,631 | 834 |
| **Minority shareholders** | 42.14 | 17,240,861 | 17,241 | 8,815 |
| **Total:** | **100** | **40,912,416** | **40,912** | **20,918** |

### 1. Incorporation and principal activities (continued)

**Principal activities**

The principal activity of the Group is the engineering, construction and development of gasification Power Plants. As of December 31, 2014 the following Power Plant Projects are under development by each subsidiary:

- **Heat Biomass EOOD,** registered on 6 January 2011 with UIC 201384552 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Heat Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The construction of the external connection to the grid of the plant has started in March 2014 and electricity will start to be produced in 2016. (See also note 30)

- **Karlovo Biomass EOOD,** registered on 6 January 2011 with UIC 201384641 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is under construction on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Karlovo Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The construction of the plant is planned in 2 phases. The construction of the first phase of 2 MW has started in October 2013 and electricity will start to be produced in 2015. The construction of the second phase of 3 MW has started in March 2014 and electricity will start to be produced in 2015. (See also note 30)

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant Plovdiv Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Plovdiv.

- **Nova Zagora Biomass EOOD,** registered on 7 January 2011 with UIC 201385519 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the Power Plant Nova Zagora Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017.

- **Tvardica Biomass EOOD,** registered on 7 January 2011 with UIC 201384926 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Tvarditza. Upon commissioning of the Power Plant Tvardica Biomass will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution company for South - Central part of Bulgaria. The Power plant should be completed and electricity production shall commence in 2017. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD,** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Tvarditza.

### 1. Incorporation and principal activities (continued)

#### Principal activities (continued)

- **United Biomass EOOD,** registered on 6 January 2011 with UIC 201384562 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Letnitza. Upon commissioning of the Power Plant United Biomass EOOD will fully own and operate the facility. The Power Plant will sell electricity to CEZ Distribution Bulgaria AD, the electricity distribution company for the Western part of Bulgaria. The plant should be completed and electricity production shall commence in 2018.

Ebioss Energy has also the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the group of companies (SPVs) subsidiaries of Ebioss Energy AD.

On 30 November 2012 Ebioss Energy AD has also acquired control over EQTEC, a company registered in Spain. EQTEC is an engineering company specializing in the design, complete construction, operation and maintenance of cogeneration plants heat and electricity power, gasification power plants and renewable energy, with experience in the market for more than 15 years. Since its founding, the company has implemented over 60 plant projects of production of electricity and / or heat, with capacities ranging from 60 kW to 10,000 kW. The company has developed and currently works on projects in Spain, Portugal, India, France, Germany, Italy and Bulgaria.

In 2013 Ebioss Energy AD acquired 215 shares with nominal value of BGN 100 (EUR 51.12), representing 43% of the registered capital of the company Energotec-Eco AD, which constitute control over financial and operating policy of the entity. The newly incorporated company Energotec Eco AD plans to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date another entity from the Group Eqtec Iberia Sl acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec-Eco AD. As at 31.12.2014 the Group has effective holding of 46.36% in Energotec-Eco AD.

On 3 April 2014 according to agreement for transfer of shares Ebioss Energy AD acquired 100% of the shares of Sorgenia Bioenergy S.P.A in Italy (renamed subsequently to Syngas Italy S.R.L.) with fiscal number 06337630963. The registered share capital of the company is EUR 120,000 comprising of 120,000 shares at nominal value EUR 1 each. The company was acquired for the price of EUR 650,000. The principal activity of the company is development of biomass power plants and its first power plant located in municipality of Castiglione d'Orcia, Toscana region of a 1 MW is under construction and is planned to become fully operational in 2015. (See also Note 31).

On 10 April 2014 with decision of the General meeting of EBIOSS ENERGY AD the nominal value of the shares of the Company is changed from EUR 2.56 to EUR 0,51. There is a change in the number of the members of the Board of Directors from 3 to 4 and Meriden Group SAU, Company registered in the Principality of Andorra with tax number (NRT) – A – 706620-E, is appointed as a new member of the Board of Directors of the Company. The General meeting also takes decision to delegate and issues an explicit statutory mandate of the Board of Directors of EBIOSS ENERGY AD with the right to increase the share capital by issuing new emission of dematerialized shares with voting rights with nominal value of EUR 0,51 and comprising at total EUR 20,452 thousand.

On 1 August 2014 according to the Agreement for acquisition of quotas from the capital and subsequent capital increase, Ebioss Energy AD acquired 51% of the shares of TNL SGPS LDA in Portugal, dully registered and existing under the laws of Portugal, with VAT number 509543596. The registered share capital of the company is EUR 7,550,000. The Company's shares were acquired by Ebioss Energy AD for the amount of EUR 1,550 thousand. The main activity of the Company is equity management in other companies.

In addition, on 4 August 2014 additional 1,62% from the share capital of TNL SGPS LDA have been acquired by Ebioss Energy AD, for the amount 50,000 euro, consequently reaching in total 52,62% of the shares of TNL SGPS LDA.

### 1. Incorporation and principal activities (continued)

#### Principal activities (continued)

TNL SGPS LDA owns 100% of TNL SA which is a company domiciled in Porto (Portugal) and specializing in the development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities. The company owns share participation in other companies domiciled in Spain, Portugal and Brazil, which have similar scope of commercial activity as TNL SA.

As of 31 December 2014 the following entities are subsidiaries and/or sub-subsidiaries of Ebioss Energy AD and are consolidated in the financial statements of the Group:

| Subsidiary | Country of incorporation | % ownership 31.12.2014 | % ownership 31.12.2013 |
|---|---|---|---|
| Heat Biomass EOOD | Bulgaria | 100% | 100% |
| Karlovo Biomass EOOD | Bulgaria | 100% | 100% |
| Tvarditsa Biomass EOOD | Bulgaria | 100% | 100% |
| Nova Zagora Biomass EOOD | Bulgaria | 100% | 100% |
| Plovdiv Biomass EOOD | Bulgaria | 100% | 100% |
| United Biomass EOOD | Bulgaria | 100% | 100% |
| Biomass Distribution EOOD | Bulgaria | 100% | 100% |
| Brilla EOOD | Bulgaria | 100% | 100% |
| Tvardica PV EOOD | Bulgaria | 100% | 100% |
| Eqtec Bulgaria EOOD | Bulgaria | 47.97% | 47.97% |
| EQTEC Iberia S.L. | Spain | 47.97% | 47.97% |
| Energotec-Eco AD | Bulgaria | 46.36% | 46,36% |
| Syngas Italy S.P.A. | Italy | 100% | - |
| TNL SGPS | Portugal | 52.62% | - |
| TNL SA | Portugal | 52.62% | - |
| Hirdant | Portugal | 52.62% | - |
| TNL SL | Spain | 42.10% | - |
| Addom | Spain | 52.62% | - |

### 2. Accounting policies

#### Basis of preparation

The consolidated financial statements were authorised for issue by the Board of Directors on 29.04.2015.

The consolidated financial statements have been prepared in accordance with Internaltional Financial Reporting Standards (IFRS), as adopted bu EU.

The consolidated financial statements have been prepared on the historical cost basis, modified for certain fixed assets, such as land, measured at fair values.

#### Use of estimates and judgements

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

**2. Accounting policies (continued)**

**Measurement of fair values**

A number of the Group's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values are categorized into different level in a fair value hierarchy based on the inputs in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 12 *Property, plant and equipment;*
- Note 13 *Intangible assets;*

**Adoption of new and revised IFRSs**

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2014.

- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36);
- IFRIC 21 Levies;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- IFRS 10 Consolidated financial statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosue of interest in other entities, IAS 27 Separate financial statements (2011) and IAS 28 Investments in associates and joint ventures (2011).

**a) Amendments to IAS 36**

As a result of the amendments to IAS 36, the Group has not experienced material impact on its financial statements.

**b) IFRIC 21 – Levies**

The accounting policy amendment does not have any impact on the financial statements of the Group;

**2. Accounting policies (continued)**

**Adoption of new and revised IFRSs (continued)**

**c) Amendments to IAS 32**

The amendments did not have any impact on the financial statements since the Group does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangement.

**d) New consolidation set of standards**

The Group has adopted IFRS 10 *Consolidated financial statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of interest in other entities*, IAS 27 *Separate financial statements* (2011) and IAS 28 *Investments in associates and joint ventures* (2011) with a date of initial application of 1 January 2014.

The adoption of these new/amended standards does not have any material impact on the financial statements, since it did not result in change of the accounting policy.

A number of new standards, amendments to standards and interpretations, endorsed by the EU, are available for early adoption in annual period ended 31 December 2014, although they are not yet mandatory until a later period. These changes to IFRS have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early.

**IASB/IFRIC documents not yet endorsed by EU**

Management believes that it is appropriate to disclose that the following new or revised standards, new interpretations and amendments to current standards, which are already issued by the International Accounting Standards Board (IASB), are not yet endorsed for adoption by the European Commission, and therefore are not taken into account in preparing these financial statements. The actual effective dates for them will depend on the endorsement decision by the EU.

- IFRS 9 *Financial instruments (issued 24 July 2014)*;
- IFRS 14 *Regulatory Deferral Accounts (issued 30 January 2014)*;
- IFRS 15 *Revenue from contracts with customers (issued 28 May 2014)*;
- Amendments to IAS 1 *Disclosure initiative (issued 18 December 2014)*;
- Amendments to IFRS 10 and IAS 28: *Sale or contribution of assets between an investor and its associated or jointly controlled investee (issued 11 September 2014)*;
- Amendments to IAS 27 – *Equity method in separate financial statements* (*issued 12 August 2014)*;
- Amendments to IAS 16 and IAS 41 – *Bearer plants* (*issued 30 June 2014)*;
- Amendments to IAS 16 and IAS 38 – *Clarification for acceptable methods of depreciation and amortization* (*issued 12 May 2014)*;
- Amendments to IFRS 11 – *Accounting for acquisitions of interests in joint operations* (*issued 6 May 2014)*;
- Amendment to IAS 19 – *Defined benefit plans: Employee contributions* (*issued 21 November 2013)*;

**2. Accounting policies (continued)**

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014)

- Annual improvements to IFRSs 2010-2012 Cycle *(issued 12 December 2013);*

- Annual improvements to IFRSs 2011-2013 Cycle *(issued 12 December 2013);*

- Annual improvements to IFRSs 2012-2014 Cycle *(issued 25 September 2014).*

**Going concern basis of accounting**

The consolidated financial statements of the Group as of 31 December 2014 have been prepared on the basis of the going concern concept. Management is of the opinion that the funds secured by the shareholders are adequate to finance the future planned activities of the Group.

**Basis for consolidation**

**(i) Business combinations**

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The consideration transferred for the acquisition of subsidiary is the fair values of assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from contingent consideration arrangement. Identifiable assets acquired and contingent consideration assumed in business combination are measured at fair values at the acquisition date. Acquisition costs are expensed as incurred.

**(ii) Non-controlling interests**

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

**(iii) Subsidiaries**

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed to,or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences and they are deconsolidated from the date that control ceases.

**(iv) Loss of control**

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**2. Accounting policies (continued)**

**(v) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions should be eliminated.

**(vi) Acquisitions from entities under common control**

A business combination under common control is a transaction in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the transaction. These combinations occur where the direct ownership of subsidiaries changes but the ultimate parent remains the same.

The Group policy is to apply IFRS 3 Business combinations by analogy in accounting for business combination under common control and the acquisitions accounting is applied to the acquired businesses.

When the consideration transferred is less than the fair value of the identifiable net assets acquired, the difference is recognised in equity as capital contribution from the shareholders of the acquirer. When the consideration transferred exceeds the fair value of the identifiable net assets acquired the difference is recognised as goodwill in the consolidated statement of financial position.

**(vii) Provisional acquisition accounting**

The Group applies provisional acquisition accounting assuming that the acquisition accounting for some amounts is incomplete. Adjustments made to the acquisition accounting during the measurement period may affect the recognition and measurement of assets acquired and liabilities assumed, any non-controlling interests, consideration transferred, any pre-existing interest in the acquiree, and goodwill or any gain on a bargain purchase. During the measurement period the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed on the acquisition date and, if known, would have affected the measurement amounts recognized at this date. The measurement period ends when the acquirer obtains all information that is necessary to complete the acquisition accounting, or learns that more information is not available, and cannot exceed one year from the acquisition date. Adjustments made during the measurement period are recognised retrospectively and comparative information is revised - i.e. as if the accounting for the business combination had been completed at the acquisition date.

**Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The key operating decision maker has determined two operating segments for reporting purposes – construction of Biomass Power Plants and sale and management of waste collection systems.

**Investments in associates**

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor`s share of the profit or loss of the investee after the date of acquisition. The Group`s investment in associates includes goodwill identified on acquisition.

The Group`s share of post acquisition profit or loss is recognized in the income statement, and its share in post acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of investment. When the Group`s share of losses in associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of associate.

**2. Accounting policies (continued)**

**Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group`s entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Except for the subsidiaries EQTEC Iberia SL, Spain, Syngas Italy S.R.L., TNL SGPS Portugal, TNL SA Portugal, TNL SL Spain, Hirdant Portugal and Addom Spain which functional currency is EUR, the functional currency of the Parent and other subsidiaries in the Group is BGN. The consolidated financial statements are presented in thousands of EUR, which is the Group's presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**(iii) Group companies**

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency at the exchange rate of EUR to BGN of 1/1,95583, as the Bulgarian lev (BGN) is pegged to the euro (EUR).

**Revenue recognition**

**(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

**(ii) Services**

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

**Finance income and finance costs**

Finance income comprises interest income on funds invested and gains from transactions in foreign currencies.

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and losses from transactions in foreign currencies.

General and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for the intended use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**2. Accounting policies (continued)**

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

**Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

**Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

**2. Accounting policies (continued)**

*Property, plant and equipment measured at revaluated amount less accumulated depreciation and any accumulated impairment losses*

Land is acquired as part of business combination and is initially measured at fair value, determined by licensed valuers. The Group applies the revaluation model stated in IAS 16 for the purposes of subsequent measurement of land. The revalued amount is the fair value of the land as at the date of revaluation less any subsequent accumulated impairment losses.

*Property, plant and equipment measured at cost less accumulated depreciation and any accumulated impairment losses*

Items measured at cost less accumulated depreciation and any accumulated impairment losses are all other property, plant and equipment items except for land.

*Depreciation*
Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Equipment | 4-14 years |
| Furniture | 10 years |
| Computers | 2-3 years |
| Motor vehicles | 4-6 years |

Land is not depreciated.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

*Subsequent costs*

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the period in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Intangible assets and goodwill**

*Goodwill*

Goodwill that arises upon the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquree and the acquisition date fair value of any previous equity interest in the acquree over the fair value of identifiable assets acquired is included in intangible assets. Goodwill is measured at cost less accumulated impairment losses.

**2. Accounting policies (continued)**

If the total of consideration transferred, non-controlling interest recognized and previously held interest measured at fair value is less that the fair value of net assets in subsidiary acquired, in the case of bargain purchase, the difference is directly recognized in income statement.

Intangible assets acquired separetely are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any.

Project development costs are principally incurred in identifying and developing projects and typically include various licenses, permits, contracts, designs and other. Such costs are expensed as incurred, except when directly attributable costs are capitalised as Development costs, where it can be demonstrated the technical feasibility of completing the intangible asset, so that it will be available for use; the intention to complete the intangible asset and use or sell it, the ability to use or sell the asset, and how the intangible asset will generate probable future economic benefits.

Intangible assets acquired as part of business combination are measured initially at fair value, which reflects expectations about the probability that the expected future economic benefits embodied in the asset will flow to the entity.The acquirer recognises in a business combination as an asset separately from goodwill an in-process research and development projects of the acquiree, when the project meets the definition of an asset.

*Intangible assets measured at cost less accumulated depreciation and any accumulated impairment losses*

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

*Amortisation*

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization shall begin when the asset is available for use. When it is in the location and condition necessary the asset to be capable of operating in the manner intended by management. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets. The estimated useful lives of the intangible assets are as follows:

| | |
|---|---|
| Computer software | 3 years |

**Leased assets**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Leases in which a significant portion of the risks and rewards are retained by the lessor re classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

**2. Accounting policies (continued)**

Lease payments are split between capital and interest components so that the interest element of the payment is charged to profit or loss over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable to the lessor.

Payments made under operating leases (net from the any incentives received from the lessor) are charged to the income statement on straight line basis over the period of lease.

**Inventories**

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition, are included at cost of acquisition.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

**(i) Non-derivative financial assets**

The Group's financial assets include receivables consisting of cash and cash equivalents, trade and other receivables.

*Trade receivables*

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

**Non-derivative financial liabilities**

The Group's financial liabilities include other financial liabilities – trade and other payables and loans.

*Trade and other payables*

Trade payables are obligations to pay for goods or services in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.Trade payables are initially recognised at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Short-term payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

*Payables on interest bearing loans*

Loans are recorded initially at the proceeds received, net of transaction costs incurred. Loans are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the loans using the effective interest method.

### 2. Accounting policies (continued)

#### Derecognition of financial assets and financial liabilities

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

#### Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognized for future operating losses. Provisions are measured at fair value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase of the provision due to passage of time is recognized as interest expense.

#### Impairment of assets

#### (i) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

**2. Accounting policies (continued)**

**Impairment of assets (continued)**

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(ii) Financial assets**

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

**Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Advance payments are recognised as prepaid expenses to the extent that they will be offset against future payments or refunded. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**(i) Defined benefit plan**

According to the Bulgarian Labour Code at the time when employees acquire pension rights, the company owes 6 monthly salaries to them, in case the employees have worked for the same company for more than 10 years before pensioning. The Group's obligation in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and that amount is discounted. The calculation is performed annually based on the projected unit credit method. The Group determines the net interest expense on the net defined benefit liability for the period by applying a market discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

**2. Accounting policies (continued)**

**Employee benefits (continued)**

Remeasurements arising from change in actuarial gains and losses are recognised in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

**(iii) Short-term employee benefits**

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group recognises as a liability the undiscounted amount of the estimated costs related to unused annual leave expected to be paid in exchange for the employee's service for the period completed.

**(iv) Share-based payment transactions**

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefit expenses in profit or loss.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Where any Group company purchases the Group`s equity share capital (treasury shares) the consideration paid including directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Group`s equity holders until the shares are cancelled or re-issued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Group`s shareholders.

**Non-current liabilities**

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

### 3. Revenue

| | 2014<br>EUR'000 | 2013<br>EUR'000 |
|---|---|---|
| Rendering of services | 1,047 | 754 |
| Sales of goods | 1,211 | - |
| | 2,258 | 754 |

### 4.Other income

| | 2014<br>EUR'000 | 2013<br>EUR'000 |
|---|---|---|
| Subsidies | 106 | - |
| Other | 25 | - |
| | 131 | - |

### 5. Work performed by the entity and capitalized

| | 2014<br>EUR'000 | 2013<br>EUR'000 |
|---|---|---|
| Project Heat Biomass | (1,604) | 1,889 |
| Project Karlovo Biomass | 11,934 | 2,644 |
| Biomass Distribution | 1,622 | - |
| Syngas Italy | 1,081 | - |
| | 13,033 | 4,533 |

For 2014 the Group has not eliminated the intragroup unrealized profit amounting to EUR 1,845 thousand (2013: EUR 568 thousand).

In 2014 the Group transferred generators initially purchased for Project Heat Biomass to Project Karlovo Biomass.

### 6. Raw materials and consumables used

Raw materials and consumables represent materials related to construction of Biomass Power Plant Project, incurred by EQTEC Iberia.

### 7. Cost of goods sold

Cost of goods sold include cost of the waste containers, sold by TNL Group.

### 8. Expenses for hired services

| | 2014<br>EUR'000 | 2013<br>EUR'000 |
|---|---|---|
| External transport services | 20 | 98 |
| Professional services | 504 | 116 |
| Subcontractors services related to construction of biomass power plants | 7,619 | - |
| Advertising expenses | 63 | 10 |
| Office rent | 154 | 38 |
| Telephone expenses | 44 | 22 |
| Other expenses for hired services | 791 | 51 |
| | 9,195 | 335 |

## 9. Employee benefit expenses

| | 2014<br>EUR'000 | 2013<br>EUR'000 |
|---|---|---|
| Wages and salaries | 1,503 | 711 |
| Compulsory social security contribution | 236 | 118 |
| Voluntary social security contribution | 38 | 15 |
| Accrued expenses for unused paid leave | 15 | 6 |
| Other | 13 | - |
| | 1,805 | 850 |

## 10. Other expenses

| | 2014<br>EUR'000 | 2013<br>EUR'000 |
|---|---|---|
| Stock exchange related expenses | 180 | 63 |
| Insurances | 47 | 12 |
| Impairment loss trade receivables | 82 | 257 |
| Other expenses | 269 | 97 |
| | 578 | 429 |

## 11. Finance income and costs

| | 2014<br>EUR'000 | 2013<br>EUR'000 |
|---|---|---|
| Interest income | 2 | 1 |
| **Finance income** | 2 | 1 |
| Interest expense | (140) | (17) |
| Exchange rate difference | (23) | (6) |
| Bank expenses | (50) | (6) |
| **Finance costs** | (213) | (29) |
| **Net finance costs recognised in profit or loss** | (211) | (28) |

### 12. Property, plant and equipment

| | Land | Equipment | Furniture | Computers | Vehicles | Assets under construction | Total |
|---|---|---|---|---|---|---|---|
| | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 | EUR'000 |
| **Cost** | | | | | | | |
| **Balance at 1 January 2013** | 905 | 121 | 56 | 46 | 150 | 421 | 1,699 |
| Additions | 46 | - | 5 | 9 | 2 | 4,550 | 4,612 |
| Revaluation | 42 | - | - | - | - | - | 42 |
| Disposals | (9) | - | - | (1) | (44) | - | (54) |
| **At 31 December 2013** | 984 | 121 | 61 | 54 | 108 | 4,971 | 6,299 |
| Additions | 118 | 288 | 6 | 23 | 8 | 14,948 | 15,391 |
| Additions from business combinations | - | 979 | - | 7 | 45 | 3,400 | 4,431 |
| Revaluation | 57 | - | - | - | - | - | 57 |
| Disposals | (56) | (4) | (8) | (37) | (50) | (1,703) | (1,858) |
| **At 31 December 2014** | 1,103 | 1,384 | 59 | 47 | 111 | 21,616 | 24,320 |
| **Depreciation and impairment losses** | | | | | | | |
| Balance at 1 January 2013 | - | 10 | 28 | 27 | 129 | - | 194 |
| Charge for the period | - | 8 | 5 | 3 | 15 | - | 31 |
| Disposals | - | - | - | (1) | (44) | - | (45) |
| **Balance at 31 December 2013** | - | 18 | 33 | 29 | 100 | - | 180 |
| Charge for the period | - | 104 | 6 | 11 | 28 | - | 149 |
| Impairment loss | - | - | - | - | - | 40 | 40 |
| Disposals | - | (4) | (8) | (37) | (50) | - | (99) |
| **Balance at 31 December 2014** | - | 118 | 31 | 3 | 78 | 40 | 270 |
| **Net book value** | | | | | | | |
| **At 31 December 2013** | 984 | 103 | 28 | 25 | 8 | 4,971 | 6,119 |
| **At 31 December 2014** | 1,103 | 1,266 | 28 | 44 | 33 | 21,576 | 24,050 |

Assets under construction represent capitalized expenses for project management and engineering services, as well as advance payments for delivery of main equipment in relation to the construction of different projects: the 5 MW biomass gasification power plants by Heat Biomass, Karlovo Biomass, pelletization plant by Biomass Distribution etc /see Note 1, Note 5 and Note 30/.

The technical project, consulting and engineering services related to construction of the power plants as well as the delivery of the main equipment are performed by Eqtec Iberia according to signed contracts with Heat Biomass and Karlovo Biomass.

The Group has capitalized interest expenses amounting to EUR 86 thousand directly related to construction of Karlovo Biomass power plant.

Land is valued at fair values at each balance sheet date by certified valuers. The valuation is based on comparative market prices, adjusted to take into consideration future use of land.

Land with carrying amount 50 thousand EUR and Assets under construction with carrying amount 15,168 thousand EUR are pledged as collateral under loan contract dated 02.06.2014 between subsidiary company Karlovo Biomass EOOD and United Bulgarian Bank (see Note 21).

### 12. Property, plant and equipment (continued)

#### Fair value of the land

The management of the Group determines the fair value of the land based on valuation of independent appraisers. The methods used for the estimation of the fair value are: comparative value method and residual method-rent.

The report of the appraiser shows the following amounts for the value of land as at 31 December 2014:

| | Carrying amount of land | Value according to the valuation report | Excess of fair value over carrying amount |
|---|---|---|---|
| | EUR'000 | EUR'000 | EUR'000 |
| Heat Biomass Power Plant | 46 | 46 | - |
| Karlovo Biomass Power Plant | 50 | 50 | - |
| Tvarditsa Biomass Power Plant | 86 | 86 | - |
| Nova Zagora Biomass Power Plant | 146 | 146 | - |
| Plovdiv Biomass Power Plant | 92 | 92 | - |
| United Biomass Power Plant | 206 | 206 | - |
| Tvarditsa PV | 194 | 194 | - |
| Brila | 85 | 85 | - |
| Biomass Distribution | 198 | 198 | - |
| Total | 1,103 | 1,103 | - |

#### Measurement of fair value

#### Fair value hierarchy

The fair value of the land was determined by external, independent valuers, having appropriate recognized professional qualification and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's land at the end of every calendar (reporting) year.

The fair value measurement of the land has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

### 13. Intangible assets

| | Development costs in progress | Development costs | Patents and trade- marks | Software | Total |
|---|---|---|---|---|---|
| | EUR '000 | EUR '000 | EUR '000 | EUR '000 | EUR '000 |
| **Cost** | | | | | |
| **Balance at 1 January 2013** | 10,337 | - | - | 62 | 10,399 |
| Additions | - | - | 186 | 5 | 191 |
| **Balance at 31 December 2013** | 10,337 | - | 186 | 67 | 10,590 |
| Additions | 38 | 36 | 206 | 41 | 321 |
| Additions from business combinations | - | 253 | 5 | 4 | 262 |
| Disposlas | - | - | - | (31) | (31) |
| **Balance at 31 December 2014** | 10,375 | 289 | 397 | 81 | 11,142 |
| **Amortisation** | | | | | |
| Balance at 1 January 2013 | - | - | - | 42 | 42 |
| Charge for the period | - | - | - | 11 | 11 |
| **Balance at 31 December 2013** | - | - | - | 53 | 53 |
| Charge for the period | - | 42 | 24 | 13 | 79 |
| Disposals | - | - | - | (31) | (31) |
| **Balance at 31 December 2014** | - | 42 | 24 | 35 | 101 |
| **Net book value** | | | | | |
| **At 31 December 2013** | 10,337 | - | 186 | 14 | 10,537 |
| **At 31 December 2014** | 10,375 | 247 | 373 | 46 | 11,041 |

Development costs in progress as at 31 December 2014 represent licences, contracts, permits, designs, etc. related to development phase of the following six projects for construction and operation of Biomass Power Plants:

| | EUR'000 |
|---|---|
| Heat Biomass Power Plant | 2,583 |
| Karlovo Biomass Power Plant | 2,986 |
| Tvarditsa Biomass Power Plant | 1,745 |
| Nova Zagora Biomass Power Plant | 1,090 |
| Plovdiv Biomass Power Plant | 1,022 |
| United Biomass Power Plant | 930 |
| Brilla | 19 |
| | 10,375 |

Development costs in progress have been recognized initially as part of business combination and valued at fair values by certified licensed valuers, based on discounted estimated future net cash flows expected from these assets. Their values are dependent on the estimated timing of completion of the Biomass Power Plants and commencement of electricity production (see also Note 1, Note 30 and Note 31). Their amortization will start when the Projects are finalized and the production of electricity commences.

Development cost in progress with carrying amount EUR 2,986 thousand are pledged as collateral under loan contract dated 02.06.2014 between subsidiary company Karlovo Biomass EOOD and United Bulgarian Bank (see note 21).

### 13. Intangible assets (continued)

#### Review for impairment

The management of the Group determines the fair value of development costs in progress related to the power plants based on valuation of independent appraisers. The method used for the estimation of the fair value is discounted estimated future net cash flows.

The report of the appraiser shows the following amounts for the development costs in progress as at 31 December 2014:

| | Carrying amount of development costs in progress | Value according to the valuation report | Excess of fair value over carrying amount |
|---|---|---|---|
| | EUR '000 | EUR '000 | EUR '000 |
| Heat Biomass Power Plant | 2,583 | 4,098 | 1,515 |
| Karlovo Biomass Power Plant | 2,986 | 4,165 | 1,179 |
| Tvarditsa Biomass Power Plant | 1,745 | 2,177 | 432 |
| Nova Zagora Biomass Power Plant | 1,090 | 1,316 | 226 |
| Plovdiv Biomass Power Plant | 1,022 | 1,033 | 11 |
| United Biomass Power Plant | 930 | 1,051 | 121 |
| Brilla Biomass Power plant* | 19 | - | - |
| Total | 10,375 | 13,840 | 3,484 |

There is no valuation report for development costs in relation to Brilla Biomass power plant, which have been incurred during the year ended 31 December 2014. Management of the Group has estimated that the development costs related to Brilla Biomass power plant are recoverable and as of 31 December 2014 and do not need to be impaired.

#### Measurement of fair value

#### Fair value hierarchy

The fair value of the development costs in progress was determined by external, independent valuers, having appropriate recognized professional qualification and recent experience in the category of the assets being valued. The independent valuers provide the fair value of the Group's development costs in progress at the end of every calendar (reporting) year.

The fair value measurement of development costs in progress have been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

## 14. Acquisitions of subsidiaries

### 14.1 Acquisitions from entities under common control

The acquisition of Heat Biomass, Karlovo Biomass, Plovdiv Biomass, Nova Zagora Biomass, United Biomass and Tvardica Biomass from Elektra Holding, Sungroup Bulgaria and Sofia Biomass is made by capital increase of Ebioss Energy through contribution in kind, representing 100% of shares in the following subsidiaries, valued at fair values by licensed valuers at the date of the transaction (See note 1).

The valuation method used is Discounted Cash flows. Discounted cash flow analysis uses future free cash flow projections and discounts them to arrive at a present value.

Goodwill arises when control is acquired by the Parent and is determined as the excess of the consideration transferred at fair value and the amount of any non-controlling interest in the acquiree over the fair values of the identifiable net assets of the subsidiary. Its value is also dependent on the estimated timing of completion of the Biomass Power plants and commencement of electricity production. See also Note 1. Note 30 and Note 31.

Below is detailed information for the identifiable assets acquired and liabilities assumed:

| | Heat Biomass EUR'000 | Karlovo Biomass EUR'000 | Plovdiv Biomass EUR'000 | Nova Zagora Biomass EUR'000 | United Biomass EUR'000 | Tvardica Biomass EUR'000 | Tvardica PV EUR'000 | Biomass Distribution EUR'000 | Brila EOOD EUR'000 | Total EUR'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Consideration transferred | 3,500 | 3,500 | 979 | 1,278 | 1,090 | 2,045 | - | 1 | 3 | 12,396 |
| *Fair value of identifiable net assets:* | | | | | | | | | | |
| Property, plant and equipment | 472 | 65 | 92 | 137 | 193 | 80 | 181 | - | 92 | 1,312 |
| Intangible assets | 2,579 | 2,986 | 1,003 | 1,090 | 930 | 1,745 | - | - | - | 10,333 |
| Investment in group companies and associates | - | - | 3 | - | - | - | - | - | - | 3 |
| Trade and other receivables | 5 | - | - | - | - | - | - | - | - | 5 |
| Cash and cash equivalents | 7 | 1 | - | - | - | - | - | 10 | - | 18 |
| Deferred tax liabilities | (254) | (297) | (109) | (122) | (110) | (182) | (17) | - | (9) | (1,100) |
| Related parties payables | (530) | (80) | (6) | (12) | (26) | (9) | (6) | - | - | (669) |
| Total fair value of identifiable net assets: | 2,279 | 2,675 | 983 | 1,093 | 987 | 1,634 | 158 | 10 | 83 | 9,902 |
| Goodwill | 1,221 | 825 | - | 185 | 103 | 411 | - | - | - | 2,745 |
| Effect of business combination under common control | - | - | (4) | - | - | - | (158) | (9) | (80) | (251) |

### 14. Acquisitions of subsidiaries (continued)

### 14.2. Acquisition of Eqtec Iberia, SL

On 30 November 2012 Ebioss Energy AD has also acquired control over EQTEC, a company registered in Spain.

According to Share Transfer Agreement signed between Elektra Holding and Ebioss Energy in November 2012, Ebioss Energy acquires 45% of the share capital of Eqtec Iberia.

The transferred ownership from Elektra Holding to Ebioss Energy comprises of 15,000 shares with nominal value of EUR 6 each, being at total nominal value of EUR 90 thousand. The price at which Elektra Holding sells the shares is at the amount of EUR 206 thousand.

Below is detailed information for the identifiable assets acquired and liabilities assumed:

| in thousand EUR | **Eqtec Iberia** |
|---|---|
| Consideration transferred | 206 |
| *Fair value of identifiable net assets:* | |
| Property, plant and equipment | 190 |
| Intangible assets | 25 |
| Inventories | 284 |
| Investment in group companies and associates | 1 |
| Trade and other receivables | 325 |
| Deferred tax assets | 30 |
| Cash and cash equivalents | 4 |
| Bank loans | (87) |
| Finance leases | (16) |
| Deferred tax liabilities | (3) |
| Trade and other payables | (464) |
| Total fair value of identifiable net assets: | 289 |
| Share of net assets Ebioss Energy (45%) | 130 |
| Non-controlling interest at proportional share of fair value of net assets (55%) | 159 |
| Goodwill | 76 |

### 14.3 Acquisition of Energotec Eco AD

In 2013 Ebioss Energy AD acquired 215 shares with nominal value of BGN 100 (EUR 51.12), representing 43% of the registered capital of the company Energotec-Eco AD, which constitute control over financial and operating policy of the entity. The new incorporated company Energotec Eco AD plans to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants. On the same date another entity from the Group Eqtec Iberia Sl acquired 35 shares with nominal value of BGN 100 (EUR 51.12), representing 7% of the registered capital of the company Energotec-Eco AD. As at 31.12.2014 the Group has effective holding of 46.36% in Energotec-Eco AD.

### 14.4 Acquisition of additional shares in existing subsidiary

On 16 July 2013 according to the Minutes of the Board of Directors of Ebioss Energy AD, Ebioss Energy AD transferred to Eqtec Iberia S.L. Spain EUR 360 thousand through bank transfer. Against this amount Ebioss Energy AD acquires 1,900 new shares with nominal value of EUR 6 and as a result capital of Eqtec Iberia S.L. Spain is increased from EUR 200,004 to EUR 211,404. This implies premium paid of EUR 348,600 for the acquisition of these shares. Through this capital increase Ebioss Energy increased its ownership of EQTEC Iberia S.L. Spain from 45% to 48% and decrease non-controlling interest from 55% to 52%. The Group recognised:

- a decrease in NCI of EUR 14 thousand;
- an increase in retained earnings of EUR 14 thousand.

## 14. Acquisitions of subsidiaries (continued)

### 14.5 Acquisition of Syngas S.R.L., Italy

According to Share Transfer Agreement signed between Ebioss Energy and Sorgenia S.p.A on 3 April 2014, Ebioss Energy acquires 100% of the share capital of Syngas Italy (see also Note 1), a company registered in Italy.

Below is detailed information for the identifiable assets acquired and liabilities assumed:

| in thousand EUR | **Syngas Italy** |
|---|---|
| Consideration transferred | 650 |
| *Fair value of identifiable net assets:* | |
| Property, plant and equipment | 3,400 |
| Investment in group companies and associates | 115 |
| Trade and other receivables | 50 |
| Bank deposits | 4 |
| Trade and other payables | (183) |
| Total fair value of identifiable net assets: | 3,386 |
| Gain on a bargain purchases | 2,736 |

### 14.6 Acquisition of TNL SGPS, Portugal

On 1 August 2014 according to the Agreement for acquisition of quotas from the capital and subsequent capital increase, Ebioss Energy AD acquired 51% of the shares of TNL SGPS LDA in Portugal, a company dully registered and existing under the laws of Portugal for the amount of 1,550 thousand EUR. As of the acquisition date TNL SGPS controls the following companies:

- TNL – Sociedade de Equipamentos Ecológicos e Sistemas Ambientais, SA (Portugal) – 100%;
- HIRDANT – Higiene e representações, Lda (Portugal) – 100%;
- TNL Equipamientos Ambientales SL (Spain) – 33.31%
- ADDOM Equipamientos SL (Spain) – 74.92%

TNL SGPS also holds a 50% stake in the company "Citytainer Brasil Soluções Ambientais, Ltda" based in S.Paulo (Brazil). Ebioss Energy has significant influence over this Company, but does not exercise control.

**14. Acquisitions of subsidiaries (continued)**

**14.6 Acquisition of TNL SGPS, Portugal (continued)**

Below is detailed information for the identifiable assets acquired and liabilities assumed:

| in thousand EUR | TNL SGPS | TNL SA | Hirdant | TNL SL | Addom |
|---|---|---|---|---|---|
| Consideration transferred | 1,550 | - | - | - | - |
| Ebioss Energy share from investments in sub-subsidiaries | - | 1,350 | 71 | 3 | 79 |
| Total consideration transferred | 1,550 | 1,350 | 71 | 3 | 79 |
| *Fair value of identifiable net assets:* | | | | | |
| Property, plant and equipment | - | 1,016 | 10 | - | 5 |
| Intangible assets | 3 | 267 | - | - | - |
| Investments in group companies and associates | 2,948 | - | - | - | - |
| Investments in associates | 214 | - | - | - | - |
| Other financial assets | 850 | 34 | - | 16 | - |
| Trade and other receivables | 267 | 2,062 | 94 | 288 | 35 |
| Deferred tax asset | - | 392 | - | - | - |
| Inventories | - | 691 | 14 | 20 | - |
| Cash and cash equivalents | 1,430 | 114 | - | 72 | - |
| Bank loans | - | (3,631) | - | - | - |
| Loans from related parties | (1,200) | (950) | - | - | (17) |
| Deferred tax liabilities | - | (3) | - | - | - |
| Trade and other payables | (190) | (2,078) | (47) | (580) | (41) |
| Total fair value of identifiable net assets: | 4,322 | (2,086) | 71 | (184) | (18) |
| % share of Ebioss Energy | 51% | 51% | 51% | 17% | 38.2% |
| Share of net assets Ebioss Energy | 2,204 | (1,064) | 36 | (31) | (7) |
| Non-controlling interest at proportional share of fair value of net assets | 2,118 | (1,022) | 35 | (153) | (11) |
| Goodwill | (654) | 2,414 | 35 | 34 | 86 |

The total goodwill recognised as a result of the acquisition of TNL SGPS and its subsidiaries is EUR 1,915 thousand.

The total non-controlling interest recognised as a result of the acquisition of TNL SGPS and its subsidiaries amounts to EUR (479) thousand and is equal to non-controlling interest at proportional share of fair value of net assets at the date of acquisition less non-controlling share of investments in sub-subsidiaries.

**14.7 Acquisition of additional shares in existing subsidiary**

On 4 August 2014 Ebioss Energy AD acquired additional 1.62 % interest in TNL SGPS for EUR 50 thousand in cash, increasing its ownership from 51% to 52.62%. The Group recognised:

- a decrease in NCI of EUR 36 thousand;
- a decrease of retained earnings of EUR 14 thousand.

**14.8 Acquisition of additional shares in existing sub-subsidiaries**

In September and October 2014 TNL SGPS acquires additional shares in TNL SL and Addom SL, increasing its ownership to respectively 80% and 100%. Following these transaction the ownership of Ebioss Energy AD in TNL SL and Addom SL has reached respectively 42.10% and 52.62%. The Group recognized:

- a decrease in NCI of EUR 17 thousand;
- an increase of retained earnings of EUR 28 thousand.

### 15. Investments

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| ***15.1 Investments in associates*** | | |
| Investment in Citytainer Brasil – Soluções Ambientais, LTDA, held by TNL SGPS | 191 | - |
| | 191 | - |

Investment in associate represents 50% stake in the company "Citytainer Brasil Soluções Ambientais, Ltda" based in S.Paulo (Brazil). Ebioss Energy has significant influence over this Company, but does not exercise control.

| ***15.2 Other investments*** | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Investment in EAL COMPOST SRL, held by Syngas Italy | 115 | - |
| Stocks held from Mutual Guarantee Societies | 34 | - |
| | 149 | - |

Other investments represent minority shareholding in EAL COMPOST SRL and equity stakes from mutual guarantee fund.

### 16. Trade and other receivables

| *Current part of trade and other receivables* | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Trade receivables from clients | 2,091 | 139 |
| Advance payments to suppliers | 95 | 5 |
| Refundable VAT | 1,058 | 78 |
| Receivables from employees | 5 | 9 |
| Other receivables | 348 | 33 |
| | 3,597 | 264 |

| *Non- current part of trade and other receivables* | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Other receivables | 43 | 11 |
| | 43 | 11 |

### 17. Inventory

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Work in progress | 122 | 109 |
| Raw materials and consumables | 809 | - |
| Goods | 661 | - |
| | 1,592 | 109 |

### 18. Cash at bank and in hand

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Cash at bank | 5,580 | 5,372 |
| Cash in hand | 133 | 34 |
| | 5,713 | 5,406 |

### 19. Capital and capital reserves

#### *19.1. Ordinary shares*

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Group. In respect of the Group's shares that are held by the Group, all rights are suspended until those shares are sold.

| Issued and fully paid | | Number of shares | EUR '000 |
|---|---|---|---|
| **Balance on 1 January 2013** | | 2,423,550 | 12,392 |
| New issues | a) | 226,837 | 1,160 |
| Share split | b) | 2,650,387 | - |
| New issues | c) | 1,748,919 | 4,470 |
| **Balance at 31 December 2013** | | **7,049,693** | **18,022** |
| **Balance on 1 January 2014** | | **7,049,693** | **18,022** |
| Share split | d) | 28,198,772 | - |
| New issues | e) | 5,663,951 | 2,896 |
| **Balance on 31 December 2014** | | **40,912,416** | **20,918** |

a) On 26 June 2013 on the grounds and under conditions of the resolution of General meeting of dated 12.12.2012, the share capital of Ebioss Energy AD is increased from EUR 12,392 thousand (BGN 24,236 thousand) to EUR 13,552 thousand (BGN 26,504 thousand) through emission and sale of 226,837 regular dematerialized shares with voting rights and nominal value of EUR 5.11 (BGN 10) and emission value of EUR 8 (BGN 15.65) and comprising at total 2,650,387 shares of a nominal value of EUR 5.11 (BGN 10) each.

b) On 09 December 2013 on the grounds and under conditions of the resolution of General meeting dated 05.09.2013, the nominal value of the shares of Ebioss Energy AD is changed, without changing the amount of the registered capital. The existing shares are divided into two, i.e. the split ratio used is two-for-one.

c) On 26 November 2013 the share capital of Ebioss Energy AD is increased from EUR 13,552 thousand (BGN 26,504 thousand) to EUR 18,022 thousand (BGN 35,248 thousand) through emission and sale of 1,748,919 regular dematerialized shares with voting rights and nominal value of EUR 2.56 (BGN 5) and emission value of EUR 5.15 (BGN 10.07) and comprising at total 7,049,693 shares of a nominal value of EUR 2.56 (BGN 5) each.

d) On 20 May 2014 on the grounds and under conditions of the resolution of General meeting dated 10.04.2014, the nominal value of the shares of Ebioss Energy AD is changed, without changing the amount of the registered capital. The existing shares are divided into five, i.e. the split ratio used is five-for-one.

e) On 17 June 2014 on the grounds and under conditions of the resolution of General meeting dated 10.04.2014 the share capital of Ebioss Energy AD is increased from EUR 18,022 thousand (BGN 35,248 thousand) to EUR 20,918 thousand (BGN 40,912 thousand) through emission and sale of 5,663,951 regular dematerialized shares with voting rights and nominal value of EUR 0.51 (BGN 1) and emission value of EUR 2.80 (BGN 5.47) and comprising at total 40,912,416 shares of a nominal value of EUR 0.51 (BGN 1) each.

#### *19.2. Share Premium Reserve*

The share premium reserve is the difference between consideration received or receivable for the issue of shares and the nominal value of the shares, net of share issue costs. Share premium reserve may be distributed as dividends under certain conditions, required to be fulfilled as per Bulgarian Trade Law.

#### *19.3. Reserve for own shares*

The reserve for the Group's own shares comprises the cost of the Group's shares held by the Group. At 31 December 2014 the Group held 1,305,808 of the Group's shares at nominal value EUR 0.51 (BGN 1). At 31 December 2013 the Group held 8,373 of the Group's shares at nominal value EUR 2.56 (BGN 5).

## 20. Earnings per share

### Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit (loss) attributable to ordinary shareholders of EUR 1,948 thousand (31 December 2013: EUR (367) thousand), and a weighted average number of ordinary shares in issue excluding ordinary shares purchased by the Group and held as treasury shares of 38,124 thousand (31 December 2013: 5,221 thousand), calculated as follows:

***(i) Profit attributable to ordinary shareholders (basic)***

| *In thousands of EUR* | **2014** | **2013** |
|---|---|---|
| Profit (loss) for the year | 1,948 | (367) |
| **Profit (loss) attributable to ordinary shareholders** | 1,948 | (367) |

***(ii) Weighted average number of ordinary shares (basic)***

| *In thousands of shares* | **2014** | **2013** |
|---|---|---|
| Issued ordinary shares at 1 January | 7,050 | 2,424 |
| Effect of shares issued in June 2013 | - | 89 |
| Effect of shares split | - | 2,651 |
| Effect of shares issued in November 2013 | - | 57 |
| Effect of shares split in May 2014 | 28,200 | - |
| Effect of shares issued in June 2014 | 3,304 | - |
| Effect from repurchased own shares | (430) | - |
| **Weighted average number of ordinary shares at 31 December** | 38,124 | 5,221 |
| Basic earnings per share (euro) | 0.05 | (0.07) |

### Dilluted earnings per share

The Group does not have dilutive potential ordinary shares in form of convertible bonds or share options.

## 21. Bank loans

**Bank loans structure as at 31 December 2014:**

| **Bank** | **Authorised limit of loan EUR'000** | **Interest rate** | **Balance 31.12.2014 EUR'000** | **Maturity** |
|---|---|---|---|---|
| BBVA | 12 | 3.22% | 6 | 20.6.2015 |
| CAIXABANK | 92 | 6.17% | 30 | 15.6.2016 |
| BANK SABADELL | 14 | 3.43% | 1 | 31.3.2015 |
| BANK SABADELL | 5 | 5.13% | 5 | 20.07.2017 |
| CAIXABANK | 32 | 4.70% | 27 | 26.06.2017 |
| UBB | 5,600 | 6.31% | 4,943 | 02.06.2026 |
| UBB | 100 | 6.31% | 100 | 02.06.2015 |
| Novo Banco | 200 | 5.57% | 130 | 12.03.2017 |

**21. Bank loans (continued)**

| | | | | |
|---|---|---|---|---|
| Banco Popular – Escrow Account | 400 | 7.50% | 396 | 17.10.2014 |
| Banco Popular | 500 | 6.33% | 341 | 14.10.2018 |
| Santandertotta | 330 | 8.00% | 202 | 23.06.2017 |
| Caixa Geral de Depositos | 500 | 5.09% | 273 | 16.12.2017 |
| BPI | 200 | 5.58% | 38 | 30.09.2015 |
| BPI | 500 | 5.58% | 300 | 22.10.2017 |
| BPI | 1,500 | 5.02% | 921 | 01.08.2017 |
| BPI | 320 | 5.71% | 266 | 01.08.2017 |
| Millenniumbcp | 230 | 7.80% | 188 | 14.02.2018 |
| Cashed checks | 100 | 6.80% | 33 | - |
| Credit bills discounted | - | - | 2 | - |
| Confirmings - Millenniumbcp | - | - | 94 | - |
| Factoring – Banco Popular | - | 5.33% | 37 | - |
| Credit cards | - | - | 5 | - |
| **TOTAL BANK LOANS** | | | 8,338 | |

| EUR'000 | Total | Up to 1 year | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|
| Short term loans | 1,215 | 1,215 | - | - | - |
| Long term loans | 7,123 | - | 544 | 1,636 | 4,943 |
| | 8,338 | 1,215 | 544 | 1,636 | 4,943 |

**Bank loans structure as at 31 December 2013:**

| Bank | Authorised limit of loan EUR'000 | Interest rate | Balance 31.12.2013 EUR'000 | Maturity |
|---|---|---|---|---|
| BBVA | 16 | 1.95% | 2 | 06.4.2014 |
| CAIXABANK | 91 | 6.17% | 50 | 15.6.2016 |
| BANK SABADELL | 14 | 3.59% | 6 | 31.03.2015 |
| BANK SABADELL | 60 | 4.04% | 60 | 10.11.2014 |
| CAIXABANK | 100 | 3.96% | 100 | 27.10.2014 |
| CAIXABANK | 32 | 4.84% | - | 20.06.2017 |
| **TOTAL BANK LOANS** | | | 218 | |

### 21. Bank loans (continued)

| EUR'000 | Total | Up to 1 year | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|
| Short term loans | 186 | 186 | - | - | - |
| Long term loans | 32 | - | 21 | 11 | - |
| | 218 | 186 | 21 | 11 | - |

### Securities, guarantees and pledges related to bank loans

On 02 June 2014 subsidiary company Karlovo Biomass EOOD signed loan contracts with United Bulgarian Bank for financing of first stage of construction of biomass power plant located in Karlovo for maximum amount up to 5,600 thousand EUR and loan contract for financing of VAT during construction process for maximum amount up to 100 thousand EUR.

In relation to the above contracts the Group signed the following pledges in favour of United Bulgarian Bank:

- First rank pledge of commercial enterprise Karlovo Biomass EOOD including all of its assets.
- First rank pledges over all bank accounts and all cash receivables of Karlovo Biomass EOOD
- First rank pledge of shares of Karlovo Biomass EOOD
- The Parent is a joint debtor for the entire amount of utilized loans up to the moment of commissioning of first stage of biomass power plant located in Karlovo.

The rest of the securities, guarantees and pledges related to bank loans include:

| Beneficiary | Amount EUR'000 | Expiration date | Type | Company |
|---|---|---|---|---|
| EQUIPAV SA | 2 | No fixed term | Goods collection | TNL SA |
| BPI Bank | 149 | 06.11.2017 | Financial guarantee on a loan of 1,500 thousand EUR | TNL SA |
| BPI Bank | 301 | 06.11.2017 | Financial guarantee on a loan of 1,500 thousand EUR | TNL SA |
| BPI Bank | 301 | 06.11.2017 | Financial guarantee on a loan of 1,500 thousand EUR | TNL SA |
| BPI Bank | 5 | No fixed term | Goods collection | TNL SA |
| Camara Municipal do Porto | 210 | No fixed term | Goods collection | TNL SA |
| Lucio Da Silva Azevedo & Filhos | 1 | 31.03.2015 | Goods collection | TNL SA |
| Lucio Da Silva Azevedo & Filhos | 1 | 30.04.2015 | Goods collection | TNL SA |
| MSF - Engenharia | 16 | No fixed term | Goods collection | TNL SA |
| BPI Bank | 250 | 22.10.2016 | PME Invest | TNL SA |
| Caixa Geral de Depositos | 250 | 16.12.2016 | PME Invest | TNL SA |
| Residuos do Nordeste EM | 5 | No fixed term | Goods collection | TNL SA |
| Municipio de Mondim de Basto | 8 | 31.12.2017 | Goods collection | TNL SA |
| Municipio de Mondim de Basto | 8 | No fixed term | Goods collection | TNL SA |
| Camara de Odivelas | 3 | No fixed term | Goods collection | Hirdant |
| Camara de Odivelas | 3 | No fixed term | Goods collection | Hirdant |
| **TOTAL** | **1,513** | | | |

### 22. Loans payable to related parties

#### 22.1 Loans due to Elektra Holding AD

| *Related Party - Elektra Holding AD* | Currency EUR | Interest Annual interest 4% | Amount EUR'000 | Maturity |
|---|---|---|---|---|
| **Balance at 1 January 2013** | | | 166 | |
| New proceeds | | | 213 | 31.12.2014 |
| Interest | | | 11 | 31.12.2014 |
| Repayments | | | (135) | |
| **Balance at 31 December 2013** | | | 255 | |
| **Balance at 1 January 2014** | | | 255 | |
| Interest | | | 5 | 31.12.2014 |
| Repayments | | | (260) | |
| **Balance at 31 December 2014** | | | - | |

#### 22.2 Loans due to other related parties

| | | |
|---|---|---|
| **Balance at 1 January 2014** | - | |
| Additions from business combinations | 1,142 | |
| New proceeds | 30 | |
| Repayments | (245) | |
| **Balance at 31 December 2014** | 927 | 31.12.2015 |

### 23. Taxation

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Current tax expense | 238 | - |
| Origination and reversal of temporary differences | (591) | (13) |
| Income tax expense (benefit) for the period | (353) | (13) |

**Reconciliation of effective tax rate:**

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Profit/(Loss) for the year | 2,576 | (303) |
| Total income tax (expense) / benefit | 353 | 13 |
| **Profit /(Loss) before income tax** | 2,223 | (316) |
| Income tax using the Company's domestic tax rate, 10% | 222 | (32) |
| Tax exempt income | (274) | - |
| Effect of tax rates in foreign jurisdictions* | (9) | 14 |
| Recognition of tax effect of previously unrecognized tax losses | (440) | - |
| Permanent differences | 100 | 4 |
| Net effect of deferred taxes not recognized | 48 | 1 |
| **Income tax expense/(benefit)** | (353) | (13) |
| **Effective tax rate** | 14% | 4% |

### 23. Taxation (continued)

* Part of the subsidiaries and sub-subsidiaries operate in a tax jurisdiction with higher tax rates (Spain, Italy and Portugal).

| Tax liability | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Corporate income tax payable | 355 | - |
| | 355 | - |

**Recognised deferred tax assets and liabilities**

| In thousands of EUR | Assets | | Liabilities | |
|---|---|---|---|---|
| | 31.12.2014 | 31.12.2013 | 31.12.2014 | 31.12.2013 |
| Assets under construction | (43) | (17) | - | - |
| Land and developments costs revaluation | - | - | 1,109 | 1,104 |
| Tax loss carry-forwards | (1,011) | (40) | - | - |
| Other items | -) | (1) | 1 | 1 |
| **Tax (assets) liabilities** | (1,054) | (58) | 1,110 | 1,105 |
| **Net tax (assets) liabilities** | (1,054) | (58) | 1,110 | 1,105 |

Under the current provisions of the Bulgarian Corporate Tax Act, a company may use its accumulated loss to reduce the income tax it would otherwise have to pay on future taxable income in the next five years.

Under applicable tax legislation as of 31 December 2014 for the subsidiaries, the tax losses can be carried forward for a period from 5-12 years (depending on the year when incurred) in Portugal and there is no limit for utilization of these losses in Spain and Italy.

### 24. Trade and other payables

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Trade payables to suppliers | 2,411 | 242 |
| **Trade payables** | 2,411 | 242 |
| Payables in regard to issue of new share capital | - | 208 |
| Payables to employees | 109 | 6 |
| Compulsory social security contributions | 22 | 11 |
| Donation tax liability | - | 31 |
| VAT payable | 341 | 26 |
| Other tax liabilities | 74 | 52 |
| Other payables | 763 | 14 |
| **Other payables** | 1,309 | 348 |
| | 3,720 | 590 |

The fair values of trade and other payables due within one year approximates their carrying amounts as presented above.

### 25. Provisions

The amount of EUR 122 thousand reported as provisions in the Consolidated Statement of financial position comprises of EUR 105 thousand, representing estimations of the future cost of demolition and dismantling of the biogass plant of Gallina in Italy (based on independent expert estimation) and EUR 17 thousand - other provisions.

### 26. Finance lease

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Non-current | 33 | 1 |
| Current | 17 | 8 |
| | 50 | 9 |

Finance lease liabilities are due as follows:

| | Future minimum lease payments EUR'000 | Interest | 31.12.2014 Principal EUR'000 |
|---|---|---|---|
| Less than one year | 19 | 2 | 17 |
| Between one and two years | 13 | 1 | 12 |
| Between two and five years | 22 | 1 | 21 |
| **Total** | 54 | 4 | 50 |

| | Future minimum lease payments EUR'000 | Interest | 31.12.2013 Principal EUR'000 |
|---|---|---|---|
| Less than one year | 8 | - | 8 |
| Between one and two years | 1 | - | 1 |
| **Total** | 9 | - | 9 |

### 27. Financial instruments

#### Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

#### Risk management framework

The management of the Group has overall responsibility for the establishment and oversight of the Group's risk management framework. The policy sets limits for taking different kinds of risks and defines control rules with regard to these limits. The policy is to be regularly reviewed in relation with identification of changes in the risk levels.

**27. Financial instruments (continued)**

**(a) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from third parties.

The carrying amount of Group's financial assets represent the maximum exposure to credit risk. As of 31.12.2014/ 31.12.2013 the carrying amounts of the financial assets are as follows:

| | Note | **As of 31.12.2014 EUR'000** | **As of 31.12.2013 EUR'000** |
|---|---|---|---|
| Trade receivables from clients | 16 | 2,091 | 139 |
| Trade receivables from related parties | 29 | 879 | - |
| Cash and cash equivalents | 18 | 5,580 | 5,372 |
| | | 8,550 | 5,511 |

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2014:

| | ***Note*** | **Carrying amount EUR'000** | **Contractual cash flows EUR'000** | **up to 1 year EUR'000** | **1-2 years EUR'000** | **2-5 years EUR'000** | **More than 5 years EUR'000** |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Bank loans | 21 | (8,338) | (10,980) | (1,573) | (1,948) | (3,718) | (3,741) |
| Loans due to related parties | 22 | (927) | (937) | (937) | - | - | - |
| Other payables to related parties | 29 | (234) | (234) | (234) | - | - | - |
| Trade and other payables | 24 | (2,411) | (2,411) | (2,411) | - | - | - |
| Finance lease | 26 | (50) | (54) | (19) | (13) | (22) | - |
| | | (11,960) | (14,616) | (5,174) | (1,961) | (3,740) | (3,741) |

### 27. Financial instruments (continued)

### (b) Liquidity risk (continued)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as at 31 December 2013:

| | *Note* | Carrying amount EUR'000 | Contractual cash flows EUR'000 | up to 1 year EUR'000 | 1-2 years EUR'000 | 2-5 years EUR'000 |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Bank loans | 21 | (218) | (226) | (193) | (22) | (11) |
| Loans due to related parties | 22 | (255) | (265) | (265) | - | - |
| Other payables to related parties | 29 | (206) | (206) | - | - | (206) |
| Trade and other payables | 24 | (450) | (450) | (450) | - | - |
| Finance lease | 26 | (9) | (9) | (8) | (1) | - |
| | | (1,138) | (1,156) | (916) | (23) | (217) |

### (c) Market risk

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### Currency risk

Group's exposure to currency risk is relatively small since its all financial assets and liabilities are denominated in BGN or EUR. According to the local currency legislation of the parent company, the rate of the BGN is fixed to the EUR at 1 EUR = 1,95583 BGN.

The Group's management does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

The Group's exposure to foreign currency risk based on notional amounts is as follows:

| | BGN 31.12.2014 EUR'000 | EUR 31.12.2014 EUR'000 | BGN 31.12.2013 EUR'000 | EUR 31.12.2013 EUR'000 |
|---|---|---|---|---|
| Trade receivables from clients | - | 2,091 | - | 139 |
| Trade receivables from related parties | - | 879 | - | - |
| Cash and cash equivalents | 1,462 | 4,118 | 4,569 | 803 |
| Bank loans | - | (8,338) | - | (218) |
| Loans due to related parties | - | (927) | (255) | - |
| Other payables to related parties | - | (234) | - | (206) |
| Trade and other payables | (850) | (1,561) | (68) | (382) |
| Finance lease | - | (50) | - | (9) |
| **Total** | 612 | (4,022) | 4,246 | 127 |

## 27. Financial instruments (continued)

### (c) Market risk (continued)

#### Interest rate risk

Interest rate risk is the risk that interest bearing assets and liabilities may change in value, because of fluctuations of the market interest rates. At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

| | Nominal amount | |
|---|---|---|
| *In thousands of EUR* | 31.12.2014 | 31.12.2013 |
| | EUR'000 | EUR'000 |
| **Fixed rate instruments** | | |
| Financial assets | 5,580 | 5,372 |
| Financial liabilities | (4,244) | (470) |
| | 1,336 | 4,902 |

| | Nominal amount | |
|---|---|---|
| *In thousands of EUR* | 31.12.2014 | 31.12.2013 |
| | EUR'000 | EUR'000 |
| **Variable rate instruments** | | |
| Financial liabilities | (5,071) | - |
| | (5,071) | - |

#### Capital management

The Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Group's approach to capital management during the year.

#### Fair value of financial assets and liabilities

The carrying values of the Group's financial assets and liabilities, not measured at fair value, approximate their fair values.

### 28. Segment Reporting

As of 31 December 2014 the Group has two reporting segments:

- Construction and management of Biomass Power Plants
- Sale and management of waste collection systems

| **For the year ended 31.12.2014** *In thousands of EUR* | **Segment 1** **Construction and Management of Biomass Power Plants** | **Segment 2** **Sale and management of waste collection systems** | **Total:** |
|---|---|---|---|
| Revenues | 480 | 1,778 | 2,258 |
| Other income | 98 | 33 | 131 |
| Gain on bargain purchase | 2,736 | - | 2,736 |
| Changes in inventory and work in progress | - | 8 | 8 |
| Loss from associated companies | - | (13) | (13) |
| Work performed by the entity and capitalized | 13,033 | - | 13,033 |
| Raw materials and consumables used | (2,968) | - | (2,968) |
| Cost of goods sold | - | (945) | (945) |
| Expenses for hired services | (8,885) | (310) | (9,195) |
| Employee benefit expenses | (1,545) | (260) | (1,805) |
| Depreciation and amortization | (74) | (154) | (228) |
| Other expenses | (509) | (69) | (578) |
| **Profit/(loss) from operating activities** | **2,366** | **68** | **2,434** |
| Finance Income | 2 | - | 2 |
| Finance expenses | (77) | (136) | (213) |
| **Net finance costs** | **(75)** | **(136)** | **(211)** |
| **Profit/(Loss) before income tax** | **2,291** | **(68)** | **2,223** |
| Income tax | 339 | 14 | 353 |
| **Profit/Loss for the year** | **2,630** | **(54)** | **2,576** |
| **Other comprehensive income** | **49** | **-** | **49** |
| **Total comprehensive income** | **2,679** | **(54)** | **2,625** |
| Assets for reportable segments | 46,431 | 6,614 | 53,045 |
| **Total assets** | **46,431** | **6,614** | **53,045** |
| Liabilities for reportable segments | 8,688 | 6,168 | 14,856 |
| **Total liabilities** | **8,688** | **6,168** | **14,856** |

**29. Related party transactions and balances**

Related parties are as follows:

| Related party | Relationship |
|---|---|
| Southeimer LLC, Spain | Ultimate parent |
| Elektra Holding AD | Parent of EBIOSS ENERGY AD |
| Heat Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Karlovo Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Plovdiv Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Nova Zagora Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Tvardica Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| United Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Biomass Distribution EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Syngas Italy S.R.L. | subsidiary, 100% owned by EBIOSS ENERGY AD (after 3 April 2014) |
| EQTEC Iberia SL, Spain | subsidiary, 48% owned and controlled by EBIOSS ENERGY AD |
| EQTEC Bulgaria EOOD | subsidiary, 48% owned and controlled by EBIOSS ENERGY AD |
| Energotec Eco AD | subsidiary, 46,36% owned and controlled by Group |
| Brila EOOD | subsidiary, 100% owned by Plovdiv Biomass EOOD |
| Tvarditsa PV EOOD | subsidiary, 100% owned by Tvarditsa Biomass EOOD |
| TNL SGPS, Portugal | subsidiary, 52.62% owned by Ebioss Energy AD (after 1 August 2014) |
| TNL SA, Portugal | Subsidiary of TNL SGPS, Portugal, 52,62 % effective ownership of Ebioss Energy (after 1 August 2014) |
| Hirdant, Portugal | Subsidiary of TNL SGPS, Portugal, 52,62 % effective ownership of Ebioss Energy (after 1 August 2014) |
| TNL SL, Spain | Subsidiary of TNL SGPS, Portugal, 42,1 % effective ownership of Ebioss Energy (after 1 August 2014) |
| Addom, Spain | Subsidiary of TNL SGPS, Portugal, 52,62 % effective ownership of Ebioss Energy (after 1 August 2014) |
| Inava Ingeiyieria De Analisis SL, Spain | under common control |
| Ortiz Elektra AD | under common control |
| Biomass Gorno EOOD | under common control |
| Luxur PV EOOD | under common control |
| Bul PV EOOD | under common control |
| Bul Biomass EOOD | under common control |
| Luxur Biomass OOD | under common control |
| Val Biomass EOOD | under common control |
| Smolyan Biomass EOOD | under common control |
| Titan Power OOD | under common control |
| Eko El Invest | under common control |
| Citytainer Brasil, Brasil | Associate company (after 1 August 2014) |
| Citytainer Industria, Brasil | under common control (after 1 August 2014) |
| Arrizabal Elkartea SL, Portugal | shareholder in TNL SL (after 1 August 2014) |

### 29. Related party transactions and balances (continued)

*Directors*

The Executive Directors of EBIOSS ENERGY AD are Jose Oscar Leiva Mendez and Luis Sanchez Angrill.

Remuneration of key management personnel of the group for the period 01.01.2014-31.12.2014 is 362 thousand EUR (2013: 61)

**Balances with related parties**

| *In thousands of EUR* | Balance outstanding as at | | | |
|---|---|---|---|---|
| | 31.12.2014 | | 31.12.2013 | |
| | Receivables | Payables | Receivables | Payables |
| Citytainer Brasil | 230 | - | - | - |
| Citytainer Industria | 383 | - | - | - |
| Arrizabal Elkartea SL | 256 | (89) | - | - |
| Elektra Holding AD | - | (145) | - | (206) |
| Receivable from employee | 10 | - | - | - |
| | 879 | (234) | - | (206) |

**Loans payable to related parties**

| *In thousands of EUR* | Balance outstanding as at | | | |
|---|---|---|---|---|
| | 31.12.2014 | | 31.12.2013 | |
| | Receivables | Payables | Receivables | Payables |
| Elektra Holding AD | - | - | - | (255) |
| Mr. Foad Jafal | - | (900) | - | - |
| Arrizabal Elkartea SL | - | (27) | - | - |
| | - | (927) | - | (255) |

**Transactions with related parties**

| *In thousands of EUR* | Description | For the period ended 31.12.2014 | For the period ended 31.12.2013 |
|---|---|---|---|
| Citytainer Brasil | Trade | 32 | - |
| Citytainer Industria | Trade | - | - |
| Arrizabal Elkartea SL | Trade | 129 | - |
| Elektra Holding AD | Trade | (61) | - |
| Receivable from employee | Trade | 10 | - |
| Elektra Holding AD | Loans | 255 | 89 |
| Mr. Foad Jafal | Loans | (240) | - |
| Arrizabal Elkartea SL | Loans | 30 | - |

### 30. Commitments and contingent liabilities

In accordance with Contract for connection to the National Electricity Grid signed between two subsidiaries - Karlovo Biomass EOOD and Heat Biomass EOOD and EVN Electricity Distribution Company, both contracts dated 14 September 2012 and subsequent annexes, the said subsidiaries have to complete the construction of power plants as follows:

For Karlovo Biomass:

- First stage – construction of 2 MW power plant facility – 30.06.2015
- Second stage – construction of 3 MW power plant facility – 31.12.2015

For Heat Biomass:

- Construction of 5 MW power plant facility – 31.12.2015

In the case the above terms are not observed, the contracts can be terminated. See also note 12, note 13 and note 31.

Ebioss Energy AD is a joint debtor in relation to Loan contracts dated 02.06.2014 between Karlovo Biomass EOOD and United Bulgarian Bank AD for the cumulative amount of EUR 5,700 thousand until the time of commissioning of biomass power plant property of Karlovo Biomass EOOD. The timing of commissioning will be confirmed by use permit issued by Directorate for National Construction Supervision.

The Group has no other commitments or contingent liabilities as at 31 December 2014 and 31 December 2013.

### 31. Events after the reporting period end

On 13th February 2015, the General Meeting of Ebioss Energy adopted resolution for issuance of emission of freely transferable, interest-bearing, bonds, convertible or non-convertible, at overall nominal and emission value of the debt instruments: up to 60,000,000 BGN or its equivalent in Euro. The general Meeting adopted also a resolution the shares of "EBIOSS ENERGY" AD to be admitted to trading on the alternative stock market in Paris, France – ALTERNEXT or on the alternative stock market in London, UK – AIM by making a private placement and/or dual listing.

On 5th March 2015, with act for registration No20150305112127 of the Registry Agency of the Republic of Bulgaria in the Trade registry was cancelled the participation of MERIDEN GROUP SAU as a board member in Ebioss Energy AD and the latter company was replaced by newly elected board member – Mr. Carlos Cuervo Arango Martinez.

On 6th March 2015 there were made changes in the Renewable Energy Act /REA/ regarding the operating conditions related to renewable energy producers, which are applicable to the Company.

According to the amended Act, the Company may produce electicity with power capacity up to 1,5 MW, using combined cycle and indirect use of biomass out of whose total weight animal manure shall comprises not less than 50%.

Thus the Company plans to produce electricity through thermal gasification with combined cycle from biomass of agricultural waste for power plants with power capacity up to 5MW become no longer applicable.

The feed-in tariff for production of electricity by way of combined cycle and indirect use of biomass of animal manure and agricultural substance for power plants with capacity up to 1,5MW is fixed to 447,43 BGN/MWh which is higher compared to the not applicable anymore feed-in tariff of 389,60 BGN/MWh for production of electricity through thermal gasification with combined cycle from biomass of agricultural waste for power plants with power capacity up to 5MW.

Following the above mentioned changes in the legislation, the Company has commenced to reorganize and redesign its existing power production facilities of Karlovo Biomass Power Plant and construction in progress of Heat Biomass Power Plant.

### 31. Events after the reporting period end (continued)

As of 31st March 2015 the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation and started to sell electricity.

On 20th of April 2015 Ebioss Energy signed with the Spanish company CONECTA2 ENERGIA S.L, domiciled in the city of Barcelona, an Agreement for investment intention Ebioss to be admitted as shareholder in the capital of CONECTA2 ENERGIA SL. The parties agreed to perform within approximately 1-year term legal procedure of gradual capital increase of the registered capital of CONECTA2 ENERGIA S.L, whereat Ebioss shall consecutively subscribe certain portions of newly emitted shares up to 50,01% of the registered capital of CONECTA2 ENERGIA S.L, making an overall equity investment in the receiving company of 1.500.000 €.

Apart from the above mentioned events, there are no other significant events after the reporting period, which have a bearing on the understanding of the consolidated financial statements.

**EBIOSS ENERGY AD**

SEPARATE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2014

# EBIOSS ENERGY AD

# DIRECTOR`S REPORT

## SEPARATE FINANCIAL STATEMENTS AND AUDITOR'S REPORT
For the year ended 31 December 2014

## CONTENTS

# EBIOSS ENERGY AD

# DIRECTOR`S REPORT

## DIRECTORS AND OTHER OFFICERS

### Executive Directors

Jose Oscar Leiva Mendez
Luis Sanchez Angrill

### Registered seat

49 Bulgaria Blvd.
Floor 11-12
Sofia 1404

### Address for correspondence

49 Bulgaria Blvd.
Floor 11-12
Sofia 1404

### Legal Consultant

Angel Panayotov
49 Bulgaria Blvd.
Floor 11-12
Sofia 1404

### Bank

BNP Paribas Securities Services, Spain
Banco Inversis S.A., Spain
UniCredit Bulbank AD, Bulgaria
United Bulgarian Bank, Bulgaria
Banco de Sabadell S.A, Spain
Banco Popular Portugal S.A.

### Auditor

Baker Tilly Klitou and Partners OOD
104 Akad. Iv. Evst. Geshov Blvd. Бул.
Fl. 7; office 12
Sofia 1612

# EBIOSS ENERGY AD

# DIRECTOR`S REPORT

The Board of Directors presents its report and audited separate financial statements of EBIOSS ENERGY AD (the Company) for the period 01 January 2014 – 31 December 2014.

**Incorporation**

EBIOSS ENERGY AD (the Company) is a joint stock company registered in Sofia, Bulgaria with EIC: 202356513. It was incorporated on 07 January 2011 as TETEVEN BIOMASS EOOD with Elektra Holding AD holding 100% of the issued share capital which was EUR 102 (BGN 200 comprising of 20 shares at nominal value BGN 10 each). On 28 March 2012 the name was changed from TETEVEN BIOMASS EOOD to EBIOSS ENERGY EOOD.

On 01 October 2012 EBIOSS ENERGY EOOD was transformed into EBIOSS ENERGY OOD and on the same date the share capital of EBIOSS ENERGY OOD was increased from EUR 102 (BGN 200) to EUR 12,391,414 (BGN 24,235,500), comprising 2,423,550 shares of a nominal value of EUR 5.11 each, divided between the following shareholders:

| Shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 75.95 | 1,840,654 | 18,407 | 9,411 |
| Sofia Biomass EOOD | 12.71 | 308,043 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 1.65 | 40,000 | 400 | 205 |
| SPAX OOD | 0.88 | 21,325 | 213 | 109 |
| 4 physical persons | 8.81 | 213,528 | 2,136 | 1,092 |
| **Total:** | **100** | **2,423,550** | **24,236** | **12,392** |

The increase of the share capital of EBIOSS ENERGY OOD was performed through contributions in kind representing 100% of shares in the following subsidiaries, valued at fair values by licensed valuers at the date of the transaction, as follows:

| Subsidiary | Fair value in EUR'000 |
|---|---|
| Heat Biomass | 3,500 |
| Karlovo Biomass | 3,500 |
| Tvarditsa Biomass | 2,045 |
| Nova Zagora Biomass | 1,278 |
| Provdiv Biomass | 979 |
| United Biomass | 1,090 |
| **Total:** | **12,392** |

### Incorporation and principal activities (continued)

### Incorporation (continued)

On 12 December 2012 EBIOSS ENERGY OOD has been transformed into joint stock company EBIOSS ENERGY AD.

On 21 December 2012 according to Agreements for transfer of shares against repayment of receivables, Elektra Holding AD transferred 210,000 dematerialized shares from the registered capital of Ebioss Energy AD to Sungroup Bulgaria EOOD, 78,200 dematerialized shares from the registered capital of Ebioss Energy AD to Origina Bulgaria OOD and 19,500 dematerialized shares from the registered capital of Ebioss Energy AD to Antigona Bulgaria EOOD.

As at 31 December 2013 the share capital of Ebioss Energy AD is divided between the following shareholders:

| Shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 43.22 | 3,046,732 | 15,234 | 7,789 |
| Sofia Biomass EOOD | 8.74 | 616,086 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 6.94 | 489,000 | 2,445 | 1,250 |
| Origina Bulgaria OOD | 2.20 | 155,028 | 775 | 396 |
| SPAX OOD | 0.60 | 42,650 | 213 | 109 |
| Antigona Bulgaria EOOD | 1.15 | 81,000 | 405 | 207 |
| 5 physical persons | 5.68 | 400,090 | 2,000 | 1,023 |
| **Minority shareholders** | 31.48 | 2,219,107 | 11,096 | 5,673 |
| **Total:** | **100** | **7,049,693** | **35,248** | **18,022** |

The basic shareholders of the company are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 68.52% of the share capital of the Comapany as at 31.12.2013.

The minority shareholders are those who subscribed shares in two subsequent capital increases made during 2013 by means of initial public offering of shares on the Spanish Alternative Stock Exchange Market – MAB). These shareholders own approximately 31.48% of the share capital of the Comapany as at 31.12.2013.

### Incorporation and principal activities (continued)

#### Incorporation (continued)

As at 31 December 2014 the share capital of Ebioss Energy AD is divided between the following shareholders:

| Basic shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 37.32 | 15,268,585 | 15,269 | 7,807 |
| Sofia Biomass EOOD | 7.53 | 3,080,430 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 5.88 | 2,407,110 | 2,407 | 1,231 |
| Origina Bulgaria OOD | 1.89 | 775,140 | 775 | 396 |
| Antigona Bulgaria EOOD | 1.25 | 509,265 | 509 | 260 |
| 4 physical persons | 3.99 | 1,631,025 | 1,631 | 834 |
| **Minority shareholders** | 42,14 | 17,240,861 | 17,241 | 8,815 |
| **Total:** | **100** | **40,912,416** | **40,912** | **20,918** |

#### Principal activities

The principal activity of the Company is the management of the engineering, construction and development of gasification Power Plants. As of December 31, 2014 the following Power Plant Projects are under development by each subsidiary of the Company:

- **Heat Biomass EOOD,** registered on 6 January 2011 with UIC 201384552 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The construction of the external connection to the grid of the plant has started in March 2014 and electricity will start to be produced in 2016 (see also events after the reporting period).

- **Karlovo Biomass EOOD,** registered on 6 January 2011 with UIC 201384641 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is under construction on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The construction of the first phase of 2 MW has started in October 2013 and electricity will start to be produced in 2015. The construction of the second phase of 3 MW has started in March 2014 and electricity will start to be produced in 2015. (see also events after the reporting period).

**Incorporation and principal activities (continued)**

**Principal activities (continued)**

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Plovdiv.

- **Nova Zagora Biomass EOOD,** registered on 7 January 2011 with UIC 201385519 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017.

- **Tvardica Biomass EOOD,** registered on 7 January 2011 with UIC 201384926 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Tvarditza. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD,** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Tvarditza.

- **United Biomass EOOD,** registered on 6 January 2011 with UIC 201384562 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Letnitza. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to CEZ Distribution Bulgaria AD, the electricity distribution Company for the Western part of Bulgaria. The plant should be completed and electricity production shall commence in 2018.

The Company has also the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the subsidiaries of EBIOSS ENERGY AD.

On 30 November 2012 Ebioss Energy AD has acquired control over **EQTEC IBERIA S.L.,** a Company registered in Spain. EQTEC IBERIA S.L. is an engineering company specializing in the design, complete construction, operation and maintenance of cogeneration plants heat and electricity power, gasification power plants and renewable energy, with experience in the market for more than 15 years. Since its founding, the company has implemented over 60 plant projects of production of electricity and / or heat, with capacities ranging from 60 kW to 10,000 kW. The company has developed and currently works on projects in Spain, Portugal, India, France, Germany, Italy and Bulgaria.

In 2013 on the grounds and under conditions of the Minutes of the meeting of the Board of Directors of Ebioss Energy AD dated 24 October 2013, the Company participated in the incorporation of the joint-stock company **Energotec-Eco AD** through subscribtion and acquisition of 215 shares with nominal value of EUR 51.12, representing 43% of the registered capital of the company Energotec-Eco AD. The new incorporated company Energotec Eco AD plans to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants.

On 3 April 2014 according to agreement for transfer of shares Ebioss Energy AD acquired 100% of the shares of Sorgenia Bioenergy S.P.A in Italy (renamed at present to Syngas Italy S.R.L) with fiscal number 06337630963. The registered share capital of the company is EUR 120,000 comprising of 120,000 shares at nominal value EUR 1 each. The company was acquired for the price of EUR 650,000. The principal activity of the company is development of biomass power plants and its first power plant located in municipality of Castiglione d'Orcia, Toscana region of a 1 MW is under construction and is planned to become fully operational in 2015.

### Incorporation and principal activities (continued)

### Principal activities (continued)

On 10 April 2014 with decision of the General meeting of EBIOSS ENERGY AD the nominal value of the shares of the Company is changed from EUR 2.56 to EUR 0,51. There is a change in the number of the members of the Board of Directors from 3 to 4 and Meriden Group SAU, Company registered in the Principality of Andorra with tax number (NRT) – A – 706620-E, is appointed as a new member of the Board of Directors of the Company. The General meeting also takes decision to delegate and issues an explicit statutory mandate of the Board of Directors of EBIOSS ENERGY AD with the right to increase the share capital by issuing new emission of dematerialized shares with voting rights with nominal value of EUR 0,51 and comprising up to a total EUR 20,452 thousand.

On 1 August 2014 according to the Agreement for acquisition of quotas from the capital and subsequent capital increase, Ebioss Energy AD acquired 51% of the shares of TNL SGPS LDA in Portugal, dully registered and existing under the laws of Portugal, with VAT number 509543596. The registered share capital of the company is EUR 7,550,000. The Company's shares were acquired by Ebioss Energy AD for the amount of EUR 1,550 thousand. The main activity of the Company is equity management in other companies.

In addition, on 4 August 2014 additional 1,62% from share capital of TNL SGPS LDA. have been acquired by Ebioss Energy AD, for the amount 50,000 euro, consequently reaching in total 52,62% of the shares of TNL SGPS LDA.

TNL SGPS LDA owns 100% of TNL SA which is a company domiciled in Porto (Portugal) and specializing in the development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities. The company owns share participation in other companies domiciled in Spain, Portugal and Brazil, which have similar scope of commercial activity as TNL SA.

### Review of current position, future developments and significant risks

The Company's development to date, financial results and position are presented in the individual financial statements. For the period 01 January 2014 - 31 December 2014 the financial result of the Company is net loss in the amount of EUR 934 thousand and the net equity is a positive value amounting to EUR 34 742 thousand.

The main risks and uncertainties faced by the Company and the steps taken to manage these risks, are described in note 19 of the separate financial statements.

### Share capital

Changes in the share capital of the Parent Company during the period under audit are explained above.

### Events after the reporting period

On 13th February 2015, the General Meeting of Ebioss Energy adopted resolution for issuance of emission of freely transferable, interest-bearing, bonds, convertible or non-convertible, at overall nominal and emission value of the debt instruments: up to 60,000,000 BGN or its equivalent in Euro. The general Meeting adopted also a resolution the shares of "EBIOSS ENERGY" AD to be admitted to trading on the alternative stock market in Paris, France – ALTERNEXT or on the alternative stock market in London, UK – AIM by making a private placement and/or dual listing.

On 5th March 2015, with act for registration No20150305112127 of the Registry Agency of the Republic of Bulgaria in the Trade registry was cancelled the participation of MERIDEN GROUP SAU as a board member in Ebioss Energy AD and the latter company was replaced by newly elected board member – Mr. Carlos Cuervo Arango Martinez.

On 6th March 2015 there were made changes in the Renewable Energy Act /REA/ regarding the operating conditions related to renewable energy producers, which are applicable to the Company.

According to the amended Act, the Company may produce electicity with power capacity up to 1,5 MW, using combined cycle and indirect use of biomass out of whose total weight animal manure shall comprises not less than 50%.

**Events after the reporting period (continued)**

Thus the Company plans to produce electricity through thermal gasification with combined cycle from biomass of agricultural waste for power plants with power capacity up to 5MW become no longer applicable.

The feed-in tariff for production of electricity by way of combined cycle and indirect use of biomass of animal manure and agricultural substance for power plants with capacity up to 1,5MW is fixed to 447,43 BGN/MWh which is higher compared to the not applicable anymore feed-in tariff of 389,60 BGN/MWh for production of electricity through thermal gasification with combined cycle from biomass of agricultural waste for power plants with power capacity up to 5MW.

Following the above mentioned changes in the legislation, the Company has commenced to reorganize and redesign its existing power production facilities of Karlovo Biomass Power Plant and construction in progress of Heat Biomass Power Plant.

As of 31st March 2015 the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation and started to sell electricity.

On 20th of April 2015 Ebioss Energy signed with the Spanish company CONECTA2 ENERGIA S.L, domiciled in the city of Barcelona, an Agreement for investment intention Ebioss to be admitted as shareholder in the capital of CONECTA2 ENERGIA SL. The parties agreed to perform within approximately 1-year term legal procedure of gradual capital increase of the registered capital of CONECTA2 ENERGIA S.L, whereat Ebioss shall consecutively subscribe certain portions of newly emitted shares up to 50,01% of the registered capital of CONECTA2 ENERGIA S.L, making an overall equity investment in the receiving company of 1.500.000 €.

Apart from the above mentioned events, there are no other significant events after the reporting period, which have a bearing on the understanding of the separate financial statements.

**Director's responsibilities**

The Directors are required by Bulgarian law to prepare financial statements each financial year that give a true and fair view of the state of affairs of the Company as at the year end, and of the profit or loss and cash flows for the year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2014.

The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As of 31 December 2014 Managing Directors are Jose Oscar Leiva Mendez and Luis Sanchez Angrill.

By order of the Board of Directors,

Jose Oscar Leiva Mendez
Executive Director

Sofia, 29.04.2015

ЕБИОСС ЕНЕРДЖИ АД София

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**Independent Auditor's Report**

To the Shareholders of EBIOSS ENERGY AD

*Report on the financial statements*
We have audited the accompanying separate financial statements of parent company EBIOSS ENERGY AD (the "Company") which comprise the statement of financial position as of 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's responsibility for the financial statements*
Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*
Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for qualified opinion*

As discussed in Note 22 to the separate financial statements, in March 2015 there were made changes in the Bulgarian Renewable Energy Act, as a result of which, the Company has to redesign and reorganize the existing power production facilities of Karlovo Biomass Power Plant and the construction in progress of Heat Biomass Power Plant. The Company has estimated, but not recorded an impairment loss of investments in subsidiaries resulting from the required reconstruction activities of EUR 580 thousand, related to Karlovo Biomass Power Plant and of EUR 755 thousand, related to Heat Biomass Power Plant. As a result of the above, investments in subsidiaries as of 31 December 2014 are overstated by EUR 1,335 thousand.

*Qualified Opinion*

In our opinion, except for the effects of the matter described in Basis for Qualified Opinion paragraph, the separate financial statements give a true and fair view of the financial position of the company EBIOSS ENERGY AD as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with IFRS, as adopted by the European Union.

**Other matters**

We have reported separately on 29 April 2015 on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

The opinion in that report is qualified with regard to inclusion as of 31 December 2014 of unrealized intra-company profit of EUR 2,413 thousand in Property, plant and equipment" and for the year ended 31 December 2014 of EUR 1,845 thousand in "Work performed by the entity and capitalized", as well as, qualified as of 31 December 2014 with regard to overstatement of goodwill of EUR 1,335 thousand, related to Karlovo Biomass Power Plant and Heat Biomass Power Plant. Our opinion in that report is modified with the inclusion of an emphasis of matter with regard to the fact that the values of development costs are based on estimated discounted future cash flows and along with goodwill are dependent on timing of completion of Biomass Power Plants and commencement of electricity production.

**Baker Tilly Klitou and Partners Ltd**

**29 April, 2015**
**Sofia, Bulgaria**

СПЕЦИАЛИЗИРАНО ОДИТОРСКО ПРЕДПРИЯТИЕ "БЕЙКЪР ТИЛИ КЛИТУ И ПАРТНЬОРИ" ООД
София
Рег. № 129

# SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2014

| | Note | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|---|
| Revenue from services | 3 | 20 | - |
| Depreciation expense | 9,10 | (2) | - |
| Expenses for hired services | 4 | (463) | (99) |
| Employee benefit expenses | 5 | (455) | (199) |
| Other expenses | 6 | (465) | (122) |
| **Results from operating activities** | | (1,365) | (420) |
| Finance income | 7 | 389 | 48 |
| Finance cost | 7 | (43) | (18) |
| **Net finance income** | | 346 | 30 |
| **Loss before income tax** | | (1,019) | (390) |
| Income tax benefit | 18 | 85 | 35 |
| **Loss for the year** | | (934) | (355) |
| **Other comprehensive income** | | - | - |
| **Total comprehensive income for the year** | | (934) | (355) |
| **Basic earnings per share (in EUR)** | 15 | (0.024) | (0.068) |

# SEPARATE STATEMENT OF FINANCIAL POSITION
31 December 2014

| ASSETS | Note | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in subsidiaries | 8 | 15,218 | 12,968 |
| Loans provided to related parties | 12 | 3,146 | 5,638 |
| Deferred tax asset | 18 | 120 | 35 |
| Deferred expenses | | - | 4 |
| Property, plant and equipment | 9 | 7 | 1 |
| Intangible assets | 10 | 5 | - |
| **Total non-current assets** | | 18,496 | 18,646 |
| **Current assets** | | | |
| Cash and cash equivalents | 11 | 2,457 | 4,554 |
| Loans provided to related parties | 12 | 13,882 | 48 |
| Trade and other receivables | 13 | 115 | 31 |
| Deferred expenses | | 30 | 4 |
| **Total current assets** | | 16,484 | 4,637 |
| **Total assets** | | 34,980 | 23,283 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 14.1 | 20,918 | 18,022 |
| Share premium | | 15,351 | 4,460 |
| Reserve for own shares | 14.2 | (668) | (21) |
| Retained earnings/(Accumulated losses) | | (859) | 75 |
| **Total equity** | | 34,742 | 22,536 |
| **Non-current liabilities** | | | |
| Other payables to related parties | 20.3 | - | 206 |
| **Total non-current liabilities** | | - | 206 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | 93 | 286 |
| Other payables to related parties | 20.3 | 145 | - |
| Loans payable to related parties | 16 | - | 255 |
| **Total current liabilities** | | 238 | 541 |
| **Total equity and liabilities** | | 34,980 | 23,283 |

On 29th April 2015 the Board of Directors of EBIOSS ENERGY AD authorised these separate financial statements for issue.

ЕБИОС ЕНЕРДЖИ СОФИЯ * АД *

Executive Director:
Jose Oscar Leiva Mendez


The notes set out on pages 14 – 40 are an integral part of these financial statements

# SEPARATE STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2014

| | Share capital EUR'000 | Share premium EUR'000 | Reserve for own shares EUR'000 | Retained earnings EUR'000 | Total EUR'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2013** | 12,392 | - | - | 430 | 12,822 |
| **Total comprehensive income** | | | | | |
| Loss for the year | - | - | - | (355) | (355) |
| **Total comprehensive income** | - | - | - | (355) | (355) |
| **Transactions with owners of the Company** | | | | | |
| Issue of ordinary shares (note 14) | 5,630 | 4,491 | - | - | 10,121 |
| Own shares acquired | - | (191) | (120) | - | (311) |
| Own shares sold | - | 160 | 99 | - | 259 |
| **Total transactions with owners of the Company** | 5,630 | 4,460 | (21) | - | 10,069 |
| **Balance at 31 December 2013/** | | | | | |
| **Balance at 1 January 2014** | 18,022 | 4,460 | (21) | 75 | 22,536 |
| **Total comprehensive income** | | | | | |
| Loss for the year | - | - | - | (934) | (934) |
| **Total comprehensive income** | - | - | - | (934) | (934) |
| **Transactions with owners of the Company** | | | | | |
| Issue of ordinary shares (See note 14) | 2,896 | 12,963 | - | - | 15,859 |
| Share issue costs | - | (814) | - | - | (814) |
| Own shares acquired | - | (3,511) | (1,343) | - | (4,854) |
| Own shares sold | - | 2,253 | 696 | - | 2,949 |
| **Total transactions with owners of the Company** | 2,896 | 10,891 | (647) | - | 13,140 |
| **Balance at 31 December 2014** | 20,918 | 15,351 | (668) | (859) | 34,742 |

# SEPARATE STATEMENT OF CASH FLOWS
For the year ended 31 December 2014

| | Note | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss for the year before tax | | (1,019) | (390) |
| Adjustment for: | | | |
| Depreciation expense | | 2 | - |
| Interest expense | | 5 | 11 |
| Interest income | | (389) | (48) |
| Other financial expenses | | 38 | 7 |
| | | (1,363) | (420) |
| Changes in working capital: | | | |
| Trade and other payables | | (45) | 25 |
| Trade and other receivables | | (84) | (37) |
| Deferred expenses | | (23) | - |
| **Cash used in operating activities** | | (1,515) | (432) |
| Interest paid | | 1 | - |
| Income tax paid | | - | (48) |
| Other financial expenses | | (38) | (7) |
| **Net cash used in operating activities** | | (1,552) | (487) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Loans provided to related parties | | (12,554) | (4,945) |
| Repaid loans from related parties | | 1,600 | - |
| Acquisition of investments | | (2,250) | (370) |
| Acquisition of property, plant and equipment | | (13) | (1) |
| **Net cash used in investing activities** | | (13,217) | (5,316) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from issue of share capital | | 15,859 | 10,821 |
| Payments related to issue of new shares | | (1,022) | (492) |
| Proceeds on loan from related party | | - | 213 |
| Repayment of loan from related party | | (260) | (135) |
| Proceeds from sale of own shares | | 2,949 | 259 |
| Repurchase of own shares | | (4,854) | (311) |
| **Net cash from financing activities** | | 12,672 | 10,355 |
| **Net increase in cash and cash equivalents** | | (2,097) | 4,552 |
| Cash and cash equivalents at 1 January | | 4,554 | 2 |
| **Cash and cash equivalents at 31 December** | 11 | 2,457 | 4,554 |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 1. Incorporation and principal activities

### Incorporation

EBIOSS ENERGY AD (the Company) is a joint stock company registered in Sofia, Bulgaria with EIC: 202356513. It was incorporated on 07 January 2011 as TETEVEN BIOMASS EOOD with Elektra Holding AD holding 100% of the issued share capital which was EUR 102 (BGN 200 comprising of 20 shares at nominal value BGN 10 each). On 28 March 2012 the name was changed from TETEVEN BIOMASS EOOD to EBIOSS ENERGY EOOD.

On 01 October 2012 EBIOSS ENERGY EOOD was transformed into EBIOSS ENERGY OOD and on the same date the share capital of EBIOSS ENERGY OOD was increased from EUR 102 (BGN 200) to EUR 12,391,414 (BGN 24,235,500), comprising 2,423,550 shares of a nominal value of EUR 5.11 (BGN 10) each, divided between the following shareholders:

| Shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 75.95 | 1,840,654 | 18,407 | 9,411 |
| Sofia Biomass EOOD | 12.71 | 308,043 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 1.65 | 40,000 | 400 | 205 |
| SPAX OOD | 0.88 | 21,325 | 213 | 109 |
| 4 physical persons | 8.81 | 213,528 | 2,136 | 1,092 |
| **Total:** | **100** | **2,423,550** | **24,236** | **12,392** |

The increase of the share capital of EBIOSS ENERGY OOD was performed through contributions in kind representing 100% of shares in the following subsidiaries, valued at fair values by licensed valuers at the date of the transaction, as follows:

| Subsidiary | Fair value in EUR'000 |
|---|---|
| Heat Biomass | 3,500 |
| Karlovo Biomass | 3,500 |
| Tvarditsa Biomass | 2,045 |
| Nova Zagora Biomass | 1,278 |
| Plovdiv Biomass | 979 |
| United Biomass | 1,090 |
| **Total:** | **12,392** |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**1. Incorporation and principal activities (continued)**

**Incorporation (continued)**

On 12 December 2012 EBIOSS ENERGY OOD has been transformed into joint stock company EBIOSS ENERGY AD.

On 21 December 2012 according to Agreements for transfer of shares against repayment of receivables, Elektra Holding AD transferred 210,000 dematerialized shares from the registered capital of Ebioss Energy AD to Sungroup Bulgaria EOOD, 78,200 dematerialized shares from the registered capital of Ebioss Energy AD to Origina Bulgaria OOD and 19,500 dematerialized shares from the registered capital of Ebioss Energy AD to Antigona Bulgaria EOOD.

As at 31 December 2013 the share capital of Ebioss Energy AD is divided between the following shareholders:

| **Shareholders** | **Relative share %** | **Number of shares** | **Total share capital in BGN'000** | **Total share capital in EUR'000** |
|---|---|---|---|---|
| Elektra Holding AD | 43.22 | 3,046,732 | 15,234 | 7,789 |
| Sofia Biomass EOOD | 8.74 | 616,086 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 6.94 | 489,000 | 2,445 | 1,250 |
| Origina Bulgaria OOD | 2.20 | 155,028 | 775 | 396 |
| SPAX OOD | 0.60 | 42,650 | 213 | 109 |
| Antigona Bulgaria EOOD | 1.15 | 81,000 | 405 | 207 |
| 5 physical persons | 5.68 | 400,090 | 2,000 | 1,023 |
| **Minority shareholders** | 31.48 | 2,219,107 | 11,096 | 5,673 |
| **Total:** | **100** | **7,049,693** | **35,248** | **18,022** |

The basic shareholders of the company are those who initially subscribed all the shares in the capital, upon the incorporation. These shareholders owned approximately 68.52% of the share capital of the Comapany as at 31.12.2013.

The minority shareholders are those who subscribed shares in two subsequent capital increases made during 2013 by means of initial public offering of shares on the Spanish Alternative Stock Exchange Market – MAB. These shareholders own 31.48% of the share capital of the Company as at 31.12.2013.

During 2013 the share capital of the Company increase from EUR 12,392 thousand to EUR 18,022 thousand (see note 14.1)

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 1. Incorporation and principal activities (continued)

### Incorporation (continued)

As at 31 December 2014 the share capital of Ebioss Energy AD is divided between the following shareholders:

| Basic shareholders | Relative share % | Number of shares | Total share capital in BGN'000 | Total share capital in EUR'000 |
|---|---|---|---|---|
| Elektra Holding AD | 37.32 | 15,268,585 | 15,269 | 7,807 |
| Sofia Biomass EOOD | 7.53 | 3,080,430 | 3,080 | 1,575 |
| Sun Group Bulgaria EOOD | 5.88 | 2,407,110 | 2,407 | 1,231 |
| Origina Bulgaria OOD | 1.89 | 775,140 | 775 | 396 |
| Antigona Bulgaria EOOD | 1.25 | 509,265 | 509 | 260 |
| 4 physical persons | 3.99 | 1,631,025 | 1,631 | 834 |
| **Minority shareholders** | 42,14 | 17,240,861 | 17,241 | 8,815 |
| **Total:** | **100** | **40,912,416** | **40,912** | **20,918** |

During 2014 the share capital of the Company increase from EUR 18,022 thousand to EUR 20,918 thousand (see note 14.1)

### Principal activities

The principal activity of the Company is the management of the engineering, construction and development of gasification Power Plants. As of December 31, 2014 the following Power Plant Projects are under development by each subsidiary of the Company:

- **Heat Biomass EOOD,** registered on 6 January 2011 with UIC 201384552 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The construction of the external connection to the grid of the plant has started in March 2014 and electricity will start to be produced in 2016. See also Note 22.
- **Karlovo Biomass EOOD,** registered on 6 January 2011 with UIC 201384641 and with principal activity: the construction of a 5 MW biomass gasification power plant. The Power Plant is under construction on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The construction of the first phase of 2 MW has started in October 2013 and electricity will start to be produced in 2015. The construction of the second phase of 3 MW has started in March 2014 and electricity will start to be produced in 2015. See also Note 22.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 1. Incorporation and principal activities (continued)

### Principal activities (continued)

- **Plovdiv Biomass EOOD,** registered on 7 January 2011 with UIC 201385444 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Plovdiv. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017. Plovdiv Biomass has acquired in November 2012 a 100% subsidiary **Brila EOOD** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Plovdiv.

- **Nova Zagora Biomass EOOD,** registered on 7 January 2011 with UIC 201385519 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Nova Zagora. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017.

- **Tvardica Biomass EOOD,** registered on 7 January 2011 with UIC 201384926 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Tvarditza. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to EVN, the electricity distribution Company for South - Central part of Bulgaria. The plant should be completed and electricity production shall commence in 2017. Tvardica Biomass EOOD has acquired in November 2012 a 100% subsidiary **Tvardica PV EOOD,** which has the same principal activity: the construction of a 1.5 MW biomass gasification power plant near the town of Tvarditza.

- **United Biomass EOOD,** registered on 6 January 2011 with UIC 201384562 and with principal activity: the construction of a 1.5 MW biomass gasification power plant. The Power Plant is going to be constructed on a site located near the town of Letnitza. Upon commissioning of the Power Plant the Company will fully own and operate the facility. The Power Plant will sell electricity to CEZ Distribution Bulgaria AD, the electricity distribution Company for the Western part of Bulgaria. The plant should be completed and electricity production shall commence in 2018.

The Company has also the ownership of **Biomass Distribution EOOD,** registered on 12 November 2012 with UIC 201336098 and with principal activity: to provide the necessary raw materials and biomass sources to the biomass power plants of the subsidiaries of EBIOSS ENERGY AD.

On 30 November 2012 Ebioss Energy AD has acquired control over **EQTEC IBERIA S.L.,** a Company registered in Spain. EQTEC IBERIA S.L. is an engineering company specializing in the design, complete construction, operation and maintenance of cogeneration plants heat and electricity power, gasification power plants and renewable energy, with experience in the market for more than 15 years. Since its founding, the company has implemented over 60 plant projects of production of electricity and / or heat, with capacities ranging from 60 kW to 10,000 kW. The company has developed and currently works on projects in Spain, Portugal, India, France, Germany, Italy and Bulgaria.

In 2013 on the grounds and under conditions of the Minutes of the meeting of the Board of Directors of Ebioss Energy AD dated 24 October 2013, the Company participated in the incorporation of the joint-stock company **Energotec-Eco AD** through subscribtion and acquisition of 215 shares with nominal value of EUR 51.12, representing 43% of the registered capital of the company Energotec-Eco AD. The Company has control over the financial and operating activity of Energotec Eco AD as it nominates the 2 CEO`s and appoints 3 members of the Board of Directors out of 4 in total. The new incorporated company Energotec Eco AD plan to rent out a factory nearby village of Kaloianovec and manufacture part of the main equipment for the biomass power plants.

On 3 April 2014 according to agreement for transfer of shares Ebioss Energy AD acquired 100% of the shares of Sorgenia Bioenergy S.P.A in Italy (renamed at present to Syngas Italy S.R.L) with fiscal number 06337630963. The registered share capital of the company is EUR 120,000 comprising of 120,000 shares at nominal value EUR 1 each. The company was acquired for the price of EUR 650,000. The principal activity of the company is development of biomass power plants and its first power plant located in municipality of Castiglione d'Orcia, Toscana region of a 1 MW is under construction and is planned to become fully operational in 2015. See also Note 22.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**1. Incorporation and principal activities (continued)**

**Principal activities (continued)**

On 10 April 2014 with decision of the General meeting of EBIOSS ENERGY AD the nominal value of the shares of the Company is changed from EUR 2.56 to EUR 0,51. There is a change in the number of the members of the Board of Directors from 3 to 4 and Meriden Group SAU, Company registered in the Principality of Andorra with tax number (NRT) – A – 706620-E, is appointed as a new member of the Board of Directors of the Company. The General meeting also takes decision to delegate and issues an explicit statutory mandate of the Board of Directors of EBIOSS ENERGY AD with the right to icrease the share capital by issuing new emission of dematerialized shares with voting rights with nominal value of EUR 0,51 and comprising at total EUR 20,452 thousand.

On 1 August 2014 according to the Agreement for acquisition of quotas from the capital and subsequent capital increase, Ebioss Energy AD acquired 51% of the shares of TNL SGPS LDA in Portugal, dully registered and existing under the laws of Portugal, with VAT number 509543596. The registered share capital of the company is EUR 7,550,000. The Company's shares were acquired by Ebioss Energy AD for the amount of EUR 1,550 thousand. The main activity of the Company is equity management in other companies.

In addition, on 4 August 2014 additional 1,62% from share capital of TNL SGPS LDA have been acquired by Ebioss Energy AD, for the amount 50,000 euro, consequently reaching in total 52,62% of the shares of TNL SGPS LDA.

TNL SGPS LDA owns 100% of TNL SA which is a company domiciled in Porto (Portugal) and specializing in the development of technological solutions for comprehensive management of household waste, separate waste collection systems, and waste storage facilities. The company owns share participation in other companies domiciled in Spain, Portugal and Brazil, which have similar scope of commercial activity as TNL SA.

**2. Accounting policies**

The principal accounting policies adopted in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all periods presented in these separate financial statements unless otherwise stated.

**Basis of preparation**

(a) Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The separate financial statements were authorised for issue by the Board of Directors on 29.04.2015.

Basis of measurement

The financial statements have been prepared on the historical cost basis.

These financial statements are separate financial statements of the Company.

The Company prepared consolidated financial statements in accordance with IFRS as adopted by the EU for the Company and its subsidiaries. The consolidated financial statements can be obtained from the Company at their registered office in Sofia, 49 Bulgaria Blvd.

Users of these separate financial statements of the parent company should read them together with the consolidated financial statements of the Company and its subsidiaries as at and for the year ended 31 December 2014 in order to obtain a proper understanding of the financial position, the financial performance and the cash flows of the Company and its subsidiaries.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

**Use of estimates and judgements**

The preparation of the separate financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Although these estimates are based on Management's best knowledge of current events and actions, actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

**Going concern basis of accounting**

The separate financial statements of the Company as of 31 December 2014 have been prepared on the basis of the going concern concept. Management is of the opinion that the funds secured by the shareholders are adequate to finance the future planned activities of the Company.

**Separate non-consolidated financial statements**

The separate financial statements are not consolidated. The consolidated financial statements were authorised for issue by the Board of Directors on 29.04.2015.

**Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair value, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or liability, the Company uses market observable data as far as possible. Fair values are categorized into different level in a fair value hierarchy based on the inputs in the valuation techniques, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

**Adoption of new and revised IFRSs**

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2014. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board (IASB) which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

**Standards issued by IASB/IFRIC and endorsed by EU, but not yet effective and not early adopted**

Standards issued but not yet effective and not early adopted up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt those standards when they become effective.

**IAS 19 *Defined Benefit Plans: Employee Contributions – Amendment to IAS 19***
The amendments apply to contributions from employees or third parties to defined benefit plans. The amendments are applicable for financial year 2015. They have been adopted for use in the EU. It is not expected that these amendments would be relevant to the Company.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

**IFRIC Interpretation 21 *Levies (IFRIC 21)***
IFRIC 21 is effective for annual periods beginning on or after 1 July 2014. It has been adopted for use in the EU. The Company does not expect that IFRIC 21 will have material financial impact on future financial statements.

**Annual improvements to IFRSs 2011-2013 Cycle**
In the 2011-2013 annual improvements cycle, the IASB issued amendments to four standards (IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 3 Business Combinations, IFRS 13 Fair Value Measurement, IAS 40 Investment Property) which are applicable for financial year 2015. The Company is in the process of assessing the impact of the amendments on its financial statements. The Improvements to IFRS – 2011 – 2013 Cycle have been adopted for use in the EU.

**Annual improvements to IFRSs 2010-2012 Cycle**
In the 2010-2012 annual improvements cycle, the IASB issued amendments to seven standards (IFRS 2 Share-based Payments, IFRS 3 Business Combinations, IFRS 8 Operating Segments, IFRS 13 Fair Value Measurement, IAS 16 Property, Plant and Equipment, IAS 24 Related Party Disclosures, IAS 38 Intangible Assets) which are applicable for financial year 2015. The Company is in the process of assessing the impact of the amendments on its financial statements. The Improvements to IFRS – 2010 – 2012 Cycle have been adopted for use in the EU.

**Standards issued by IASB, but not yet effective and not yet endorsed by EU**

**IFRS 9 *Financial Instruments***
The new standard is effective for annual periods beginning on or after 1 January 2018. The Company is in process of assessing the impact of the new standard on its financial position or performance.

**IFRS 14 Regulatory Deferral Accounts**
The new standard is effective for annual periods starting on or after 1 January 2016. The Company is in process of assessing the impact of the new standard on its financial statements.

**IFRS 15 Revenue from Contracts with Customers**
The new standard is effective for annual periods starting on or after 1 January 2017. The Company is in the process of assessing the impact of the new standard on its financial statements.

**Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities: Applying the Consolidation Exception.**
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

**Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative**
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

**Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

**Amendments to IAS 27 Equity Method on Separate Financial Statements**
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

**Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants**
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

**Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization**
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

**Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations**
These amendments are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the amendments on its financial statements.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 2. Accounting policies (continued)

**Annual Improvements to IFRSs 2012-2014 Cycle**

These set of amendments impacts four standards: IFRS 5 Non-current assets held for sale and discontinued operations regarding methods of disposal, IFRS 7 Financial instruments: Disclosures, (with consequential amendments to IFRS 1) regarding servicing contracts, IAS 19 Employee benefits regarding discount rates, IAS 34 Interim financial reporting regarding disclosure of information.

These improvements are effective for annual periods starting on or after 1 January 2016. The Company is in the process of assessing the impact of the improvements on its financial statements.

**Foreign currency translation**

**(i) Functional and presentation currency**

Items included in the Company's separate financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currency of the Company is BGN. The separate financial statements are presented in thousands of EUR, which is the Company's presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. The exchange rate of the EUR to BGN is fixed at 1 EUR = 1.95583 BGN.

All amounts represented have been rounded to the nearest thousand, except when otherwise indicated.

**Revenue recognition**

**(i) Goods sold**

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

**(ii) Services**

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

**Finance income and finance costs**

Finance income comprises interest income on funds invested and gains from transactions in foreign currencies. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and losses from transactions in foreign currencies.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 2. Accounting policies (continued)

### Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority. A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Company to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Property, plant and equipment measured at cost less accumulated depreciation and any accumulated impairment losses.

Items measured at cost less accumulated depreciation and any accumulated impairment losses are all other property, plant and equipment items except for land.

*Depreciation*

Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Depreciation is calculated on the straight-line method so as to write off the cost of each asset to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

| | |
|---|---|
| Computers | 2 years |
| Vehicles | 6 years |

**2. Accounting policies (continued)**

No depreciation is provided on land.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount.

*Subsequent costs*

Expenditure for repairs and maintenance of property, plant and equipment is charged to profit or loss of the period in which it is incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Intangible assets**

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Impairment is accrued, if applicable, on the basis of the review for impairment.
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated brands, is recognized in profit or loss as incurred.

*Amortization*

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives of intangible assets are as follows:

| | |
|---|---|
| Other intangible assets | 7 years |

**Investments in subsidiaries**

Investments in subsidiary companies are stated at cost less impairment, which is recognized as an expense in the period in which the impairment is identified.

**Financial instruments**

Financial assets and financial liabilities are recognised in the Company's separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

**(i) Non-derivative financial assets**

The Company's financial assets include loans and receivables consisting of cash and cash equivalents, trade and other receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

**(i) Non-derivative financial liabilities**

The Company's financial liabilities include other financial liabilities – loans and borrowings, trade and other payables.

Trade and other payables

Trade payables are initially recognized at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Short-term payables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

Payables on interest bearing loans

Loans are recorded initially at the proceeds received, net of transaction costs incurred. Loans are subsequently stated at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the loans using the effective interest method.

**Derecognition of financial assets and liabilities**

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

**Offsetting financial instruments**
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

**Employee benefits**

**(i) Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. The Government of Bulgaria is responsible for providing pensions in Bulgaria under a defined contribution pension plan. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

Advance payments are recognized as prepaid expenses to the extent that they will be offset against future payments or refunded. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

**(ii) Defined benefit plan**

According to the Bulgarian Labour Code at the time when employees acquire pension rights, the Company owes 6 monthly salaries to them, in case the employees have worked for the same company for more than 10 years before pensioning. The Company's obligation in respect of this defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and that amount is discounted. The calculation is performed based on the projected unit credit method. The Company determines the net interest expense on the net defined benefit liability for the period by applying a market discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability.

Remeasurements arising from change in actuarial gains and losses are recognised in OCI. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

**(iii) Short-term employee benefits**

Short-term employee benefit obligations are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Company recognizes as a liability the undiscounted amount of the estimated costs related to unused annual leave expected to be paid in exchange for the employee's service for the period completed.

**(iv) Share-based payment transactions**

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes. The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is remeasured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as employee benefit expenses in profit or loss.

**Provisions**

A provision is recognised when the Company has a legal or constructive obligation as result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Impairment**

**(i) Non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**2. Accounting policies (continued)**

**(ii) Financial assets**

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

**Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

**Non-current liabilities**

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

### 3. Revenue from services

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Revenue from services | 20 | - |
| | 20 | - |

The recognised revenue is related to contract for consultancy services, concluded on 1 September 2014 with Karlovo Biomass EOOD.

### 4. Expenses for hired services

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Consultancy fees | 131 | 20 |
| Audit services | 28 | 22 |
| Office rent | 55 | 19 |
| Other | 249 | 38 |
| | 463 | 99 |

Other expenses for hired services in 2014 include expenses at the amount of EUR 118 thousand, related to advertisement and presentation of the Company and participation in exhibitions.

### 5. Employee benefit expenses

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Wages and salaries | 412 | 178 |
| Compulsory social security contribution | 33 | 15 |
| Accrued expenses for unused paid leave | 10 | 6 |
| | 455 | 199 |

### 6. Other expenses

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Stock exchanage related expenses | 179 | 63 |
| Other expenses | 286 | 59 |
| | 465 | 122 |

### 7. Finance income and costs

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Interest income | 389 | 48 |
| | 389 | 48 |
| Interest expense | (5) | (11) |
| Exchange rate difference | (17) | (5) |
| Bank expenses | (21) | (2) |
| **Finance costs** | (43) | (18) |
| **Net finance income recognized in profit or loss** | 346 | 30 |

### 8. Investment in subsidiaries

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Balance at 1 January | 12,968 | 12,597 |
| New investments | 2,250 | 371 |
| **Balance at 31 December** | 15,218 | 12,968 |

The investments in Karlovo Biomass EOOD, Heat Biomass EOOD, Tvardica Biomass EOOD, Nova Zagora Biomass EOOD, Plovdiv Biomass EOOD and United Biomass EOOD have been initially recognized at cost, which represents mainly the contributions in kind, measured at fair values by certified licensed valuers as at the date of the in-kind contribution, based on discounted estimated future net cash flows to be generated by the companies. Their values are dependent on the estimated timing of completion of the Biomass Power Plants and commencement of electricity production. See also Note 1 and Note 22.

In July 2013 according to the Minutes of the Board of Directors of Ebioss Energy AD, the company transferred to EQTEC Iberia S.L. Spain EUR 360 thousand. Through this capital increase Ebioss Energy increased its ownership of EQTEC Iberia S.L. Spain from 45% to 47.97%.

In December 2013 Ebioss acquired 43% of newly established company Energotec-Eco AD and control over its operating and financing activities.

On 3 April 2014 according to agreement for transfer of shares Ebioss Energy AD acquired 100% of the shares of Sorgenia Bioenergy S.P.A in Italy (renamed subsequently to Syngas Italy S.R.L) for the price of EUR 650 thousand.

On 1 August 2014 Ebioss Energy AD acquired 51% of the capital of TNL SGPS LDA, Portuguese company for the total amount of EUR 1,550 thousand. On 4 August 2014 Ebioss Energy AD acquired in addition 1,62% at the amount of EUR 50 thousand. Thus the participation in the capital of TNL SGPS LDA was increased to 52,62%.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 8. Investment in subsidiaries (continued)

The investment in subsidiaries as at 31 December 2014 and 2013 are presented below:

| Subsidiary | Country of incorporation | % ownership 31.12.2014 | Investment amount in EUR'000 31.12.2014 | % ownership 31.12.2013 | Investment amount in EUR '000 31.12.2013 |
|---|---|---|---|---|---|
| Heat Biomass EOOD | Bulgaria | 100% | 3,500 | 100% | 3,500 |
| Karlovo Biomass EOOD | Bulgaria | 100% | 3,500 | 100% | 3,500 |
| Tvardica Biomass EOOD | Bulgaria | 100% | 2,045 | 100% | 2,045 |
| Nova Zagora Biomass EOOD | Bulgaria | 100% | 1,278 | 100% | 1,278 |
| Plovdiv Biomass EOOD | Bulgaria | 100% | 979 | 100% | 979 |
| United Biomass EOOD | Bulgaria | 100% | 1,090 | 100% | 1,090 |
| Eqtec Iberia S.L. | Spain | 47.97% | 565 | 47.97% | 565 |
| Energotec-Eco AD | Bulgaria | 43% | 10 | 43% | 10 |
| Biomass Distribution EOOD | Bulgaria | 100% | 1 | 100% | 1 |
| Syngas Italy S.R.L. | Italy | 100% | 650 | - | - |
| TNL SGPS | Portugal | 52.62% | 1,600 | - | - |
| **Total investment** | | | **15,218** | | **12,968** |

All shares from the investment in Karlovo Biomass OOD are pledged in favour of United Bulgarian Bank in relation to loan contsracts dated 02.06.2014 between Karlovo Biomass EOOD as a borrower, United Bulgarian Bank as a lender and Ebioss Energy as a joint debtor for the cumulative amount of EUR 5,700 thousand.

## 9. Property, plant and equipment

| | Computers EUR'000 | Vehicles EUR'000 | Total EUR'000 |
|---|---|---|---|
| **Cost** | | | |
| Balance at 1 January 2013 | - | - | - |
| Additions | 1 | - | 1 |
| **Balance at 31 December 2013** | 1 | - | 1 |
| **Balance at 1 January 2014** | 1 | - | 1 |
| Additions | 5 | 2 | 7 |
| **Balance at 31 December 2014** | 6 | 2 | 8 |
| **Depreciation and impairment losses** | | | |
| Balance at 1 January 2014 | - | - | - |
| Amortisation for the year | 1 | - | 1 |
| **Balance at 31 December 2014** | 1 | - | 1 |
| **Carrying amounts** | | | |
| At 1 January 2013 | - | - | - |
| At 31 December 2013 | 1 | - | 1 |
| **At 31 December 2014** | 5 | 2 | 7 |

## 10. Intangible assets

The amount of intangible assets comprises acquired by the Company in 2014 software with net book valueas of 31 December 2014 - EUR 5 thousand, including acquisition cost - EUR 6 thousand and accumulated amortisation for the year - EUR 1 thousand.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 11. Cash and cash equivalents

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Cash at bank | 2,348 | 4,535 |
| Cash in hand | 109 | 19 |
| | 2,457 | 4,554 |

| Cash and cash equivalents are denominated in following currencies: | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| BGN | 150 | 262 |
| EUR | 2,307 | 4,292 |
| | 2,457 | 4,554 |

## 12. Loans provided to related parties

| | Currency EUR | Annual interest 4% | Amount EUR'000 | Maturity |
|---|---|---|---|---|
| **Balance at 1 January 2014** | | | 5,686 | |
| New proceeds: | | | | |
| - Heat Biomass EOOD | | | 135 | 31.12.2015 |
| - Karlovo Biomass EOOD | | | 7,793 | 31.12.2015 |
| - United Biomass EOOD | | | 6 | 31.12.2018 |
| - Nova Zagora Biomass EOOD | | | 10 | 31.12.2018 |
| - Tvardica Biomass EOOD | | | 12 | 31.12.2015 |
| - Plovdiv Biomass EOOD | | | 22 | 31.12.2018 |
| - Tvardica PV EOOD | | | 1 | 31.12.2018 |
| - Biomass Distribution EOOD | | | 3005 | 31.12.2018 |
| - Brila EOOD | | | 22 | 31.12.2018 |
| - Syngas Italy S.R.L. | | | 1278 | 31.12.2015 |
| - TNL SGPS | | | 260 | 15.12.2015 |
| - Company employee | | | 10 | 18.12.2015 |
| Loan repaid: | | | | |
| - Heat Biomass EOOD | | | (1,600) | |
| Loan interest accrued: | | | | |
| - Heat Biomass EOOD | | | 76 | |
| - Karlovo Biomass EOOD | | | 262 | |
| - United Biomass EOOD | | | 1 | |
| - Nova Zagora Biomass EOOD | | | 1 | |
| - Tvardica PV EOOD | | | 1 | |
| - Plovdiv Biomass EOOD | | | 1 | |
| - Biomass Distribution EOOD | | | 27 | |
| - Brila EOOD | | | 1 | |
| - Syngas Italy S.R.L. | | | 15 | |
| - TNL SGPS | | | 3 | |
| **Balance at 31 December 2014** | | | 17,028 | |

| EUR'000 | Total | Up to 1 year | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|
| Loans | 17,028 | 13,882 | - | 3,146 | - |
| | 17,028 | 13,882 | - | 3,146 | - |

### 12. Loans provided to related parties (continued)

| | Currency EUR | Annual interest 4% | Amount EUR'000 | Maturity |
|---|---|---|---|---|
| **Balance at 1 January 2013** | | | 84 | |
| Transfer from Other receivables from related parties / see note 19.1/: | | | | |
| - Heat Biomass EOOD | | | 472 | 31.12.2015 |
| - Karlovo Biomass EOOD | | | 80 | 31.12.2015 |
| - United Biomass EOOD | | | 25 | 31.12.2018 |
| - Nova Zagora Biomass EOOD | | | 12 | 31.12.2018 |
| - Tvardica Biomass EOOD | | | 8 | 31.12.2018 |
| - Plovdiv Biomass EOOD | | | 7 | 31.12.2018 |
| - Tvardica PV EOOD | | | 6 | 31.12.2018 |
| New proceeds: | | | | |
| - Heat Biomass EOOD | | | 1,937 | 31.12.2015 |
| - Karlovo Biomass EOOD | | | 2997 | 31.12.2015 |
| - United Biomass EOOD | | | 3 | 31.12.2018 |
| - Nova Zagora Biomass EOOD | | | 2 | 31.12.2018 |
| - Tvardica Biomass EOOD | | | 1 | 31.12.2015 |
| - Plovdiv Biomass EOOD | | | 1 | 31.12.2018 |
| - Tvardica PV EOOD | | | 1 | 31.12.2018 |
| - Biomass Distribution EOOD | | | 1 | 31.12.2018 |
| Loan interest accrued: | | | | |
| - Heat Biomass EOOD | | | 32 | |
| - Karlovo Biomass EOOD | | | 13 | |
| - United Biomass EOOD | | | 1 | |
| - Tvardica Biomass EOOD | | | 1 | |
| - Nova Zagora Biomass EOOD | | | 1 | |
| - Plovdiv Biomass EOOD | | | 1 | |
| **Balance at 31 December 2013** | | | 5,686 | |

| EUR'000 | Total | Up to 1 year | 1-2 years | 2-5 years | More than 5 years |
|---|---|---|---|---|---|
| Loans | 5,686 | 48 | 5,572 | 66 | - |
| | 5,686 | 48 | 5,572 | 66 | - |

### 13. Trade and other receivables

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Prepaid amounts to suppliers | 56 | 5 |
| Receivables from employee | 5 | 7 |
| Refundable VAT | 8 | 8 |
| Other receivables | 46 | 11 |
| | 115 | 31 |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 14. Capital and capital reserves

### *14.1. Ordinary shares*

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Company, all rights are suspended until those shares are reissued.

| **Issued and fully paid** | | **Number of shares** | **thousand EUR** |
|---|---|---|---|
| **Balance on 1 January 2013** | | 2,423,550 | 12,392 |
| New issues | a) | 226,837 | 1,160 |
| Share split | b) | 2,650,387 | - |
| New issues | c) | 1,748,919 | 4,471 |
| **Balance on 31 December 2013/1 January 2014** | | 7,049,693 | 18,022 |
| Share split | d) | 28,198,772 | - |
| New issues | e) | 5,663,951 | 2,896 |
| **Balance at 31 December 2014** | | 40,912,416 | 20,918 |

a) On 26 June 2013 on the grounds and under conditions of the resolution of General meeting of the company dated 12.12.2012, the share capital of EBIOSS ENERGY AD is increased from EUR 12,392 thousand to EUR 13,552 thousand through emission and sale of 226,837 regular dematerialized shares with voting rights and nominal value of EUR 5.11 and emission value of EUR 8 and comprising at total 2,650,387 shares of a nominal value of EUR 5.11 each.

b) On 9 December 2013 on the grounds and under conditions of the resolution of General meeting of the company dated 05.09.2013, the nominal value of the shares of the Company is changed, without changing the amount of the registered capital. The existing shares are devided into two, i.e. the split ratio used is 2-for-one and the share capital after division comprise 5,300,774 shares of a nominal value of EUR 2.56 each.

c) On 26 November 2013 the share capital of EBIOSS ENERGY AD is increased from EUR 13,552 to EUR 18,022 thousand through emission and sale of 1,748,919 regular dematerialized shares with voting rights and nominal value of EUR 2.56 and emission value of EUR 5.15 and comprising at total 7,049,693 shares of a nominal value of EUR 2.56 each.

d) On 20 May 2014 on the grounds and under conditions of the resolution of General meeting of the Company dated 10.04.2014, the nominal value of the shares of Ebioss Energy changed, without changing the amount of the register capital.The existing shares were divided into five, i.e. the split ratio used is five-for-one.

e) On 17 June 2014 on the grounds and under conditions of the resolution of General meeting of the Company dated 10.04.2014, the share capital of EBIOSS ENERGY AD is increased from EUR 18,022 thousand (BGN 35,248 thousand) to EUR 20,918 thousand (BGN 40,912 thousand) through emission and sale of 5,663,951 regular dematerialized shares with voting rights and nominal value of BGN 1 (EUR 0.51) and emission value of EUR 2.80 (BGN 5.47). The share capital after the emission is 40,912,416 shares of a nominal value of EUR 0.51 (BGN 1) each.

### *14.2. Reserve for own shares*

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Company.
As at 31 December 2014 the Company held 1,305,808 own shares with nominal value EUR 0.51 (BGN 1).
As at 31 December 2013 the Company held 8,373 own shares with nominal value EUR 2.56 (BGN 5).

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 15. Earnings per share

#### Basic earnings per share

The calculation of basic earnings per share at 31 December 2014 was based on the profit/ (loss) attributable to ordinary shareholders of EUR (934) thousand (2013: EUR (355) thousand), and a weighted average number of ordinary shares outstanding of 38,124 thousand (2013: 5,221 thousand), calculated as follows:

***(i) Profit attributable to ordinary shareholders (basic)***

| *In thousands of EUR* | **2014** | **2013** |
|---|---|---|
| Loss for the year | (934) | (355) |
| **Loss attributable to ordinary shareholders** | (934) | (355) |

***(ii) Weighted average number of ordinary shares (basic)***

| *In thousands of shares* | **2014** | **2013** |
|---|---|---|
| Issued ordinary shares at 1 January | 7,050 | 2,424 |
| Effect of shares issued in June 2013 | - | 89 |
| Effect of share split | - | 2,651 |
| Effect of shares issued in November 2013 | - | 57 |
| Effect of share split in May 2014 | 28,200 | - |
| Effect of shares issued in June 2014 | 3,304 | - |
| Effect from repurchased own shares | (430) | - |
| **Weighted average number of ordinary shares at 31 December** | 38,124 | 5,221 |
| Earnings per share (EUR) | (0.024) | (0.068) |

### 16. Loans payable to related parties

***Related party – Electra Holding AD***

| | **Cyrrency EUR** | **Annual interest 4%** | **Amount (EUR'000)** | **Maturity** |
|---|---|---|---|---|
| **Balance at 1 January 2013** | | | **166** | |
| New proceeds | | | 213 | 31.12.2014 |
| Interest | | | 11 | |
| Repaymets | | | (135) | |
| **Balance at 31 December 2013/ Balance at 1 January 2014** | | | **255** | |
| Interest | | | 5 | |
| Repayments | | | (260) | |
| **Balance at 31 December 2014** | | | - | |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 17. Trade and other payables

| Trade payables | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Payables to suppliers | 67 | 39 |
| | 67 | 39 |
| **Other payables** | | |
| Payables in regard to issue of new share capital | - | 208 |
| Donation tax liability | - | 31 |
| Accruals for unused paid leave | 16 | 6 |
| Other tax liabilities | 10 | 2 |
| | 26 | 247 |
| **Trade and other payables** | 93 | 286 |

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

## 18. Taxation

| Income tax recognised in profit or loss | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Deferred tax expense (benefit) | (85) | (35) |
| **Income tax expense for the year** | (85) | (35) |

| Reconciliation of the effective income tax rate: | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Loss for the year | (934) | (356) |
| Total income tax expense (benefit) | (85) | (35) |
| **Profit/(Loss) excluding income tax** | (1,019) | (391) |
| Income tax expense at the statutory income tax rate of 10% | (102) | (39) |
| Unrecognised deferred tax assets – unused paid leaves | 2 | - |
| Non-deductible expenses | 15 | 4 |
| **Income tax expense/(benefit)** | (85) | (35) |
| **Effective tax rate** | 8% | 9% |

Under the current provisions of the Bulgarian Corporate Tax Act, the Company may use its accumulated loss to substantially reduce the income tax it would otherwise have to pay on future taxable income in the next five years.

The respective tax periods of the Company may be subject to inspection by the tax authorities until the expiration of 5 years from the end of the year in which a corporate income tax return was submitted, or should have been submitted, and additional taxes or penalties may be imposed in accordance with the interpretation of the tax legislation. The Company's management is not aware of any circumstances which may give rise to a contingent additional liability in this respect.

**18. Taxation (continued)**

**Recognised deferred tax assets**

Deferred tax assets are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | 2014 EUR'000 | 2013 EUR'000 | 2014 EUR'000 | 2013 EUR'000 | 2014 EUR'000 | 2013 EUR'000 |
| Tax loss carry-forwards | (120) | (35) | - | - | (120) | (35) |
| **Tax (assets) liabilities** | (120) | (35) | - | - | (120) | (35) |
| **Net tax (assets) liabilities** | (120) | (35) | - | - | (120) | (35) |

**Movement in deferred tax balances**

| *In thousand of EUR* | Balance 1 January 2013 | Recognized in profit or loss | Balance 31 December 2013 | Recognized in profit or loss | Balance 31 December 2014 |
|---|---|---|---|---|---|
| Tax loss carry-forwards | - | (35) | (35) | (85) | (120) |
| | - | (35) | (35) | (85) | (120) |

**19. Financial instruments**

**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

**Risk management framework**

The management of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework. The policy sets limits for taking different kinds of risks and defines control rules with regard to these limits. The policy is to be regularly reviewed in relation with identification of changes in the risk levels.

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

### 19. Financial instruments (continued)

#### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from related parties.

The carrying amount of Company's financial assets represents the maximum exposure to credit risk. As at the reporting date the carrying amounts of the financial assets is as follows:

| | Note | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|---|
| Loans provided to related parties | 20.1 | 17,028 | 5,686 |
| Bank balances | | 2,348 | 4,535 |
| | | 19,376 | 10,221 |

No amounts of loans and receivables are overdue or impaired.

#### (b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2014:

| *In thousands of EUR* | | Carrying amount | Contractual cash flows | 1 year or less | 1 – 2 years |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | |
| Other payables to related parties | 20.3 | 145 | (145) | (145) | - |
| Payables to suppliers | 17 | 67 | (67) | (67) | - |
| | | 212 | (212) | (212) | - |

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements as of December 31, 2013:

| *In thousands of EUR* | | Carrying amount | Contractual cash flows | 6 months or less | 1 – 2 years |
|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | |
| Loans payable to related parties | 20.2 | 255 | (255) | (255) | - |
| Other payables to related parties | 20.3 | 206 | (206) | - | (206) |
| Payables to suppliers | 17 | 247 | (247) | (247) | - |
| | | 708 | (708) | (502) | (206) |

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

**19. Financial instruments (continued)**

**(c) Market risk**

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**Currency risk**

As at the reporting date the currency risk is considered as insignificant as major part of Company's transactions in foreign currency are denominated in euro, and the Bulgarian Lev is pegged to the euro.

The Company's management does not believe that the peg will change within the next 12 months and therefore no sensitivity analysis has been performed.

**Interest rate risk**

Interest rate risk is the risk that interest bearing assets and liabilities may change in value, because of fluctuations of the market interest rates.

***Profile***

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | Nominal amount | |
|---|---|---|
| *In thousands of EUR* | **31.12.2014** | **31.12.2013** |
| **Fixed rate instruments** | | |
| Financial assets | 16,590 | 5,638 |
| Financial liabilities | - | (243) |
| | 16,590 | 5,395 |

The Company has no variable rate instruments as at 31 December 2014 and 31 December 2013.

**Capital management**

The Management's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

There were no changes in the Company's approach to capital management during the year.

**Fair value of financial assets and liabilities**

The Company has no financial assets and financial liabilities at fair value. Not disclosed information about the fair values of financial assets and financial liabilities that are not measured at fair value as its carrying value is a reasonable approximation of fair value.

**20. Related party transactions and balances**

The Company's parent and ultimate controlling party is Southeimer LLC, Spain.

Related parties are as follows:

| Related party | Relationship |
|---|---|
| Elektra Holding AD | Parent of EBIOSS ENERGY AD |
| Heat Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Karlovo Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Plovdiv Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Tvardica Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| United Biomass EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| Biomass Distribution EOOD | subsidiary, 100% owned by EBIOSS ENERGY AD |
| EQTEC Iberia S.L., Spain | subsidiary, 48% owned and controlled by EBIOSS ENERGY AD |
| Eqtec Bulgaria EOOD | subsidiary, 100% owned and controlled by EQTEC Iberia S.L., Spain |
| Energotec Eco AD | subsidiary, 43% owned and controlled by EBIOSS ENERGY AD |
| Brila EOOD | subsidiary, 100% owned by Plovdiv Biomass EOOD |
| Tvarditsa PV EOOD | subsidiary, 100% owned by Tvarditsa Biomass EOOD |
| Syngas Italy S.R.L. | subsidiary, 100% owned by EBIOSS ENERGY AD (since 3.04.2014) |
| TNL SGPS, Portugal | subsidiary, 52,62% owned and controlled by EBIOSS ENERGY AD |
| TNL SA, Portugal | subsidiary,100% owned and controlled by TNL SGPS (since 1.08.2014) |
| Hirdant, Portugal | subsidiary,100% owned and controlled by TNL SGPS (since 1.08.2014) |
| Addom, Spain | subsidiary,100% owned and controlled by TNL SGPS (since 1.08.2014) |
| TNL SL, Spain | subsidiary, 80% owned and controlled by TNL SGPS (since 1.08.2014) |
| Citytainer Brasil, Brasil | associate of TNL SGPS (since 1.08.2014) |
| Citytainer Industria, Brasil | Subsidiary 100% owned and controlled by Citytainer Brasil (since 1.08.2014) |
| Inava Ingeiyieria De Analisis SL | under common control |
| Ortiz Elektra AD | under common control |
| Biomass Gorno EOOD | under common control |
| Luxur PV EOOD | under common control |
| Bul PV EOOD | under common control |
| Bul Biomass EOOD | under common control |
| Luxur Biomass OOD | under common control |
| Val Biomass EOOD | under common control |
| Smolyan Biomass EOOD | under common control |
| Titan Power OOD | under common control |
| Eko El Invest | under common control |

*Directors*

The Executive Directors of EBIOSS ENERGY AD are Jose Oscar Leiva Mendez and Luis Sanchez Angrill.

The remuneration to the key management personnel in 2014 amounts to EUR 124 thousand (2013: EUR 61 thousand).

# NOTES TO THE SEPARATE FINANCIAL STATEMENTS

## 20. Related party transactions and balances (continued)

### 20.1 Loans provided to related parties

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Heat Biomass EOOD | | |
| - principal | 1,027 | 2492 |
| - interest | 109 | 33 |
| Karlovo Biomass EOOD | | |
| - principal | 10,870 | 3077 |
| - interest | 275 | 13 |
| United Biomass EOOD | | |
| - principal | 34 | 28 |
| - interest | 2 | 1 |
| Nova Zagora Biomass EOOD | | |
| - principal | 24 | 14 |
| - interest | 2 | 1 |
| Tvardica Biomass EOOD | | |
| - principal | 21 | 9 |
| - interest | 1 | 1 |
| Plovdiv Biomass EOOD | | |
| - principal | 30 | 8 |
| - interest | 2 | 1 |
| Tvarditsa PV EOOD | | |
| - principal | 7 | 7 |
| - interest | 1 | - |
| Biomass Distribution | | |
| - principal | 3,006 | 1 |
| - interest | 27 | - |
| Brila EOOD | | - |
| - principal | 22 | - |
| - interest | 1 | - |
| Syngas Italy S.R.L. | | |
| - principal | 1,278 | - |
| - interest | 15 | - |
| TNL SGPS | | |
| - principal | 260 | - |
| - interest | 3 | - |
| Company employee | | |
| - principal | 10 | - |
| | 17,028 | 5,686 |

### 20.2 Loans payables to related parties

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Elektra Holding AD (see Note 16) | - | 255 |
| | - | 255 |

### 20.3 Other payables to related parties

| | 31.12.2014 EUR'000 | 31.12.2013 EUR'000 |
|---|---|---|
| Elektra Holding AD | 145 | 206 |
| | 145 | 206 |

Other liabilities represent payable to Elektra Holding AD for transfer of shares in EQTEC Iberia SL. The maturity date is 21 November 2015 and the liability is interest free.

**20. Related party transactions and balances (continued)**

**20.4 Services provided to related parties**

| | 2014 EUR'000 | 2013 EUR'000 |
|---|---|---|
| Karlovo Biomass EOOD | 20 | - |
| | 20 | - |

**21. Commitments and contingent liabilities**

Ebioss Energy AD is a joint debtor in relation to Loan contracts dated 02.06.2014 between Karlovo Biomass EOOD and United Bulgarian Bank AD for the cumulative amount of EUR 5700 thousand until the time of commissioning of biomass power plant property of Karlovo Biomass EOOD. The timing of commissioning will be confirmed by use permit issued by Directorate for National Construction Supervision. See also Note 22.

**22. Events after the reporting period**

On 13th February 2015, the General Meeting of Ebioss Energy adopted resolution for issuance of emission of freely transferable, interest-bearing, bonds, convertible or non-convertible, at overall nominal and emission value of the debt instruments: up to 60,000,000 BGN or its equivalent in Euro. The general Meeting adopted also a resolution the shares of "EBIOSS ENERGY" AD to be admitted to trading on the alternative stock market in Paris, France – ALTERNEXT or on the alternative stock market in London, UK – AIM by making a private placement and/or dual listing.

On 5th March 2015, with act for registration No20150305112127 of the Registry Agency of the Republic of Bulgaria in the Trade registry was cancelled the participation of MERIDEN GROUP SAU as a board member in Ebioss Energy AD and the latter company was replaced by newly elected board member – Mr. Carlos Cuervo Arango Martinez.

On 6th March 2015 there were made changes in the Renewable Energy Act /REA/ regarding the operating conditions related to renewable energy producers, which are applicable to the Company.

According to the amended Act, the Company may produce electicity with power capacity up to 1,5 MW, using combined cycle and indirect use of biomass out of whose total weight animal manure shall comprises not less than 50%.

Thus the Company plans to produce electricity through thermal gasification with combined cycle from biomass of agricultural waste for power plants with power capacity up to 5MW become no longer applicable.

The feed-in tariff for production of electricity by way of combined cycle and indirect use of biomass of animal manure and agricultural substance for power plants with capacity up to 1,5MW is fixed to 447,43 BGN/MWh which is higher compared to the not applicable anymore feed-in tariff of 389,60 BGN/MWh for production of electricity through thermal gasification with combined cycle from biomass of agricultural waste for power plants with power capacity up to 5MW.

Following the above mentioned changes in the legislation, the Company has commenced to reorganize and redesign its existing power production facilities of Karlovo Biomass Power Plant and construction in progress of Heat Biomass Power Plant.

As of 31st March 2015 the plant of Syngas Italy in Toscana Region of 1 MW has been put into operation and started to sell electricity.

On 20th of April 2015 Ebioss Energy signed with the Spanish company CONECTA2 ENERGIA S.L, domiciled in the city of Barcelona, an Agreement for investment intention Ebioss to be admitted as shareholder in the capital of CONECTA2 ENERGIA SL. The parties agreed to perform within approximately 1-year term legal procedure of gradual capital increase of the registered capital of CONECTA2 ENERGIA S.L, whereat Ebioss shall consecutively subscribe certain portions of newly emitted shares up to 50,01% of the registered capital of CONECTA2 ENERGIA S.L, making an overall equity investment in the receiving company of 1.500.000 €.

Apart from the above mentioned events, there are no other significant events after the reporting period, which have a bearing on the understanding of the separate financial statements.